



## **Tessellis Group Annual Financial Report as at 31 December 2022**

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The Board of Directors of Tessellis S.p.A. authorized the publication of this document on 5 April 2022. This document is available online on [www.tessellis.it](http://www.tessellis.it).

### **Tessellis S.p.A.**

Registered office in Cagliari, Sa Illetta, SS195 Km 2.3

Share capital EUR 185,513,965.37

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

Term of the company: end date 31 December 2050

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## 1 Consolidated Summary Data

Consolidated Income statement	Tessellis Group, Accounting Data 2022*	Tessellis Group, Pro-Forma Data 2022** (not audited)	Tessellis Group, Pro-Forma Data 2022 Adjusted *** (not audited)
<i>(EUR mln)</i>			
Revenue	100.1	243.9	260.9
Other income	2.4	17.8	17.8
Adjusted Gross Operating Result (EBITDA)	10.7	32.4	49.4
Operating Result (EBIT)	(30.4)	(68.7)	(51.7)
Net Result	(34.7)	(79.8)	(62.8)

Consolidated Financial Statements	31 december 2022
<i>(EUR mln)</i>	
Total assets	344.7
Net Financial Debt	97.7
Net Financial Debt as per Consob	121.0
Shareholders' equity	68.0
Investments	23.2
<b>Operating figures</b>	
<i>(thousands)</i>	
<b>Total number of Clients</b>	<b>1,105</b>
Broadband Fixed	298
Broadband Wireless	521
Mobile	285

(\*) The consolidated financial statements as at 31 December 2022 include the economic and financial results from the date of first consolidation, i.e. 1 August 2022, the date on which the new Tessellis Group was established. As this is the first consolidated financial statements of the new Tessellis Group, there are no comparative figures.

(\*\*) The Pro-Forma Data 2022 column includes pro-forma data ("2022 Pro-Forma Data"), starting from the data of the consolidated financial statements at 31 December 2022, include some effects aimed at presenting the 2022 results as if the merger between Linkem Retail S.r.l. and Tessellis S.p.A. (formerly Tiscali S.p.A.) had taken place, as far as the economic effects are concerned, with effect from 1 January 2022. Reference should be made to the sub-section "2022 Pro Forma Data" contained in section 4.6 "Analysis of the Group's financial position, results of operations and cash flows" for further information on the criteria used to prepare the data presented.

(\*\*\*) The column 2022 Adjusted Pro-Forma Data includes the adjusted data that, starting from the 2022 Pro-Forma Data, eliminates the effects on the economic results of the allocations made during the price allocation of the merger between Linkem Retail S.r.l. and Tessellis S.p.A.. Please refer to the sub-section "2022 Adjusted Pro Forma Data" contained in section 4.6 "Analysis of the Group's financial position, results of operations and cash flows" for further information on the criteria used to prepare the data presented.

## 2 Alternative Performance Indicators

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In this Management Report, in addition to the conventional indicators provided for by IFRS, an alternative performance indicator (EBITDA) used by the management of the Tessellis Group to monitor and evaluate the Group's operating performance is represented. This indicator should not be considered as a substitute for the profitability measures provided for by IFRS; in particular, since the composition of EBITDA is not regulated by the reference accounting standards, the determination criteria applied by the Tessellis Group may not be homogeneous with those adopted by other operators and therefore, this alternative performance indicator may not be comparable.

In addition, the Directors consider it relevant to monitor the economic results obtained during the period also considering:

1. The fact that the financial year ending 31 December 2022 includes only the results of 5 months of activity of the new Tessellis Group. For this reason, the Directors have prepared the 2022 Proforma Data with the purpose of reflecting, albeit with the implicit limitations better described in the sub-section "The 2022 Proforma Data" contained in section 4.6 "Analysis of the Group's economic financial position, results of operations" as if the merger deed between Linkem Retail and Tessellis S.p.A. (formerly Tiscali S.p.A.), which took effect on 1 August 2022 (hereinafter referred to as the "**Transaction**"), had taken effect on 1 January 2022. The amended financial results are hereinafter referred to as the "**2022 Pro Forma Data**";
2. The accounting treatment of the Transaction led to the allocation of part of the price paid on the acquired assets forming part of the former Tiscali group (the "former Tiscali Group") on the basis of their Fair Value. This allocation (hereinafter referred to as the "**PPA**"), although provisional, led to the recognition of certain gains in the financial statements also on assets sold during the 2022 financial year. In particular, the sale of certain assets in 2022, specifically the sale of 0.3 million units of IP addresses in 2022, would have led to the recognition of a higher revenue and ebitda value than recognised had the PPA not been made. The details of the PPA are set forth in Section 4.6. The adjusted results of operations are identified hereafter as "2022 Adjusted Pro Forma Data".

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.

## Annual Financial Report as at 31 December 2022

EBITDA CALCULATION:	Tessellis Consolidated Financial Statement 2022	Pro-Forma effects	Pro-Forma as of 31.12.2022	PPA effects elimination	Tessellis Group, adjusted Pro- Forma as of 31.12.2022
<i>(EUR mln)</i>					
<b>Result before taxes</b>	<b>(34,714)</b>	<b>(45,057)</b>	<b>(79,771)</b>	<b>17,000</b>	<b>(62,771)</b>
+ Financial Expenses	4,028	6,578	10,606	0	10,606
- Financial Income	(5)	(1)	(6)	0	(6)
+ Result on Investments at equity method	245	200	445	0	445
<b>Operating income</b>	<b>(30,446)</b>	<b>(38,279)</b>	<b>(68,725)</b>	<b>17,000</b>	<b>(51,725)</b>
+ Restructuring costs and other provisions	64	564	628	0	628
+ Depreciation and Amortization	41,097	59,444	100,541	0	100,541
<b>Gross Operating Result (EBITDA)</b>	<b>10,715</b>	<b>21,729</b>	<b>32,444</b>	<b>17,000</b>	<b>49,444</b>

### 3 Administrative and Controlling Bodies

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#### **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 (#)

**Chief Executive Officer:** 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 on 26 April 2023, following the resignation of Directors Alberto Trondoli and Cristiana Procopio

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

(1) Control and Risk Committee

(2) Appointment and Remuneration Committee

(3) Related Party Transaction Committee

#### **Board of Auditors**

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

**Chairman:** Riccardo Zingales

**Statutory Auditors:** Andrea Borghini (\*)

Rita Casu

(\*) Replaced Gaetano Rebecchini

**Officer in charge of drafting accounting and corporate documents:**

Fabio Bartoloni

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

**Auditing Company:**

Deloitte & Touche S.p.A.

The Independent Auditors were appointed by the Shareholders' Meeting held on 30 May 2017, with a nine-year term of office, from financial year 2017 to financial year 2025.



## Management Report

## 4 Management Report

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### *Introduction*

*The Tessellis Group has availed itself of the option to present the Parent Company Management Report and the Consolidated Management Report in a single document, giving greater prominence, where appropriate, to matters relevant to all the companies included in the consolidation.*

Tessellis is the new industrial group (herein referred to as the “**Tessellis Group**” or “**Tessellis**”) resulting from the merger between Linkem Retail S.r.l. and Tessellis S.p.A. (formerly Tiscali S.p.A.), a merger completed in August 2022. Given that the company Linkem Retail, considered the acquirer in the Transaction, only held shares as of 1 January 2022, the Tessellis Group presents 1 August 2022 as the date of first consolidation. Consequently, the figures in the Consolidated Financial Statements as of 31 December 2022 represent, from a financial and economic perspective, the operations of the new Group as of the date of first consolidation and, therefore, for a period of 5 months. As indicated above, the Directors monitor business performance through the analysis not only of the accounting data included in the Consolidated Financial Statements for the year ended 31 December 2022, but also through the analysis of the 2022 Pro Forma Data, which allows monitoring the performance of the Tessellis Group during the entire 2022 calendar year, as well as through the analysis of the Adjusted 2022 Pro Forma Data, which corrects the 2022 Pro Forma Data from the effects of the provisional PPA made in the Consolidated Financial Statements for the year ended 31 December 2022. Therefore, below, where considered useful to the reader, the Directors present, in addition to the data of the Consolidated Financial Statements as at 31 December 2022, the 2022 Pro Forma Data and the 2022 Adjusted Pro Forma Data.

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 Ultra Broadband segment in the most innovative and promising technologies: FWA 5G (Fixed Wireless Access) and FTTH (Fiber To The Home).

The Group’s three main areas of activity follow:

- **Telco**: fixed services – in Ultra Broadband 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 BtB and Public Administration**: vertical platforms and services - smart city services for households, businesses and public administrations.

#### 4.1 Integration transaction between the Tessellis Group and the retail branch of the Linkem Group

##### Description of the Transaction – strategic rationale

During the financial year 2021 and the first half of 2022, Tiscali S.p.A. (now “**Tessellis S.p.A.**”) worked on the realisation of an industrial integration transaction through a merger (hereinfter referred to as the “**Merger**” or the “**Transaction**”) for the incorporation into its group (hereinafter referred to as the “**former Tiscali Group**”) of the Linkem S.p.A. retail business branch (hereinafter referred to as the “**Business Unit**”).

The purpose of the Merger was to integrate the former Tiscali Group and the Business Unit into a single corporate and commercial reality in order to develop synergies, consolidate and strengthen the market position. Following the completion of the Transaction, Tessellis has become the fifth largest operator in the fixed market and in Ultrabroadband access in FWA+FTTH technologies – the most innovative and promising ones – with an overall market share of 12.7% (Source: AGCOM data, December 2022), strategically positioned to take full advantage of the potential of FTTH and FWA 5G technologies.

The competitiveness of the market in which Tessellis operates has increased dramatically in recent years, with the entry of new operators (Sky, Poste Italiane, Iliad, and in 2022 Virgin) that have adopted “market-breaking” pricing policies. In this context, with prices (and margins) progressively decreasing, Tessellis’ choice (consistent with the market trend, in which operators are oriented towards aggregation) was to achieve, through the Merger, a higher scale, which would allow it to obtain a larger market share, additional financial resources to serve growth, important industrial synergies and better absorption of fixed costs.

The Tessellis Group can offer the best connectivity solutions in the field of fixed, mobile, 5G, cloud and smart city services dedicated to households, businesses and public administrations, being able to seize the opportunities offered by the PNRR (i.e., the National Recovery and Resilience Plan).

After the Merger Deed was signed on 22 July 2022, the Merger became effective on 1 August 2022: the new Tessellis Group was born.

##### Description of the Transaction – corporate aspects

The Merger has been finalised following a first preliminary step to the Transaction itself, in which Opnet conferred the Company Unit in favour of Linkem Retail, a company established in November

2021 to which Linkem S.p.A., the parent company, conferred the Company Unit related to the retail business. The contribution, resolved on 30 December 2021, was finalised on 22 July 2022 and became effective as of 1 August 2022.

Subsequently, the Transaction provided for the completion of all activities functional to the completion of the Merger by incorporation of Linkem Retail, as the incorporated company, into Tessellis, as the incorporating company, pursuant to Article No. 2501 *et seq.* of the Italian Civil Code, with the simultaneous issue of new Tessellis shares in favour of Opnet S.p.A. (formerly Linkem S.p.A.), in accordance with the exchange ratio defined by the respective administrative bodies.

Finally, a reorganisation within the Tessellis Group was carried out through the contribution of the Business Unit from the parent company Tessellis S.p.A. in favour of the subsidiary Italia, subject to the latter's approval of a specific capital increase to be paid in kind.

The purpose of the contribution to Tiscali Italia was to bring all retail activities to the same level, at substantially the same time as the completion of the Merger.

It is hereby specified that the contribution of the Business Unit from the parent company Tessellis in favour of the subsidiary Tiscali Italia, while having accounting effects at the level of the separate financial statements of the same companies, has no accounting effects on the consolidated financial statements.

To service the Merger Tessellis issued on 1 August 2022 in favour of Opnet S.p.A., sole shareholder of Linkem Retail, no. 104,025,497 ordinary shares to serve the exchange ratio.

#### Description of the Transaction - accounting aspects

As previously indicated, as a result of the Transaction, Opnet acquired 58.6% of the share capital of Tessellis and, for this reason, the Transaction qualified as a reverse acquisition where the former Tiscali Group is the target of the transaction (hereinafter referred to as the “**Acquired Company**”).

The price of the business combination was calculated on the Acquisition Date in consideration of the fair value of the assets and/or liabilities assumed and the capital instruments issued in order to obtain control.

In the consolidated financial statements as at 31 December 2022 (illustrated in Section 6 of this Report), the values of the assets and liabilities of the Acquired Company were provisionally reflected in the statement of financial position at the carrying values resulting from the consolidated financial statements of the Acquired Company as at 31 July 2022, with the exception of certain assets sold during 2022 recorded at Fair Value net of direct costs, recording the residual value as goodwill for approximately Euro 127.7 million. This value is equal to the difference between the Transaction Price, the fair value of the non-controlling interests, the allocations made under the Provisional PPA and the carrying amount of the net assets of the Acquired Company as of the Acquisition Date (i.e. 31 July

2022).

As previously mentioned, Tessellis partially allocated the goodwill arising from the Transaction for EUR 17 million to certain assets, specifically certain IP addresses that were subsequently sold during the year. It should be noted that this allocation is to be considered provisional, since it will be reviewed/supplemented during the finalisation of the PPA (Purchase Price Allocation) process, which will be completed within 12 months from the date of acquisition.

## 4.2 Tessellis Group's Market Positioning

The value of the Italian telecommunications services market in 2021 (source: AGCOM - latest available data), including fixed and mobile services, was approximately 27.84 billion. The pandemic crisis, albeit to a lesser extent than in 2020, has continued to produce its effects in the electronic communications market, which, in a macroeconomic scenario of substantial recovery, led to a reduction in overall revenues of 2.8% (-4.8% in 2020). This decrease is mainly attributable to the decline in mobile network resources, whose value – now amounting to EUR 12.44 billion – appears to have fallen by 4.6%, while fixed network services – with a total value of EUR 15.4 billion – show a more moderate reduction (-1.3%).

### Fixed Broadband Market Evolution

Broadband and Ultrabroadband accesses of Fixed Network, the main reference market for Tessellis, reached 18.60 million accesses in December 2022 (source AGCOM - latest available data) with a year-on-year decrease of 0.5%.

Ultrabroadband accesses (in Fiber to the Home, Fiber to the Cabinet and FWA - Fixed Wireless Access - technology) grew to 15.51 million units in December 2022 with a year-on-year growth of 6.3% and represent about 83% of the total. Over the same period, the traditional DSL component declined significantly, with a loss of 1.013 million units (-24.7%). The trend of the ongoing technological shift away from DSL offerings towards Ultrabroadband offerings continues.

Tessellis market share following the merger on 1 August 2022 stands at 4.5%. TIM is the market leader at 40%, followed by Vodafone (16.8%), Fastweb (14.4%) and Wind Tre (14.3%). Eolo (3.4%) and Sky Italia (2.6%) follow.

In the Ultrabroadband area, the evolution of the market by technology shows a year-on-year growth of FTTH accesses of 30.9% with a total of 3.47 million accesses, a growth of FTTC accesses of 0.4% with 10.26 million and growth of Fixed Wireless Access of 3.6% with 1.7 million total accesses.

On the FTTH segment, which has the highest growth rate, Tessellis' market share stood at 3.9% in September 2022, and on the FWA segment following the merger with Linkem's retail branch (ref. par. Integration transaction between the Tessellis Group and the retail unit of the Linkem Group), it stood at 29.8%, positioning itself as the second operator in the specific market segment.

The potential of the FTTH market has attracted new operators pursuing a convergence strategy. After the entry of SKY in June 2020, it was the turn of Poste Italiane in May 2021.

Iliad launched its fibre offer in 2022. In August 2022 came the launch of Virgin Fibra by the historic British Virgin Group. The brand, which is already popular in Italy mainly for its chain of gyms, radio station and a cruise company, offers its service in FTTH access technology without telephone calls on the Open Fibre network.

The TELCO market has also recently seen the expansion of multi-utility solutions by large groups: in February it was the turn of Poste Energia to launch, while in early April Enel 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 December 2022 (source: AGCOM) recorded an increase in the total number of lines of 1.124 million units year-on-year: 107.2 million sim units in December 2022 compared to 106.1 million in December 2021, of which 28.8 million units are "M2M" (Machine To Machine) sims equal to 26.8% of the total, with a year-on-year growth of approximately 739 thousand and 78.4 million are "human" sims that carry "voice only" and "voice+data" traffic, up year-on-year by 385 thousand units.

With reference to overall sims, Tim is the market leader with a market share of 28.4% followed by Vodafone with 27.5% and Wind Tre with 24.2%, while Iliad represents 8.9% of the market with a growth of 0.9 p.p. on an annual basis. Considering only the 'human' sim segment, i.e. excluding M2M, Iliad reaches 12.2% and gains 1.3 p.p. year-on-year, while Wind Tre, despite a 0.9 p.p. year-on-year decrease in share, remains the leading operator with 25.6% followed by Tim with 24.7% and Vodafone with 22.6%.

Tessellis operates in the MVNO market, which has about 11.79 million SIMs (11% of the total and 15% of the human market). The MVNO market leader is Poste Mobile with a share of 4.2% of the total mobile market and 5.6% of the total human SIMs.

On the mobile market, Tessellis' customer portfolio stood at around 285,000 as at 31 December 2022.

Total data traffic in the market as at December 2022 continues to grow, albeit more moderately than in previous years: +28.2% as average annual growth. Tessellis mobile offering is available in 7,809

Italian municipalities (TIM network) representing 99% of the national population, the largest in Italy.

### Online Advertising Market

In the period from January to December 2022, the online advertising market in Italy recorded a drop of 3.2% (in absolute value EUR 507 million), and looking at the single month of December 2022 compared to 2021, investments fell slightly by 0.5% (source: FCP, Federazione Concessionarie Pubblicitarie).

Looking at the detail by type of access device, we can see that, in the first twelve months of the year, smartphones grew by 0.6% (instead, a slight growth of 0.9% in December), while desktops (including tablets) decreased by 5.6%. The use of content via Apps grew slightly (+0.7%), while browsing use decreased by 3.5%. In 2022, the Apparel, Home, Distribution, Telecommunications, Tourism/Travel and Leisure, and Personal Goods sectors grew compared to the same period last year. The year that ended was characterised by negative events and trends that affected the trend in advertising investments and the new market trends that are emerging. One of the new elements is the diversification of communication formats that will most likely show its effects in 2023.

Internet penetration among the population stands at 36.8 million Italians over the age of 2 on an average day (December 2022); if we only consider smartphones, the average daily users are 34.1 million (79.3% of users aged between 18 and 74). On the average day, users surfed from mobile in 2022 about 2 hours and 23 minutes, while from PC only 1 hour and 9 minutes (source: Audiweb).

In 2022, the portal consolidated the development of activities related to transactional services. Tiscali Shopping continues to be enriched by merchants joining the platform with an expanded product catalogue. Tiscali Tagliacosti, with which the company, again in partnership with CloudCare, has entered the online comparator market, also continues to offer services on energy, insurance and car hire. In particular, the performance of the energy offer has benefited in the months of this year from the global economic situation, which has prompted users to change their energy supplier in search of savings.

The operations of Vevisible, the Tessellis group's advertising concessionaire, began in November. In 2023 it will manage the sale of advertising on the Tiscali portal and on all the Group's properties, also operating for third-party publishers.

### 4.3 Regulatory Framework

The following summarises the main areas of the regulatory framework in 2022.

#### ***Electronic communications services on fixed networks***

With the aim of promoting effective competition in the provision of electronic communications networks and services and, at the same time, of promoting connectivity on Very High Capacity Networks (VHCN), the Authority has updated the regulatory framework of the markets for fixed network access services in order to adapt it to the changed competitive environment, taking into account, among other things, the proposed revision of the corporate and organisational structure, notified by the operator TIM at the end of the year 2020, as well as the co-investment project submitted by the latter at the beginning of the year 2021.

- ✓ The project for the voluntary legal separation of the fixed access network of the operator SMP constituted an important element of assessment for the Authority within the framework of the preliminary proceedings relating to the Fifth Round of coordinated analysis of the markets for fixed network access services, initiated with Resolution No. 637/20/CONS. The main players in the sector, including the Tessellis Group, took part in the public consultation, and the relative contributions were published in July 2021 with Resolution No. 253/21/CONS. However, by virtue of the close objective connection between the proceeding in question and the proceeding concerning the proposed commitments submitted by TIM which is still open, referred to in the next point, the Authority has extended the deadlines for the adoption of the draft measure on the basis of which it will decide, depending on the updated competitive context, whether to maintain or update the current regulatory obligations.
  
- ✓ With resolutions nos. 110/21/CONS and 1/22/CONS, the Authority put out for consultation the commitment proposal submitted by TIM concerning co-investment in very high-capacity networks (according to the procedure provided for in the new European Electronic Communications Code - EECC). The proposal provides for the deployment of a new VHC network in fibre to end-users' premises, or to the base station, by means of co-ownership or long-term risk sharing through co-financing or structural purchase agreements. Following the preliminary investigation, the Authority assessed the co-investment project proposed by TIM as compliant, in principle, with the above-mentioned European legislation on the subject and, in May 2022, notified the European Commission of a draft measure containing the proposed regulatory treatment of the new VHC network subject to co-investment. However, in view of TIM's unilateral decision to substantially amend the commitment proposal, introducing a price indexation mechanism in the co-investment offer, the Authority found it essential, in order to guarantee adequate transparency and fairness towards the market and the European Institutions themselves, to withdraw its draft measure sent to the Commission and to initiate a new consultation procedure (with Resolution No. 385/22/CONS) concerning the aforementioned amendment. The Tessellis Group expressed its position, pointing out the shortcomings in the proposal's compliance with the co-investment provisions in its view, and requested that the possible



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withdrawal of the measures currently in force take place gradually in order to ensure a sustainable transition to a deregulated market, as envisaged by the EECC.

- ✓ Pending the definition of the new ex ante rules for the markets for fixed network access services, the Authority continued its activities to implement the current regulatory framework, submitting for consultation the economic conditions for the years 2022 and 2023 for wholesale access services to the fixed network offered by TIM. In particular, Resolution No. 337/22/CONS provides that the prices of access services for 2022 are to be set equal to 2021 and increased for 2023, with the sole exception of FTTH services for which, on the other hand, a decalage is planned as early as 2022.
- ✓ Finally, with reference to the fixed network interconnection markets, the identification and analysis procedure (“IV Cycle”) of the markets for fixed network collection and termination services was closed (Resolution No. 13/22/CONS). On the basis of the competitive scenario, the collection market was deregulated, with effect from February 2024; while the regulation of the termination market was confirmed.

***Supervision of electronic communications services, numbering and universal service***

- ✓ In November 2022, the Tessellis Group implemented new measures pursuant to Resolution No. 86/21/CIR, which introduced new mechanisms for preventing and combating any attempts to defraud mobile end users in cases of SIM replacement (so-called SIM swap) as part of the mobile number portability procedure.
- ✓ In order to further consolidate the right of users to change their service provider, the Authority has carried out (with Resolution No. 103/21/CIR) an activity to revise and improve the current procedures for changing operator and number portability on the fixed network. The latter is articulated along three lines: a reduction in the time required for the portability procedure for geographic numbers, reduced from 9 to 3 working days; a new automated procedure for the portability of non-geographic numbers, previously based on bilateral agreements between operators; and the introduction of the possibility for users to request the portability of their numbers within 30 days after the termination of the contract. The Tessellis Group has started the necessary activities for the implementation of the new measures, which will take place during 2023.
- ✓ The new EECC expressly provides for the inclusion of broadband in the universal service obligations: by virtue of this, the Authority has launched a consultation (Resolution No. 421/22/CONS ) aimed at identifying the bandwidth necessary to ensure that all consumers can participate fully in social and economic life, proposing a minimum download bandwidth value, offered with continuity of service, of 4 Mbps.

**Implementation of the new Electronic Communications Code**

At the end of April 2022, the Consumer Protection Directorate of AGCOM started a round table discussion 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 implemented in Italy by Legislative Decree No. 207 dated 8 November 2021. The aim is to harmonise the current sector regulations, relating to the protection of end-users' rights, with the provisions of the new Code, so as to enable Operators to act in a unambiguous and effective regulatory context.

1. Tessellis takes part in the Table both in an independent capacity and through Asstel and has sent its own position paper on the necessary regulatory interventions.
2. Since the Table was set up, the Authority has initiated two proceedings concerning the quality of communication services from mobile stations (Resolution No. 251/22/CONS) and from fixed stations (Resolution No. 405/22/CONS), both aimed at the adoption of a single 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 with modern technologies and with the new Electronic Communications Code on transparency, setting quality objectives and measuring the actual quality achieved. Both processes are currently open.

**4.4 Tessellis Shares**

Share Capital	EUR 185,514 thousand
Number of Ordinary Shares (no par value)	177,509,104
Market capitalisation (on average listing as at December 2022, equal to EUR 0.73) thousand	EUR 130,054

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

On 3 June 2022, in execution of the resolution passed by the Extraordinary Shareholders' Meeting of Tessellis S.p.A. on 26 April 2022, the ordinary shares of Tessellis were regrouped at a ratio of 1 new ordinary share for every 100 existing ordinary shares.

During the financial year 2022, the Issuer's Share Capital changed as follows as a result of capital increases relating to:

- No. 15,965,934 new ordinary shares, by virtue of the conversion requested by Nice&Green S.A. of the 6 tranches consisting of No. 30 bonds each of the loan subscribed by N&G

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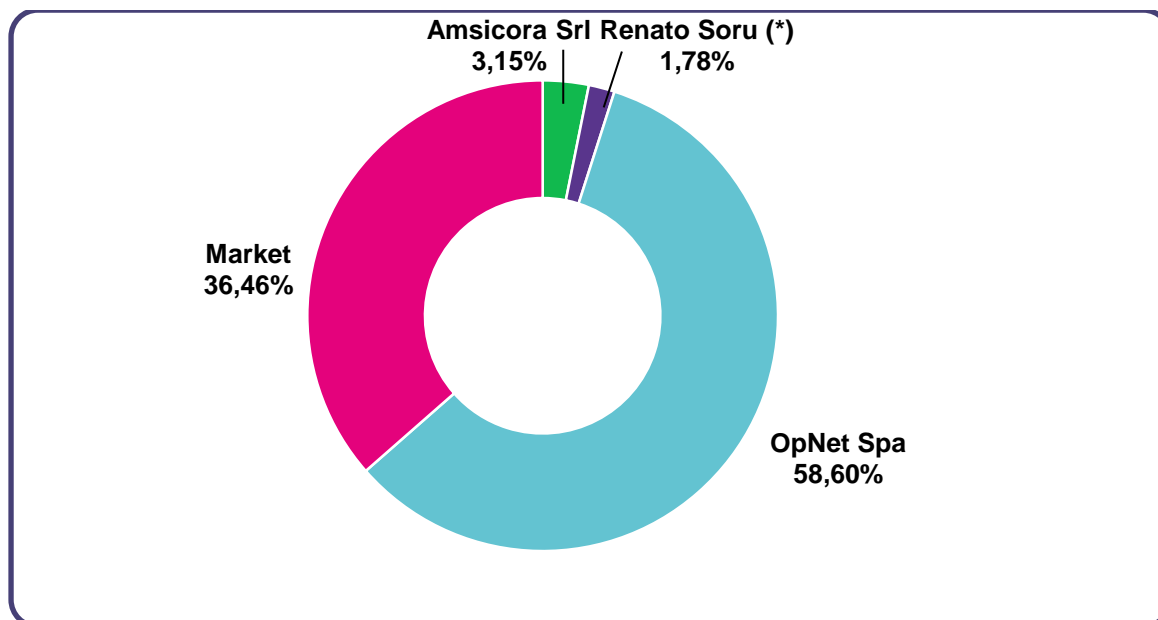
respectively on January 7, 2022, March 16, 2022, April 13, 2022, May 4, 2022 and July 29, 2022;

- No. 104,025,497 new ordinary shares to service the merger by incorporation of Linkem Retail srl, effective 1 August 2022, and simultaneously transferred to the parent company Tiscali Italia S.p.A.

The stock market capitalisation as at 31 December 2022 of EUR 130.1 million compares with a consolidated equity surplus of EUR 68 million. At the date of approval of this financial report, market capitalisation amounted to EUR 93.5 million. The differential between capitalisation and the value of consolidated shareholders' equity, amounting to EUR 68 million as at 31 December 2022, was EUR 25.5 million as of the date of this report, and is representative of the Group's future profitability prospects, embodied in the cash flows resulting from the Business Plan for the period 2023-2026 (hereinafter referred to as the "**2023-2026 Updated Business Plan**"), as well as the presence of certain surplus assets not valued in the financial statements.

**Shareholding structure as at 31 December 2022**

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 31 December 2022 is as follows:



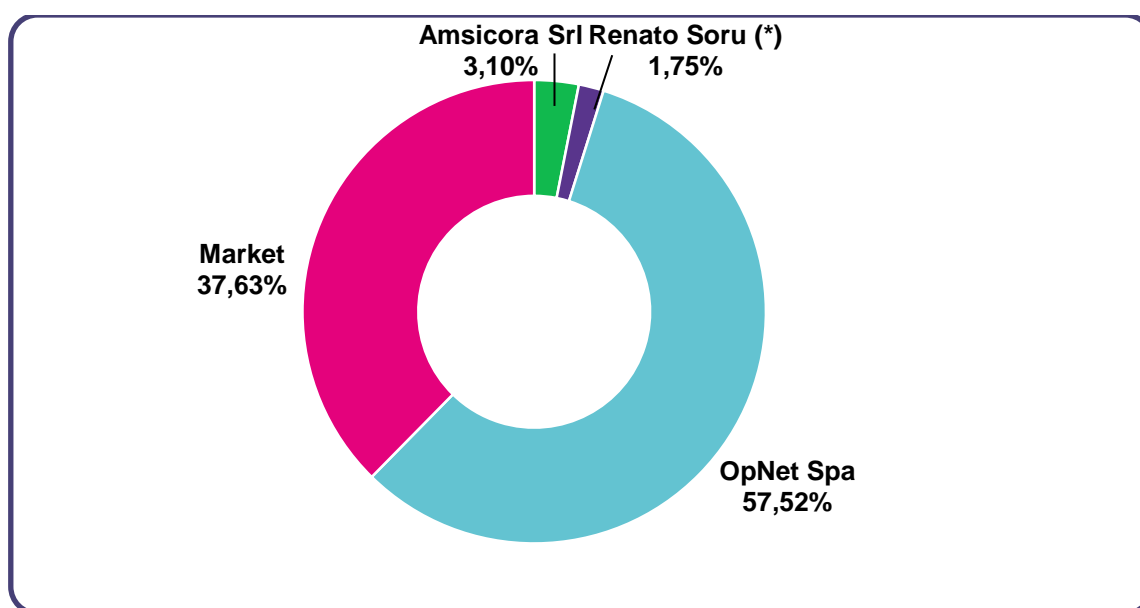
Source: Tessellis

(\*) Directly for 1.49% and indirectly through the investees Monteverdi Srl (0.1%) and Cuccureddus Srl (0.19%)

### **New Group Shareholding structure as of 22 March 2023**

The Issuer's Share Capital changed as a result of the following capital increases that took place on:

- 7 February 2023, in the amount of EUR 1 million relating to the first portion of the tranche of the mandatory convertible bond loan underwritten by Nice & Green;
- 22 March 2023, for an amount of EUR 1 million relating to the first portion of the tranche of the mandatory convertible bond loan underwritten by Nice & Green.



(\*) Directly for 1.47% and indirectly through the investees Monteverdi Srl (0.1%) and Cuccureddus Srl (0.18%)

Following these increases, the Share Capital consists of 180,839,104 ordinary shares.

### **4.5 Main activities and achievements during the 2022 Financial Year**

The further activities carried out and the results achieved in 2022 by the Tiscali Group prior to the Merger Transaction (described in section 4.1 of this Report) and by the Tessellis Group formed as a result of the Merger Transaction itself are presented below.

With reference to certain commercial data, such as the customer base and market penetration, a comparison of the Tessellis Group's figures at 31 December 2022 with the figures of the former Tiscali Group for periods prior to the effectiveness of the Merger is presented in certain cases. Although the two Groups as a whole are not homogeneous, a part of the business is offered in continuity with respect to the former Tiscali Group and, therefore, the comparison offered, supplemented also by

qualitative information, offers more information to the reader of the financial statements. These metrics are, moreover, considered relevant by management, which monitors them to analyse the evolution of the business.

### ***Network coverage and marketing and communication activities***

In terms of strategy, during 2022 Tessellis focused on the development of the Fibre market, whose coverage in the country is constantly expanding, and on the mobile market.

Thanks to the Merger, Tessellis has expanded its coverage in the fastest growing Ultrabroadband technologies, strengthening its position of being able to offer everyone the best connection technology available, anytime and anywhere. Following the Merger, Tiscali's coverage has expanded in the Ultrabroadband market. This makes it possible to offer a connection:

- FTTH to about 10 million local Households and Businesses (up to 2.5Gbps in areas A and B on Open Fiber network);
- FTTC to approximately 28 million local Households and Businesses (up to 200Mbps);
- FWA to approximately 23 million local Households and Businesses (up to 1Gbps).

The presence of the different technologies also makes it possible to offer the service best suited to the needs of both consumer and business customers.

Despite the actions described above and the marketing actions focused on Fibre offers, Ultrabroadband customers (Fibre FTTH up to 1 Giga and FTTC up to 200 and 100 Mbps, Fixed Wireless up to 100 Mbps) as at December 2022 recorded an overall decrease of 4% compared to the former Tiscali Group customers as at 31 December 2021 (281 thousand units as at 31 December 2021 compared to 271 thousand units as at 31 December 2022).

Thanks to the renewed MVNO agreements with TIM, mobile service performance was boosted with the maximum speed levels attainable by 4G technology and with offers that make it possible to compete even with low-cost operators (70-200 GB).

Mobile customers increased by 10% from 259 thousand at 31 December 2021 (figure for the former Tiscali Group) to 285 thousand at 31 December 2022.

In addition, in March 2022, the first among independent MVNOs in Italy, the voice modernisation project was launched thanks to the introduction of VoLTE (voice over LTE) technology, which allows for a strong improvement in call quality as well as the possibility of calling and surfing at the same time. At the beginning of June 2022, the plan to enable the entire customer base began and ended in July 2022.

In relation to the "Connectivity Voucher Plan", the measure promoted by the MISE aimed at promoting the spread of ultra-wideband connectivity services throughout the country with the goal 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 numbers and Public Medium Enterprises (SMEs), which do not exceed 250 employees and want to activate an Ultrabroadband connectivity service >30Mbit/s that improves on any service already active on its premises. The financial contribution under this measure ranges from 300 EUR to 2,500 EUR, depending on the type of connectivity chosen.

In September 2022, Tessellis extended the availability of the business voucher to include connections of up to 2.5 Gigabit/s, with the possibility of a contribution of EUR 2,500. 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.

At the end of 2022, Tessellis launched services in FTTH at 2.5 Gbps also in the residential market in the cities of Milan, Turin and Bologna.

Furthermore, in the Ultrabroadband market, strengthened by the merger with Linkem, Tessellis has positioned itself with an offer able to offer the best connection everywhere at an equal price for everyone without distinction of geographic areas.

Thanks to the technological upgrade of FWA by the end of 2022, it will be possible to offer performance in 5G technology to 26% of Italian households.

In the mobile market, Tessellis continued its strategy of proposing high-data packages of between 150GB and 200GB per month, depending on the operator of origin, in line with the growing needs of the market.

As far as Communication activities are concerned, 2022 was the year of the relaunch and return to TV of the Tiscali brand, with the “Love for internet” campaign that went on air on the main Mediaset networks. The spot, to the rhythm of the famous song “What is love” by Haddaway, was part of a broader integrated multi-channel communication campaign, also including a local TV campaign on the Sardinian networks Videolina and Tele Costa Smeralda and a video strategy campaign on YouTube, Meta and Tik Tok.

Music, in addition to accompanying Tiscali’s return to TV, has been the fil rouge of recent sponsorship activities with Live Nation and the Rockol Awards.

Lastly, in June 2022, as part of a memorandum of agreement for the “Prison Work” programme set up following the collaboration between the Ministry of Justice and the Department for Digital Transformation, Tessellis, together with the contribution of other telephony and digital companies, inaugurated a laboratory at the Uta prison (Cagliari) aimed at regenerating network terminal equipment with the intention of enhancing prison work in the telecommunications and ICT sector. The initiative envisages the involvement of 8 inmates and takes place in continuity with the “Rework Laboratories” project conceived and implemented by the Linkem Group as early as 2020 in collaboration with the

Lecce and Rome Rebibbia Prison. The activities are structured in two phases: the first consists of a specialised training programme at the end of which certificates are issued with the qualification of “Linkem and Tiscali electronic equipment remanufacturer”; the second envisages the possibility for inmates to sign a direct employment contract with the Tessellis Group.

### **Network rationalisation project – Tim agreement November 2022**

During 2022, the implementation of the Tessellis network rationalisation project continued, which started in 2021 following the commercial agreements signed with Tim in November 2020. The rationalisation of the network, in addition to allowing a reduction in infrastructure investments, will make it possible to reduce connection and traffic management costs when fully operational, and to accelerate the fibre migration process, resulting in an improvement in service quality and a reduction in the churn rate.

During the first few months of the year, a negotiating table was opened with TIM, aimed at revising the previous agreement, dictated by a proceeding opened by the Italian regulatory authority (AGCM). This revision also includes the reshaping of certain economic conditions underlying the commercial agreements signed in November 2020.

It should be noted that in July 2022, Tessellis and TIM also agreed on the partial write-off of Tiscali's debt to TIM relating to the failure to reach the guaranteed minimum on the 2021 accruals provided for in the latest version of the MVNO agreement signed with Tim during 2021. As a result, Tessellis debt on this mobile offering has been reduced from EUR 2.7 million to EUR 2 million, with the debt being spread over 36 months.

### **Media Sector Activities**

In the area of media services, the Tessellis Group presents itself as a complete entity consisting of three separate but complementary business units:

- Portals oversee the offer of content (news, podcasts, docuseries, videos) targeted at qualified and profiled users;
- The Platforms (Mail service, Tiscali Shopping and Tagliacosti) attract profiled users looking for “service” solutions to which access to content properties is then proposed.
- The Vevisible Concessionaire enhances the portfolio of contacts generated by Portals and Platforms (*ad intra*) and that of third party publishers (*ad extra*) who are mandated.

As far as the portal strategy is concerned, the following implementations were realised in the course of 2022:

- - Launch of thematic “verticals” with the aim of increasing unique accesses through a structured strategy of diversification by differentiated and qualified themes and targets, and attracting the attention and interest of advertising investors towards these targets. On 12 October 2022, the first of these verticals was launched, “Gamesurf”, a platform dedicated to digital entertainment fans of all ages, containing up-to-date news and timely and unbiased reviews on new games, podcasts on pop culture topics and live streaming programming with daily appointments, as well as 22 years of historical archives on all gaming topics. The platform aims to reach 1 million unique hits per month, quadrupling the current number of hits. Gamesurf’s staff counts more than 20 collaborators - some of whom are “millenials” - able to continuously “intercept” releases, previews, news, new trends and events. The platform will guarantee a presence of customised formats on all social media, offering reviews and comments on the various forms of digital entertainment, stimulating and nurturing the creation of communities for sharing, interaction, criticism and dialectics between fans. The second editorial proposal, “Milleeunadonna”, dedicated to the feminine universe, was launched in January 2023. This portal tells the story of women in all their facets and is updated daily with short, easy-to-read content, all of which can also be accessed in “audio mode”. The declared objective is not only to inform, but to scrutinise the world in an open, unprejudiced, empathetic manner. And it is precisely this approach that Milleeunadonna will use to carve out a prominent place for itself in the panorama of women's information. Milleeunadonna is a thousand famous faces. Many celebrities will take part in this adventure with self-irony and sincerity, revealing their frailties and talking open-heartedly about their lives.
- - Creation and production of original audio-video content to enrich the offer of the Group’s digital properties, which include Duels, the new digital format dedicated to the discussion between the candidates of the different political parties in the elections of 25 September 2022. The debates were moderated by a parliamentary journalist who virtually welcomed the guests on the blue sofa of the new Tiscali TV studio. Duels was accessible in the “election special” of the <https://notizie.tiscali.it> portal together with another exclusive content. It was “Identity Pixel”. The first virtual journey through opinions and preferences, which gradually, one pixel at a time, composed the face of the Italian electorate. This innovative series of socio-demographic surveys applies the most innovative and rigorous statistical survey techniques. The research was conducted exclusively for Tiscali by the GPF Inspiring Research Institute.
- - Strengthening the Portal’s content dissemination strategies through social networks. In 2022, the Tiscali.it portal recorded average monthly traffic of over 219 million pageviews and approximately 7.9 million unique browsers, continuing the strategy of enhancing the portal as a vehicle for e-commerce.

### ***Establishment of Vevisible***



The establishment of Vevisible S.r.l., the Group's new advertising concessionaire, approved by the Board of Directors of Tessellis S.p.A. on 8 July 2022, was finalised on 27 October 2022.

The establishment of Vevisible represents a fundamental step in the Group's evolution towards a Digital Media Company. Its mission is to attract advertising investments towards the Group's properties, the partners and the publishers that have given it a mandate, thanks to a mix of cutting-edge technological features and a system of platforms and assets in synergy with each other, which distinguish it from its competitors. In fact, the Industrial Plan provided for the valorisation of the Tiscali.it portal and its network, with the development of all its unexpressed potential, including its high-margin advertising potential.

Its business model, aimed at maximising the return on advertising investments and optimising its efficiency, is based on three fundamental cornerstones:

- A strong technological vocation, which allows, through exclusive platforms and innovative "data intelligence" solutions, user targeting and media selection;
- An efficient commission plan, to avoid dispersions in the advertising investment value chain;
- The organic valorisation of the Group's assets (branded journalism, inbound and outbound services of call centres, fixed and mobile connections, shopping malls, etc.), to guarantee tailor-made solutions to support advertising investment, with particular regard to the assets and customer bases of investors.

Vevisible has a share capital of EUR 200,000 and is 75% owned by Tiscali Italia S.p.A., 15% by Aser Ventures (a cutting-edge investment company that integrates and develops innovative synergies in the media, tech and sports sectors and is owned by prestigious publishing and content providers) and the remaining 10% by Glitch S.r.l.

### ***Business Services to Public Administration sector activities***

In the area of domain and hosting services, during the year 2022, particularly in the second half of the year, Tessellis launched services and began migrating customers to the innovative cloud platform based on Whmcs and Plesk technology. The new platform makes it possible to deliver cloud services that meet the highest market standards in terms of security, efficiency with competitive rates, and quality customer support ensured directly and promptly 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.

During 2022, Tessellis began a journey to accompany the digital transition of Italian schools, supporting the transformation of classrooms previously dedicated to frontal teaching processes into

innovative, connected and e-learning environments. In this context, work continued in various school buildings starting in Sardinia. This first phase of the project was completed in the first weeks of the year 2023, while Tessellis is already committed to supporting Italian schools for the Scuola 4.0 project on the basis of PNRR funding. The project mainly involves the provision of digital equipment such as equipment, digital content, apps and software, etc.

Tessellis has also initiated a series of collaborations with a number of Italian Municipalities to support the digitisation of the country, technology transfer in the Smart City sphere, and supporting the digital transition of Local PA on a national scale.

In particular, in the second half of 2022, Tessellis participated in the Emerging Technology Houses programme of the municipalities of Campobasso and Pesaro, and was the winner of the above-mentioned calls for tenders, which will enable the construction of real technology transfer centres for 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 area of services for Smart Cities, Tessellis has developed with a number of partners videanalysis solutions that it has begun to offer to a number of Italian municipalities and provinces. Among these, the realisation of a video-surveillance and IoT sensor infrastructure for monitoring bridges for a metropolitan area through an FWA network, enabling the AI video-analysis platform, is particularly significant.

As part of the activities related to services for the Public Administration, during 2022 Tessellis continued to prepare the “VILLANOVA Project - Cloud-edge continuum for AI-based public services in rural areas and peripheral regions” (hereinafter referred to as the “Villanova Project”), which is characterised as a “Project of Common European Interest (IPCEI)” in the area of Cloud Infrastructures and Services (CIS).

The MISE 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.

The Villanova Project aims at a major investment in research, development and innovation and first industrial deployment to build platforms that, with the objective of helping to reduce the digital divide in rural areas, enable intelligent processing, analysis and aggregation of data from multiple sources through innovative artificial intelligence (or, “AI”) systems and components deployed on new cloud-edge continuum infrastructures. A framework of composable applications will also be implemented to allow stakeholders (PA, citizens, companies, research institutes) to easily create innovative cloud-native services that fully exploit large data sets and AI-based algorithms. As part of the IPCEI Project, Tessellis activated 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.

Development activities continued in the TOP Customers segment, and in particular, the contract for the technological upgrade of the IT infrastructure of a major banking institution, together with the continuation for the next few years of Facility Management, DR, Housing and Back-Up connectivity services, contracts for the management of the technological infrastructures of some important companies and sports clubs, and the development of wifi coverage services and cloud switchboards of some important tourist facilities.

As part of the initiatives for the digital transition of Municipalities, Tessellis consolidated the processes for activating connectivity services in the areas of the country that had just been cabled in fibre optics with extreme rapidity as soon as the infrastructure reached 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 cloud switchboard and other services for the digital transformation of the authority.

In the second half of the year, Tiscali Italia S.p.A. and FibreConnect S.p.A. entered into a strategic partnership for the development of the ultra broadband market in a number of artisanal industrial areas through Tiscali's commercial participation in the FTTH infrastructure deployment project. The partnership is part of a framework of collaboration with local operators, thanks to which Tiscali will be able to access a new ultra broadband network that will allow it to achieve greater penetration in industrial and artisan areas nationwide. The network will cover specific industrial and artisanal areas with fibre-optic technology, and will make it possible to offer a high-performance, highly reliable and highly available service. Tiscali 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 chosen areas, collaborating in the rapid implementation of infrastructures that are fundamental for the development of the territory. From elaborations carried out on the basis of 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 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 take advantage of 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.

*Framework agreement for the supply of 22,000 IPV4 addresses*

On 30 September 2022, Tessellis concluded a framework agreement for the provisioning of 22,000 IPV4 addresses, winning the beauty contest called by one of the leading national wholesale operators, aimed at meeting the contractor's new user provisioning needs as part of its offer.

The contract includes confidentiality clauses in line with agreements of this nature and forms part of the network asset enhancement activities that Tessellis has launched following the approval of its Business Plan, which includes not only the creation of a dedicated business unit, but also the development of a series of synergies with the investee companies involved in the recently announced acquisitions. In execution of this initiative, Tessellis also signed an agreement in August 2022 for the sale of a batch of over 300,000 IPV4 addresses to one of the world's largest internet companies. The combined value of the two transactions for the supply and sale of IPV4 addresses was approximately EUR 17.8 million.

As at 31 December 2022, Tessellis has a capillary backbone network, consisting of 4 IRU fibre rings covering the national territory, and the relevant city terminations, two submarine cable structures connecting Sardinia and Civitavecchia and Sardinia and Sicily, owned through the Janna consortium of which Tiscali is a partner, a proprietary data centre located in Cagliari, as well as approximately 1 million IPV4 addresses.

### **2023-2026 Updated Business Plan, New Senior Loan Amendment Agreements, New POC and Proposed Capital Increase**

On 11 May 2023, the Board of Directors reviewed and approved the 2022-2025 Business Plan Update, updating the Group's economic, equity and financial projections for the 2023-2026 period (the "2023-2026 Updated Business Plan").

The 2023-2026 Updated Business Plan provides for an ambitious development and refocusing plan, diversified on three prevailing levels:

- (i) Fixed and Mobile Telecommunications Area, in which the Group aims to consolidate its current position, thanks to an integrated offer of fixed and mobile services.
- (ii) Business Services Area (B2B), Public Administration and Wholesale, through which the Group intends to promote integrated telecommunications services with additional applications and value-added IT services, such as cloud services, as well as the development of intelligent communities through the creation of vertical tools, platforms and services.

- (iii) Media Area, in which the objective is to enhance the Tiscali.it portal and other managed portals, through the development of new content, products and value-added services.

*Senior Loan Amendment Agreements – 22 July 2022*

During the first half of 2022, concurrently with the progress of the Merger process, Tessellis opened a negotiating table with the Lenders, aimed at revising the Amendment Agreements signed on 7 October 2021, in order to incorporate the new merger scenario, the consequent revision of the Business Plan and the related set of covenants in the basis of the contractual conditions. Negotiations were concluded on 22 July 2022 with the banks' approval of the merger transaction and the signing of agreements (the "Amendment Agreements") that include, as provided for in the New Business Plan, the prepayment of the Senior Loan for EUR 2.6 million in September 2022 and for EUR 1.3 million divided between January and February 2023, as well as the increase in the interest rate applied (1% and 1.25%) to 2%. As of the date of this report, all repayments due under the financial amortisation plan have been carried out by the Group.

*N&G Mandatory Convertible Bond – New POC*

On 5 April 2022, Tessellis entered into an investment agreement with N&G concerning a programme for the financing of Tiscali through the issue of a convertible bond convertible into Tessellis ordinary shares, consisting of convertible bonds with a nominal amount of EUR 100,000 each, for a total maximum amount of EUR 90,000,000.00 (with the possibility of renewal under the same terms and conditions) reserved for the Investor (the "New POC").

The Investment Agreement is in continuity with the relations already existing with N&G. As a matter of fact, the parties had signed in 2021 a POC worth EUR 21 million renewable in a further EUR 21 million. It should be noted that in the financial year 2022 the Company subscribed to 6 tranches for a total of EUR 18 million, for which N&G requested and obtained conversion into shares. Following the utilisation in January and April 2023 of the new POC in the amount of EUR 2 million, the previous instruments issued by the same investor and not utilised at the date are to be considered as no longer usable.

The New Investment Agreement foresees the issuance of the New POC, in a period of 21 months starting from the seventh open market day following the completion and effectiveness of the merger by incorporation of Linkem Retail S.r.l. into Tessellis, through the subscription of a maximum of 18 tranches, amounting to EUR 5,000,000. Each party shall have the right to request the renewal of the Investment Agreement, under the same terms and conditions, in the three months preceding the end of the bond issue period; the acceptance of the request shall be received within 5 working days from the request.

On 22 November 2022, following the announcement made on 5 April 2022, the Board of Directors

resolved to make certain amendments to the investment agreement signed with Nice & Green S.A. concerning, inter alia, the possibility for Tessellis to split the amount of the tranches of the bond loan (without prejudice to the maximum amount of each tranche, equal to EUR 5 million, and the overall timing of the transaction) and against the provision of the payment of a waiver fee of EUR 900,000 in favour of Nice & Green S.A..

For further information on the New POC, please refer to the Explanatory Report published on the Company's website. The Explanatory Report has been prepared pursuant to Article No. 125-ter of Legislative Decree No. 58/1998, as subsequently amended and integrated, and to Article No. 72 of the regulation adopted by CONSOB resolution No. 11971 of 14 May 1999 and subsequent additions and amendments, in order to illustrate the proposal to the Extraordinary Shareholders' Meeting of Tiscali on the issue of the New POC.

*Proposed capital increase of up to EUR 60 million*

On November 22, 2022, the Board of Directors of Tessellis S.p.A. resolved to submit to the approval of the Shareholders' Meeting the granting of a mandate to the administrative body: (i) to increase the share capital for a consideration, in one or more tranches, within 30 months from the approval, up to a maximum of EUR 60,000,000, including any additional premium, also excluding the pre-emptive rights pursuant to Article No. 2441, paragraphs 4, 5, and 8 of the Italian Civil Code, as well as, through the issuance of shares reserved for incentive plans based on the allocation of financial instruments to directors, employees, and collaborators of the Company, as identified by the Board of Directors in exchange for specific lock-up commitments by the latter; as well as (ii) to issue, pursuant to Article No. 2420-ter of the Italian Civil Code, convertible bonds into ordinary shares of the company, for the same period of time, for a maximum amount of EUR 60,000,000, together with the authority to resolve the related capital increase for the purpose of the conversion, also excluding the pre-emptive rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code (the "Mandate").

On January 10, 2023, the Extraordinary Shareholders' Meeting approved the proposal to grant the aforementioned mandate to the Board of Directors.

The Board of Directors' proposal was submitted to the Extraordinary Shareholders' Meeting to provide the Company with an additional instrument to obtain alternative resources compared to the New POC (possibly a financial plan or program), with more efficient and less burdensome methods for the Company, and with less impact on the Tessellis share price. The explanatory report of the Board of Directors, as required by Article 125-ter of the Italian Financial Act, was published on 6 December 2022.

In partial execution of this resolution, on 11 May 2023, the Board of Directors approved the launch of a capital increase with an option for a value of EUR 25 million.

### Investment in the Connecting project

On 1 September 2022, the Board of Directors of Tiscali Italia S.p.A. approved a significant investment in Connecting Project, an Italian company specialized in providing integrated and high-value solutions dedicated to telecom retail operators. Following the integration with the retail activities of the Linkem group, the Tessellis Group initiated this strategic corporate operation aimed at creating a new offering segment dedicated to telecom service resellers. Currently, in Italy, there are over 100 entities authorized by the Ministry of Economic Development to resell TLC services, which are the target recipients of this new initiative. Thanks to this investment and the relevant infrastructural and operational synergies, the Tessellis Group will be able to offer the retail market integrated solutions based on the best available connectivity, voice services, cloud, software, and CRM, with a simple one-stop-shop model that provides retail operators with all the necessary tools to be competitive in the telecommunications market. Through the coordination of these activities, the commercial offering of the Tessellis Group opens up a new market opportunity, capable of guiding the Company's entrepreneurial path towards the profile of a technological enabler.

Tiscali Italia S.p.A. has entered into a purchase agreement that foresees the acquisition of a 40% stake in the share capital of Connecting Project, for an amount of EUR 1.7 million. The agreement also includes an option, exercisable by Tiscali Italia S.p.A. until the assembly approving Connecting Project's financial statements for the fiscal year 2025, for the purchase of an additional 30% stake in the company's capital, at a price of EUR 1.5 million. In case of exercising the aforementioned option, the selling partner will have the right to transfer to Tiscali also the remaining portion of the capital, equal to 30% of the same, at a price of EUR 750 thousand.

### Acquisition of a Controlling Stake in 3PIItalia

On 26 September 2022, Tessellis announced the commencement of a strategic operation to expand its investment in 3PIItalia, an Italian company specialized in designing and implementing public-private partnership (PPP) projects.

The acquisition of a majority stake in 3PIItalia by Tiscali Italia S.p.A. represents a significant piece in the mosaic of extraordinary operations that Tessellis is undertaking with the aim of effectively building the pillars of the industrial plan approved by shareholders and the financial world.

The mission of 3PIItalia, created in 2019 by Linkem and EasyGov, is to accelerate the digital transformation of the country through public-private partnership models, thus supporting public entities with skills, investments, and resources to implement innovative projects that meet the needs of citizens and city users.

With the investment in 3PIItalia, Tessellis will strengthen its strategy for the digitalization of the public



administration, particularly focusing on local authorities and small municipalities.

Tiscali Italia S.p.A. acquired 39.7% of the shares of 3PItalia S.p.A. for a consideration of 3.5 million Euros. Following this acquisition, and considering that Tiscali Italia S.p.A. previously held 300,000 shares of 3PItalia, the Group now owns 1,094,000 shares of 3PItalia, equivalent to 54.7% of its share capital.

Tiscali Italia S.p.A. and EasyGov have undertaken several five-year commitments, including: (a) mutual lock-up commitment on the shares of 3PItalia for a duration of 2 years; (b) after the expiration of the lock-up period, a mutual right of first refusal on the shares of 3PItalia; (c) a tag-along right on shares not subject to a first offer by third parties; (d) in case 3PItalia does not get listed within the agreed timeframe and certain conditions are met, a put option in favor of EasyGov for the remaining shares it holds based on a company valuation of 9 million Euros; and (e) agreements regarding the composition of the administrative body and the supervisory body.

### Research and Development

During 2022, software development activities were carried out aimed at evolving the fixed and mobile network towards new market standards (5G, Ultrabroadband) that enable the Group's customers to access increasingly high-performing services. Additionally, the IT systems were also evolved to achieve a more effective and efficient management of the business, including Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) systems.

### 4.5 Analysis of the Group's Economic, Financial, and Asset Situation

As previously stated, the Board of Directors monitors the business performance through the analysis not only of the accounting data included in the Consolidated Financial Statements as of 31 December 2022, but also through the analysis of the 2022 Pro Forma data. The Pro-Forma 2022 data allows for monitoring the performance of the Tessellis Group throughout the entire calendar year 2022. Additionally, the analysis includes the 2022 Pro Forma Adjusted data, which corrects the 2022 Pro Forma data for the effects of the provisional purchase price allocation (PPA) made in the Consolidated Financial Statements as at 31 December 2022.

To provide a comprehensive analysis of the economic, financial, and asset situation of the Group, the criteria used to prepare the 2022 Pro Forma data and the 2022 Pro Forma Adjusted data are presented below. These criteria detail the methodologies and adjustments applied to present a clearer picture of the Group's financial performance and position, considering various factors that may impact the reported figures. The goal is to offer stakeholders a more accurate understanding of the Group's financial condition and operational results during the specified period.

#### 2022 Pro Forma Data



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**Annual Financial Report as at 31 December 2022**

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As described in paragraph 4.1 of this Report (subsection *Description of the Transaction – accounting aspects*), the Transaction has been accounted for as a reverse acquisition. This accounting treatment considers the emerging group resulting from the Transaction as a new group – the Tessellis Group – in discontinuity with the existing group prior to the effectiveness of the Merger, namely the former Tiscali Group. Consequently, as already mentioned, the Consolidated Financial Statements as at 31 December 2022, have the date of first consolidation as 1 August 2022.

Regarding the economic effects, therefore, the Consolidated Financial Statements as at 31 December 2022, incorporate the economic results solely from the date of first consolidation, namely from 1 August 2022. Thus, the pro forma adjustments made to the 2022 Pro Forma data were aimed at integrating the consolidated financial statements of the Company as at 31 December 2022, with the economic effects resulting from the contribution of the Tessellis Group, including the Business Unit and the former Tiscali Group, starting from 1 January 2022.

The 2022 Pro Forma Consolidated Statements have been prepared in accordance with the methodology for the preparation of pro forma data as specified by the CONSOB Communication No. 1052803 dated 5 July 2001. These statements are based on the consolidated financial statements of Tessellis as at 31 December 2022 (presented in *Section 6* of this Report), to which the following data have been aggregated: (i) the data from the Carve-Out Financial Statements as at 31 July 2022, which include the economic data related to the Business Unit before the effectiveness of the Transaction; (ii) the data from the former Tiscali Financial Statements as at 31 July 2022, which include the economic data related to the former Tiscali Group before the effectiveness of the Transaction, and (iii) the pro-forma adjustments.

To properly interpret the information provided by the pro-forma data, it is essential to consider the following aspects:

- i) Since the pro forma data is constructed based on assumptions, if the Transaction had actually occurred on the reference date for the preparation of the pro forma data, the historical data would not necessarily have been the same as the pro forma data.
- ii) The pro forma data does not represent prospective information as it is prepared only to show the effects of the acquisition, without taking into account potential effects due to changes in management policies and operational decisions following the Transaction.
- iii) Regarding the service contract between Linkem Retail and Opnet, which governs the use of Opnet's network by Linkem Retail for providing services to its customers (the "FWA Framework Agreement"), the related pro forma effect has been estimated: i) based on the existing agreement between the parties signed on July 15, 2022, and ii) through an estimation exercise based on the costs actually incurred by the Tessellis Group in the last 5 months of 2022, i.e.,

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since the agreement was applied. The Company estimates, based on its experience with the application of the contract from 1 August to the date of this Report, that any potential impact related to possible price adjustments due to service levels deviating from the contractual provisions would have been, if present, not significant.

It should be noted that following the incorporation of assets related to the Business Unit, the Tessellis Group has acquired several investments in which Linkem Retail held control, joint control, or a significant influence. Specifically, as a result of the Transaction, the Tessellis Group gained control of Linkem Service S.r.l., and during September 2022, it obtained control of 3P Italia.

Considering the immateriality of the values related to Linkem Services S.r.l. within the context of the Tessellis Group, the contribution of this company has not been included in the Carve-Out Financial Statements as of 31 July 2022.

The table below illustrates the construction of the 2022 Pro Forma data. It is important to note that the 2022 Pro Forma data has not been subject to an external audit.

Consolidated Income Statement	Tiscali accounting data ad of July 31th, 2022	Linkem Branch Carve-Out	Tessellis Group, accounting data 2022	Opnet S.p.A. service contract effects	Tessellis Group, Pro-Forma data 2022
<i>(EUR mln)</i>					
Revenue	73,978	69,814	100,060	0	243,852
Other income	12,857	2,582	2,396	0	17,835
Purchase of external materials and services	63,311	12,173	74,452	36,735	186,670
Personnel costs	11,316	8,754	14,882	0	34,952
Other operating expense (income)	591	1,291	273	0	2,156
Write-downs accounts receivable from customers	3,330	0	2,134	0	5,464
<b>Gross Operating Result (EBITDA)</b>	<b>8,285</b>	<b>50,179</b>	<b>10,715</b>	<b>(36,735)</b>	<b>32,444</b>
Restructuring costs and other provisions	564	0	64	0	628
Depreciations & amortizations	26,437	33,008	41,097	0	100,541
<b>Operating result (EBIT)</b>	<b>(18,716)</b>	<b>17,171</b>	<b>(30,446)</b>	<b>(36,735)</b>	<b>(68,725)</b>
Result from the investments evaluated at equity method	(200)	0	(245)	0	(445)
Financial Income	1	0	5	0	6
Financial Expenses	6,088	490	4,028	0	10,606
<b>Income (loss) before tax</b>	<b>(25,003)</b>	<b>16,681</b>	<b>(34,714)</b>	<b>(36,735)</b>	<b>(79,771)</b>
Taxation	1	0	16	0	17
<b>Net result from operating activities (ongoing)</b>	<b>(25,004)</b>	<b>16,681</b>	<b>(34,730)</b>	<b>(36,735)</b>	<b>(79,788)</b>
Result from held for sale and discontinued operations	0	0	0	0	0
<b>Net result for the period</b>	<b>(25,004)</b>	<b>16,681</b>	<b>(34,730)</b>	<b>(36,735)</b>	<b>(79,788)</b>

### 2022 Adjusted Pro Forma Data

As previously mentioned, the above Pro Forma income statement includes the effect of the partial allocation of goodwill arising from the Transaction in the column “Tessellis Consolidated Financial Statements” This provisional purchase price allocation (PPA) represents a temporary allocation that will be reviewed or supplemented during the finalization of the PPA process, which will take place within 12 months from the Acquisition Date.

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Specifically, the acquisition of the assets of the former Tiscali Group resulted in approximately 1.3 million units of IP addresses for the Tessellis Group, of which approximately 0.3 million units were sold in August and September 2022 for a consideration of EUR 17.8 million. This sale required incurring certain technical and agency costs amounting to approximately EUR 0.8 million. Consequently, a net amount of EUR 17 million of the Transaction Price was allocated to the value of the IP addresses, as it represents the fair value of the acquired assets that were not recognized in the financial statements due to being received in the past on a no-cost basis.

As previously indicated, the Board of Directors monitors the performance of the period also excluding the provisional allocations made in the PPA process. Consequently, they have determined the Adjusted Pro Forma data by assuming that no allocations have been made in the PPA process.

Below is the construction starting from the 2022 Pro Forma data of the income statement related to the 2022 Adjusted Pro Forma data. It is important to note that these data have not been subject to an external audit.

Consolidated Income Statement	Tessellis Group, Pro-Forma data as of 31.12.2022	PPA effects elimination	Tessellis Group, adjusted Pro- Forma data as of 31.12.2022
<i>(EUR mln)</i>			
Revenue	243,852	17,000	260,852
Other income	17,835	0	17,835
Purchase of external materials and services	186,670	0	186,670
Personnel costs	34,952	-	34,952
Other operating expense (income)	2,156	-	2,156
Write-downs accounts receivable from customers	5,464	-	5,464
<b>Gross Operating Result (EBITDA)</b>	<b>32,444</b>	<b>17,000</b>	<b>49,444</b>
Restructuring costs and other provisions	628	-	628
Depreciations & amortizations	100,541	-	100,541
<b>Operating result (EBIT)</b>	<b>(68,725)</b>	<b>17,000</b>	<b>(51,725)</b>
Result from the investments evaluated at equity method	(445)	-	(445)
Financial Income	6	-	6
Financial Expenses	10,606	-	10,606
<b>Income (loss) before tax</b>	<b>(79,771)</b>	<b>17,000</b>	<b>(62,771)</b>
Taxation	17	-	17
<b>Net result from operating activities (ongoing)</b>	<b>(79,788)</b>	<b>17,000</b>	<b>(62,788)</b>
Result from held for sale and discontinued operations	0	0	0
<b>Net result for the period</b>	<b>(79,788)</b>	<b>17,000</b>	<b>(62,788)</b>
	0	0	0
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>
Group Net Result	(79,783)	17,000	(62,783)
Third parties Net Result	(5)	-	(5)

#### 4.5.1 Analysis of the Group's Economic Situation

Below is the 2022 Reclassified Income Statement, indicating the accounting data derived from the Consolidated Financial Statements as at 31 December 2022, the 2022 Pro Forma data, and the 2022 Adjusted Pro Forma data. It should be noted that the 2022 Pro Forma data and the 2022 Adjusted Pro Forma data have not been subject to an external audit.

Consolidated Income Statement	Tessellis Group, accounting details 2022	Tessellis Group, Pro-Forma data as of 31.12.2022	Tessellis Group, adjusted Pro- Forma data as of 31.12.2022
<i>(EUR mln)</i>			
Revenue	100,060	243,852	260,852
Other income	2,396	17,835	17,835
Purchase of external materials and services	74,452	186,670	186,670
Personnel costs	14,882	34,952	34,952
Other operating expense (income)	273	2,156	2,156
Write-downs accounts receivable from customers	2,134	5,464	5,464
<b>Gross Operating Result (EBITDA)</b>	<b>10,715</b>	<b>32,444</b>	<b>49,444</b>
Restructuring costs and other provisions	64	628	628
Depreciations & amortizations	41,097	100,541	100,541
<b>Operating result (EBIT)</b>	<b>(30,446)</b>	<b>(68,725)</b>	<b>(51,725)</b>
Result from the investments evaluated at equity method	(245)	(445)	(445)
Financial Income	5	6	6
Financial Expenses	4,028	10,606	10,606
<b>Income (loss) before tax</b>	<b>(34,714)</b>	<b>(79,771)</b>	<b>(62,771)</b>
Taxation	16	17	17
<b>Net result from operating activities (ongoing)</b>	<b>(34,730)</b>	<b>(79,788)</b>	<b>(62,788)</b>
Result from held for sale and discontinued operations	0	0	0
<b>Net result for the period</b>	<b>(34,730)</b>	<b>(79,788)</b>	<b>(62,788)</b>
	0	0	0
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>
Group Net Result	<b>(34,739)</b>	<b>(79,783)</b>	<b>(62,783)</b>
Third parties Net Result	9	(5)	(5)

Profit and Loss Statement of the Group	Tessellis Group, Accounting data 2022	Pro-Forma data 2022	Adjusted Pro- Forma data 2022
<i>(EUR mln)</i>			
<b>Revenue</b>	<b>100.1</b>	<b>243.9</b>	<b>260.9</b>
<b>Access Broadband revenues</b>	<b>85.2</b>	<b>212.1</b>	<b>212.1</b>
<i>of which fixed Broadband</i>	<i>35.8</i>	<i>89.5</i>	<i>89.5</i>
<i>of which Broadband FWA</i>	<i>49.5</i>	<i>122.5</i>	<i>122.5</i>
<b>Revenues from MVNO</b>	<b>7.7</b>	<b>17.6</b>	<b>17.6</b>
<b>Business service revenues and Wholesale</b>	<b>4.8</b>	<b>9.1</b>	<b>26.1</b>
<i>of which Business service</i>	<i>4.4</i>	<i>8.5</i>	<i>8.5</i>
<i>of which Wholesale</i>	<i>0.4</i>	<i>0.6</i>	<i>0.6</i>
<b>Media and value-added service revenues</b>	<b>0.6</b>	<b>1.4</b>	<b>1.4</b>
<b>Other revenues</b>	<b>1.8</b>	<b>3.6</b>	<b>3.6</b>
<b>Gross operating margin</b>	<b>34.7</b>	<b>80.8</b>	<b>97.8</b>
<b>Indirect operating costs</b>	<b>23.9</b>	<b>58.6</b>	<b>58.6</b>
<i>Marketing and sales</i>	<i>4.9</i>	<i>11.0</i>	<i>11.0</i>
<i>Personnel costs</i>	<i>14.9</i>	<i>35.0</i>	<i>35.0</i>
<i>Other indirect costs</i>	<i>4.1</i>	<i>12.7</i>	<i>12.7</i>
<b>Other (income) / expenses</b>	<b>(2.1)</b>	<b>(15.7)</b>	<b>(15.7)</b>
<b>Write-down of receivables</b>	<b>2.1</b>	<b>5.5</b>	<b>5.5</b>
<b>Gross Operating Result (EBITDA)</b>	<b>10.7</b>	<b>32.4</b>	<b>49.4</b>
<i>Restructuring costs and other provisions</i>	<i>0.1</i>	<i>0.6</i>	<i>0.6</i>
<i>Depreciations &amp; amortizations</i>	<i>41.1</i>	<i>100.5</i>	<i>100.5</i>
<b>Operating result (EBIT)</b>	<b>(30.4)</b>	<b>(68.7)</b>	<b>(51.7)</b>
<b>Net Result pertaining to the Group</b>	<b>(34.7)</b>	<b>(79.8)</b>	<b>(62.8)</b>

## Income Trend

The revenues for the year 2022, derived from the Consolidated Financial Statements as at 31 December 2022, for a period of 5 months, amount to EUR 100.1 million. These revenues are attributed to the following categories: *i)* Broadband Access Revenue: EUR 85.2 million, with EUR 35.8 million from fixed broadband and EUR 49.5 million from broadband FWA (Fixed Wireless Access); *ii)* Mobile Services Revenue: EUR 7.7 million; *iii)* Enterprise Services Revenue: EUR 4.8 million; *iv)* Value-Added Services Revenue: EUR 0.6 million; *v)* Other Revenues: EUR 1.8 million.

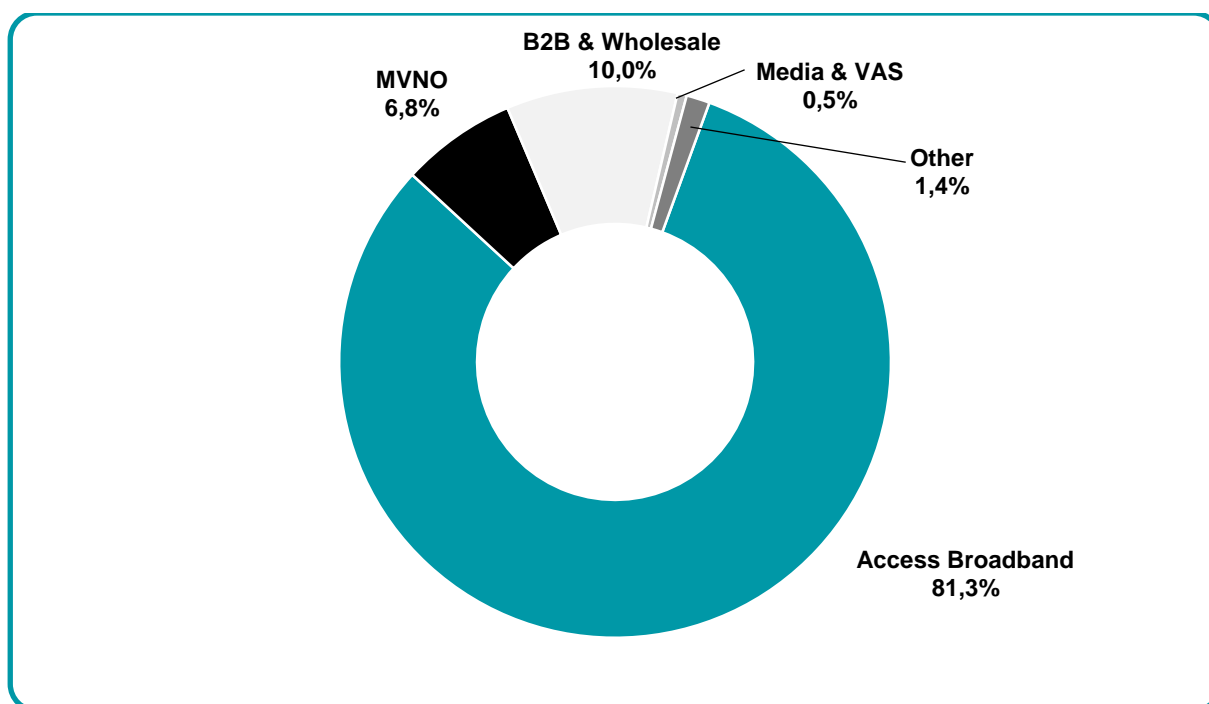
On an annual basis, the revenues derived from the 2022 Pro Forma data amount to EUR 243.9 million. However, considering the 2022 Adjusted Pro Forma data, which includes the benefit of selling 300,000 IP addresses in 2022 for a gross amount of EUR 17 million (net of directly attributable costs), the total revenues for the year 2022 would have been EUR 260.9 million.

For the sake of completeness, we report that the customer base at the end of the financial year was 498,856 customers from the Linkem Retail unit.

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Active customer base	31 December 2022
Total fixed Broadband	298,221
Total wireless Broadband	521,342
Mobile (6 months in-out)	285,326
<b>Total Clients</b>	<b>1,104,889</b>

**Breakdown of revenues (2022 Adjusted Pro Forma) by business line and access mode**



Source: Tessellis

The following is an analysis of revenue by line of business.

Revenues by line of business are taken from the 2022 Adjusted Pro Forma Data:

Broadband Access – 2022 Adjusted Pro Forma Revenues

The segment's 2022 Adjusted Pro Forma revenues amounted to EUR 212.1 million (EUR 89.5 million from "Fixed Access" and EUR 122.5 million from "Fixed Wireless Access"), of which the contribution

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from the carve-out of the Business as at 31 July 2022 within Fixed Wireless Access amounted to EUR 68.8 million.

As at 31 December 2022, the Fixed Access customer base stood at 298,221 users (of which 270,711 were Fibre customers) while the Fixed Wireless Access customer base stood at 521,342 users, which included 498,856 attributable to the Business Unit.

### MVNO – 2022 Adjusted Pro Forma Revenues

The 2022 Adjusted Pro Forma revenues in the mobile segment amounted to EUR 17.6 million. The active customer base stood at 285,326 users as at 31 December 2022.

### Business Services and Wholesale 2022 Adjusted Pro Forma Revenues

The 2022 Adjusted Pro Forma revenues from business services (VPN services, housing, hosting, domains and leased lines) and from wholesale of infrastructure and network services (IRUs, resale of voice traffic) to other operators (which exclude those related to access and/or voice products for the same customer segment already included in the respective business lines) amounted to EUR 26.1 million, of which EUR 1 million from business services from the carve-out of the Business Unit as at 31 July 2022.

### Media – 2022 Adjusted Pro Forma Revenues

The 2022 Adjusted Pro Forma media segment revenue (mainly related to the sale of advertising space) amounted to approximately EUR 1.4 million.

### Other 2022 Adjusted Pro Forma Revenues

Other 2022 Adjusted Pro Forma revenues amounted to approximately EUR 3.6 million.

With reference to the **Gross Margin**, the result for the year 2022 relative to 5 months and derived from the Consolidated Financial Statements as at 31 December 2022 shows a balance of EUR 34.7 million.

On an annual basis, the Gross Margin resulting from the 2022 Pro Forma Data is EUR 80.8 million, while considering the 2022 Adjusted Pro Forma Data, which benefit from the sale of 300,000 IP addresses in 2022 for an amount before directly attributable costs of EUR 17 million, the Gross Margin for 2022 would have been EUR 97.8 million.

Indirect operating costs related to five months and derived from the Consolidated Financial Statements as at 31 December 2022 show a balance of EUR 23.9 million, broken down as follows:

- Marketing costs amount to approximately EUR 4.9 million (4.9% of revenues);
- Personnel costs amount to EUR 14.9 million (14.9% of revenues);

- Other indirect costs amount to approximately EUR 4.1 million (4.1% of revenues).

On an annual basis, indirect operating costs derived from the Adjusted Pro Forma figures as at 31 December 2022 amount to EUR 58.6 million, of which the contribution of the Retail Branch as at 1 August 2022 is EUR 15.2 million.

In particular:

- Marketing costs amount to approximately EUR 11 million (4.5% of revenues), of which the contribution of the Retail Branch as at 1 August 2022 is EUR 4.7 million
- Personnel costs amount to EUR 35 million (14.3% of revenues), of which the contribution of the Retail Branch as at 1 August 2022 is EUR 8.8 million
- Other indirect costs amount to approximately EUR 12.7 million (5.2% of revenues), of which the Retail Branch's contribution as of 1 August 2022 is EUR 1.8 million.

#### Other (income) / expenses – (2022 Adjusted Pro Forma)

Other income (net of other expenses) related to five months and derived from the Consolidated Financial Statements as at 31 December 2022 amounted to EUR 2.1 million and included the share of tax credits for investments under the “Bonus Sud” and “Industria 4.0” regulations for a total amount of EUR 1.5 million and energy tax credits for EUR 0.4 million and other net income from debt write-offs for about EUR 0.2 million.

#### Other (income) / expenses – (2022 Adjusted Pro Forma)

On a year-to-date basis, other income (net of other expenses), amounting to EUR 15.7 million, includes income from a settlement with one of the largest wholesale operators, signed on 30 June 2022, resulting in the billing of an amount of EUR 10 million as compensation for certain inefficiencies that led to a reduction in Group revenues. This item also includes the accrued portion of tax credits for the investments envisaged by the “Bonus Sud” and “Industria 4.0” regulations for a total amount of EUR 3.5 million and energy tax credits for EUR 0.4 million, the capital gain from the sale of the investee XFarm acquired with the Retail Branch for EUR 0.4 million and other net income from the write-off of debt positions for about EUR 1.4 million.

#### Other Items

The provision for bad debts related to five months and derived from the Consolidated Financial Statements as at 31 December 2022 was EUR 2.1 million. The ratio of this item to revenue is 2.1%. On an annual basis, the provision for bad debts included in the Adjusted Pro Forma 2022 Data amounted to €5.5 million. The ratio of this item to revenue is 2.2%.



Depreciation and amortisation related to five months and derived from the Consolidated Financial Statements as of 31 December 2022 amounted to EUR 41.1 million. On an annual basis, pro forma depreciation and amortisation for the period amounted to EUR 100.5 million, of which the contribution from the carve-out of the Business Unit as of 31 July 2022 amounted to EUR 33 million.

Net financial expenses related to five months and derived from the Consolidated Financial Statements as of 31 December 2022 amount to EUR 4 million. On an annual basis, the net financial expenses included in the Adjusted Pro Forma 2022 Data amount to EUR 10.6 million, of which the contribution of the Business Unit is EUR 0.5 million. Financial income is nil.

It should be noted that the results included in the Adjusted Pro Forma 2022 Data above are not affected by non-recurring items in the period considered.

#### 4.5.2 Assets and Liabilities of the Group

As mentioned above, the new Tessellis Group began operations on 1 August 2022, so the analysis of the Group's balance sheet does not present comparative data for the previous year.

<b>Consolidated Statement of Equity and Liabilities</b>	<b>31 december 2022</b>
<i>(EUR mln)</i>	
Non-current assets	303.5
Current assets	41.2
<b>Total Assets</b>	<b>344.7</b>
Net equity of the Group	67.0
Net equity attributable to minority interests	1.0
<b>Total net equity</b>	<b>68.0</b>
Non-current liabilities	122.5
Current liabilities	154.2
<b>Total Net equity and Liabilities</b>	<b>344.7</b>

#### Assets

##### Non-Current Assets

Non-current assets as at 31 December 2022 amounted to EUR 303.5 million and represented 88.1% of the Tessellis Group's total assets. They comprise goodwill, tangible and intangible assets, rights of

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use and customer acquisition costs totalling EUR 295.6 million and financial assets (including equity-accounted investments) of EUR 7.9 million.

**Current Assets**

- Current assets as at 31 December 2022 amounted to EUR 41.2 million and mainly included:
- Trade receivables of EUR 14 million;
- Cash and cash equivalents of EUR 8.3 million;
- Other current assets, amounting to EUR 18.3 million. Other assets mainly include: (i) tax credits allocated on investments in relation to the “Bonus Sud” and “Industria 4.0” regulations for EUR 3.4 million and electricity tax credits pursuant to the Legislative Decree No. 4/22 for EUR 0.4 million; (ii) receivables from Infratel and Fastweb for voucher contributions for EUR 4.6 million; (iii) prepayments relating to the deferral of service costs for EUR 5.4 million; (iv) sundry receivables and advances to suppliers for EUR 2.6 million (of which EUR 2.2 million from Opnet S.p.A. deriving from the Transaction for the transfer of the retail unit; (v) receivables from the tax authorities for VAT amounting to EUR 1.8 million and other minor assets of EUR 0.1 million;
- Tax receivables for EUR 0.1 million related to IRAP advances paid by Parent Company Tessellis S.p.A.

**Shareholders' Equity**

- Consolidated Shareholders' Equity was a positive EUR 68 million as at 31 December 2022, representing 19.7% of total liabilities inclusive of the Shareholders' Equity.

**Liabilities****Non-Current Liabilities**

- Non-current liabilities as at 31 December 2022 amounted to EUR 122.5 million, or 35.5% of total liabilities inclusive of the Shareholders' Equity, and include:
- EUR 87 million for items related to financial debt (for which please refer to the Group Financial Position section below);
- Other non-current liabilities for EUR 25.5 million, of which EUR 17.9 million related to the long-term component of trade payables, EUR 3 million related to the long-term component of tax payables, EUR 2.4 million related to the deferral of the medium-/long-term portion of tax credits recorded under current assets (see the description “Current assets”), EUR 1.7 million related to the long-term component of payables to Opnet S. p.A. related to the integration operation of the Linkem Retail branch, EUR 0.2 million related to payables to customers for security deposits and EUR 0.3 million related to payables to companies not fully consolidated;
- Provision for severance indemnity for EUR 7.8 million
- Provision for risks and charges of EUR 2.1 million.

**Current Liabilities**

Current liabilities amounted to EUR 154.2 million and were made up as follows:

- EUR 19.7 million for items related to financial indebtedness (for which reference should be made to the Group's Financial Position section below);

- EUR 87.8 million in payables to suppliers;
- EUR 46.7 million of other current liabilities. This item mainly includes (i) deferred income of EUR 21.7 million, of which EUR 2.9 million relates to the deferral of the short-term portion of tax credits recorded under current assets (see the description “Current assets”); (ii) payables to tax and social security institutions for EUR 9.9 million; (iii) the short-term component of payables to Opnet S. p.A. connected to the Linkem retail branch merger transaction for EUR 8.4 million; (iv) other payables for EUR 3.5 million; (v) accrued liabilities for payables to employees for EUR 3.2 million.

As at 31 December 2022, net trade payables past due (net of payment plans agreed with suppliers, accounts receivable and in dispute with the same suppliers) amounted to EUR 15.7 million (of which EUR 3.2 million past due by more than 12 months). At the same date, there were no overdue financial payables (net of credit positions). Tax payables past due amounted to about EUR 3.3 million (of which EUR 3 million past due by more than 12 months). Overdue social security payables amounted to EUR 0.1 million.

As at 31 December 2022, payment reminders had been received in the ordinary course of business. As of that date, the main payment reminders received by the Company, following the settlement of certain positions, amounted to a total of EUR 2 million, of which the residual unpaid, as they are under negotiation, objection or instalment plans, amounted to EUR 0.3 million.

Based on the information presented and with reference to the statement of financial position as at 31 December 2022, it can therefore be seen that current liabilities exceed current assets by EUR 113 million, showing an imbalance of the current items. This imbalance of current items is consistent with business needs, which include an initial investment phase to obtain new customers.

As at 31 December 2022, the fixed asset coverage ratio, i.e. the ratio of Shareholders' Equity to fixed assets, was 22.4%.

#### 4.5.3 Financial Situation of the Group

As at 31 December 2022, the Tessellis Group had cash and cash equivalents of EUR 8.3 million, while the net financial debt at the same date was a negative EUR 97.7 million.

As previously indicated, the Senior Loan Amendment Agreements, signed on 22 July 2022, defined an extension of the debt repayment plan and a rescheduling of payments. For further details, please refer to Note 26.

Net Financial Position	Note	31 December 2022
<i>(EUR mln)</i>		
A. Cash and bank deposits		8.3
B. Cash equivalents		
C. Securities held for trading		
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>		<b>8.3</b>
<b>E. Current financial receivables</b>		
<b>F. Non-current financial receivables</b>		<b>0.8</b>
G. Current bank payables		3.6
H. Current portion of bonds issued	(1)	0.0
I. Current part of long-term loans	(2)	7.6
J. Other current financial payables	(3)	8.4
<b>K. Current financial indebtedness (G) + (H) + (I) + (J)</b>		<b>19.7</b>
<b>L. Net current financial indebtedness (K)-(D)-(E)-(F)</b>		
M. Non-current bank loans	(4)	64.7
N. Bonds issued		
O. Other non-current financial payables	(5)	22.3
<b>P. Non-current financial indebtedness (M)+(N)+(O)</b>		<b>87.0</b>
<b>Q. Net financial indebtedness (L)+(P)</b>		<b>97.7</b>

**Notes:**

- (1) *The item related to the Convertible Bond Loan is nil as of 31 December 2022;*
- (2) *The item includes the current portion of the payable to Senior Lenders for EUR 7.4 million and other long-term bank loans for EUR 0.2 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 the payable to Senior Lenders in the amount of EUR 61 million and other long-term bank loans in the amount of EUR 3.7 million*
- (5) *The item includes the long-term portion of financial lease payables related to network infrastructure investments and leases capitalised in application of IFRS 16 for EUR 18.8 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 3.5 million.*

The table below includes security deposits under “Other liquid assets” and “Non-current financial receivables”. Below, for the sake of completeness, we also provide a reconciliation of the above financial indebtedness with the financial indebtedness prepared in light of CONSOB Attention Notice No. 5/21 of 29 April 2021 and reported in the notes to the financial statements.

	31 December 2022
<i>(EUR mln)</i>	
<b>Consolidated net financial debt</b>	<b>97.7</b>
Non-current financial receivables	0.8
Long-term trade payables and installment tax payables	22.5
<b>Consolidated net financial debt prepared on the basis of Consob communication No. 5/21 dated 29 April 2021</b>	<b>121.0</b>

It should be noted that the amount of trade payables and payables to other parties overdue by more than 12 months amounted to EUR 6.3 million as at 31 December 2022. It should also be noted that the severance indemnity payable to the Company amounted to EUR 7.8 million.

As at 31 December 2022, the treasury ratio, calculated as the result of working capital net of inventories, divided by current liabilities, was -0.74, which indicates the impossibility of covering current cash needs with cash flows generated by operating activities.

As of the same date, the financial autonomy ratio, calculated as the ratio of borrowed funds to Shareholders' Equity, was 4. This value indicates the prevalence of third-party means as a form of financing.

#### 4.6 Events after Reporting Period

- Change of the 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 provided for in the business plan approved by the financial world.

The name change resulted in the change of the share ticker to "TSL.MI" as at 20 January 2023.

The Company's updated Articles of Association can be found at [www.tessellis.it](http://www.tessellis.it)

- Issuance of four tranches for a cumulative amount of EUR 4 million of the mandatory convertible bond subscribed 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 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, (as at the date hereof not yet converted by the investor).

- 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 Business 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.

- Capital increase offered under option to shareholders

On 11 May 2023, the Board of Directors, in partial execution of the Proxy granted to it pursuant to Article No. 2443 of the Italian Civil Code by the Extraordinary Shareholders' Meeting held on 10 January 2023, resolved to increase the Issuer's Share Capital, to be offered as an option to Shareholders pursuant to Article No. 2441, paragraph 1, of the Italian Civil Code, on a divisible basis, for a maximum amount of EUR 25 million, by issuing a maximum of 647,846,890 Shares at a price of EUR 0.5225 each. The issue price was determined by the Board of Directors by applying a discount on the TERP (Theoretical ex right price) equal to 5%, calculated on the average stock market price of the Tessellis share in the week prior to the date of the Board of Directors' meeting.

#### **4.7 Business Outlook**

In execution of the updated 2023-2026 Business Plan, the Group is currently undergoing an ambitious transformation process that should take it from an entity primarily focused on the telecommunications market aimed at consumer customers, to a Digital Company that can exploit telco services as a point of entry both on currently beaten markets and on fronts that are currently in the minority, 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 so-called "Innovation Lab" ecosystem. In the meantime, the Group continues to work on improving the margins of prevailing services (Ultra Broadband 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 related to the general economic situation and the Russia-Ukraine conflict

The Group's economic, asset and financial situation is influenced by the various factors that make up the macro-economic picture, such as changes in GDP or savers' confidence in the economic system.

The macroeconomic situation, which had already suffered during the two years of the pandemic crisis, increased its tensions during 2022 following the outbreak and continuation of the armed conflict between Russia and Ukraine. In particular, there has been a global supply shock that has led to a sharp increase in commodity prices, including that of electricity, which directly affects the consumer price index, generating further effects that will eventually be reflected in final consumption, hitting the most vulnerable populations in low-income countries the hardest.

In this regard, the Group has constantly monitored the effects of the conflict in Ukraine on the performance of its business, assessing all potential risks, such as cyber attacks and the blocking of service supplies and price increases, as well as the necessary corrective measures. As far as the financial situation is concerned, at the moment the Company has not detected any significant impact on its business activities, thanks to a series of actions put in place to improve and mitigate any risks. In particular,

- There is constant monitoring to ensure the operability of its network and information systems, as well as the continuity and security of its servers, hardware and software, investing adequate resources to prevent damage or malfunctioning of IT tools and processes;
- There are no relations with Russian or Ukrainian business partners or related to them that could hinder compliance with supply agreements due to the conflict or suffer the application of sanctions and restrictions;
- There is constant monitoring of the requirements set forth in the various Refund Decrees issued by the Government in order to avail of energy tax credits;
- In continuity with what has already been implemented in previous years, actions are implemented to increase the energy efficiency of its plants;
- The rationalisation process of the Tessellis network infrastructure continues, through the decommissioning of obsolete and inevitably more energy-intensive equipment. The effects on the energy plan will be more evident in the coming months.

In any case, there is no significant impact on the balance sheet as at 31 December 2022, as the increase in energy costs has been mitigated by the allocation of tax credits (calculated on the basis of the instructions set out in the Refund Decrees) accrued from the second quarter of 2022.

Risks associated with highly competitive markets

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

As already described in the preceding paragraphs, the Group competes with telecommunication operators with a significantly larger market share than Tessellis, who have strong brand recognition supported on an ongoing basis by significant investments in communication, a consolidated customer base and significant financial resources that enable them to make significant investments, particularly in research aimed at developing technologies and services.

In order to compete with the aforementioned competitors, Tessellis' strategy continues to be focused on the provision of quality Internet access services, in particular Ultra Broadband solutions with very high capacity, on the development of the mobile market with increasingly high-performance offerings and on fixed-mobile convergent offerings.

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 with a consequent loss of customers and negative effects on the Company's business, economic and financial position.



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

The Tessellis Group's ability 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 prospects. 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, the Group carried out a vulnerability assessment and implemented actions to correct the main vulnerabilities highlighted, with the support of Sababa Security, which will also support the Group in future activities to improve the security posture.

### Compliance with ISO standards

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

### *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, General Data Protection Regulation, the new EU Regulation No. 2016/679 on data protection, in 2021 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

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

The privacy office, in close cooperation with the DPO, manages customer relations, in particular in relation to the exercise of the rights under articles 15 to 22 of the GDPR, providing timely feedback within 48-72 hours and, in support of the legal office, in the drafting of contracts it defines privacy roles and proceeds to draft the clause on the processing of personal data.

The extraordinary transaction of incorporation by Tessellis of Linkem's retail unit, which 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 at 31 July 2022.

With regard to the extraordinary transaction that took place, in compliance with the general provision of the Italian data protection authority ("Autorità Garante") of 8 April 2009 on "Prescriptions regarding mergers and demergers between companies" ("Prescrizioni in materia di operazioni di fusione e scissione fra società") and subsequent case law, the interested parties were provided with appropriate communications regarding the extraordinary transaction, specifically (i) a communication by e-mail on 28 July 2022 that also contained the information on the processing of personal data; (ii) a communication made available on the website dedicated to the Linkem service.

Also with regard to the above-mentioned extraordinary operation, the Company has started an internal analysis aimed at a complete mixing of the databases previously in the ownership of Linkem S.p.A. within its own systems. Since this activity is in progress, as of today the Company holds the personal data of customers acquired following the aforementioned extraordinary operation on various systems.

In addition to the ordinary activity during the year 2022:

- Privacy consent management has been implemented on the MY Tiscali APP, which was previously only possible via the web;
- Consents on all physical and online collection channels were reviewed and aligned;
- In view of the merger with Linkem Retail, the company has also carried out a review of documentation and all existing privacy procedures.

Following the inspection activities of the Italian Data Protection Authority that took place in the period 3-5 May 2022, (Operational File No. 146275), on 20 May 2022 the Company provided feedback to the

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Authority on the points for which it had expressed reservations, and put in place a series of spontaneous and collaborative measures to supplement the activities already in place concerning:

- 1) Banner cookie
- 2) Call back privacy policy
- 3) My Tiscali – correction of consent mismatch between My Tiscali and Crm
- 4) Web subscription procedures – revision of consent collection text
- 5) Privacy policy / soft spam

With reference to the aforesaid inspection activities, on 9 December 2022, the Company received a request for supplementary information No. 56038 from the Privacy Authority, for which the requested feedback was provided.

Finally, in consideration of the appointment of the new Data Protection Officer ("DPO") of Tiscali Italia S.p.A. last December 2022, in 2023: *(i)* A due diligence & Gap Analysis activity by the DPO will be started, aimed at updating and adjusting the privacy organisational model of Tiscali Italia S. p.A., which will involve the different areas and relevant business functions; *(ii)* The training on the processing of personal data addressed to the staff of Tiscali Italia S.p.A. will be initiated, in particular, to the staff in charge of the management of the requests of the interested parties.

### Risks related to the evolution of technology

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.

Furthermore, 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 legislative and regulatory legislation, 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 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.

Furthermore, given the Tessellis Group's reliance on the services of other operators, the Company may not be able to promptly implement and/or adapt to any provisions that modify the current legislative and/or regulatory regime, with consequent negative effects on the Company's business and financial position and on its 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 of the general conditions of the economy, the financial markets and the sector in which the Group operates.

The Directors believe that this risk is mitigated by the fact that the financial indebtedness mainly consists of the Senior Loan, the repayment profile of which was last redefined with the Amendment Agreements signed on 22 July 2022.

In addition, further risk mitigation derives from the subscription of the New POC reserved to N&G for a total amount of EUR 90 million (New POC) and from the availability of approximately 1 million IPv4 addresses, a portion of which may be used to fund the Group's cash needs.

#### Risks associated with 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 debt is at fixed rates, the management considers the risk of interest rate fluctuations to be insignificant for the Company's equity and financial situation.

### 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) Such contracts are not renewed on expiry or are renewed on 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 economic 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 at present, the Company meets all the requirements for the renewal of this authorisation on its expiry, for which it will however be necessary to submit a new DIA (declaration on the commencement of the activities);
- 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; at present, 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).

#### Risk related to climate change

The Tessellis Group has assessed the possible effects of climate change in order to adequately disclose them in the financial statements and reflect the possible effects on economic and financial data. Climate-related issues have a potentially significant impact on many organisations, affecting their business models, financial performance, cash flows and more generally their ability to continue operating as functioning entities. In particular, the Group has initiated a series of actions aimed at improving the company’s environmental, social and governance (ESG) performance, taking into consideration both the possible impacts of climate change on Tiscali’s production structures and management’s assessment of the possible economic and financial impacts.

At present, the actions implemented by the Company are as follows:

- Energy efficiency initiatives related to data centres;
- Network efficiency initiatives;
- Reduction of energy consumption through the use of renewable energy (e.g. photovoltaic system).

## **4.9 Analysis of the economic and financial situation of Tessellis S.p.A.**

### **4.9.1 Introduction**

It should be noted that, although the Transaction as described above has been accounted for, in the consolidated financial statements, as a reverse acquisition, in which Linkem Retail is the acquirer and Tessellis S.p.A. (formerly Tiscali S.p.A.) the acquired company, for the purposes of the separate financial statements, having maintained formal continuity, Tessellis S.p.A. is considered the Parent Company in continuity with the past. For this reason, the separate financial statements are presented in continuity with the financial statements of Tessellis S.p.A. as at 31 December 2021.

**4.9.2 Economic Situation of the Parent Company**

<i>(EUR/thousand)</i>	<b>2022</b>	<b>2021</b>
Revenues from services and other income	3,120	4,875
Staff, Services and Other Operating Costs	(2,546)	(3,703)
Other write-downs	(92)	(480)
Net financial income (expenses)	(1,409)	(899)
Income Taxes	-	(94)
<b>Net result</b>	<b>(927)</b>	<b>(301)</b>

Revenues from services mainly refer to the invoicing of services rendered by the Company in favour of the subsidiary Tiscali Italia S.p.A., including charges for the licence to use the Tiscali brand determined as a percentage of the revenues of the same user company.

Employee costs amounted to EUR 0.2 million, professional fees amounted to EUR 0.8 million, compensation for the Board of Directors and Board of Statutory Auditors amounted to EUR 0.7 million, surcharges for late repayment amounted to EUR 0.1 million and other general and external service costs amounted to EUR 0.7 million.

The item Other write-downs mainly includes the alignment of the allowance for doubtful accounts to the value of the total receivable from foreign subsidiaries in the amount of EUR 0.1 million.

Net financial charges of EUR 1.4 million include EUR 0.5 million of financial charges related to the bond loan converted into Tiscali ordinary shares, subscribed by Nice & Green through the exercise of 4 tranches (each composed of no. 30 bonds converted into Tiscali shares with a unit value of EUR 100,000 each), for a total amount of EUR 12,000,000; for EUR 0.9 million related to the waiver fee in favour of Nice & Green following the amendments to the investment agreement (POC).

**4.9.3 Assets and Liabilities of the Parent Company**

<b>Statement of Assets and Liabilities (abridged)</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<i>(EUR/thousand)</i>		
Non-current Assets	158,941	257,734
Current Assets	6,307	20,893
<b>Total Assets</b>	<b>165,249</b>	<b>278,628</b>
Shareholders' Equity	103,254	64,568

<b>Total Shareholders' Equity</b>	<b>103,254</b>	<b>64,568</b>
Nun-current Liabilities	54,236	204,241
Current Liabilities	7,758	9,818
<b>Total Assets and Liabilities</b>	<b>165,249</b>	<b>278,628</b>

## Assets

### Non-Current Assets

Non-current assets mainly include controlling interests in the amount of EUR 157.3 million (EUR 130.6 million as at 31 December 2021). Also included in this item are financial assets, in the amount of EUR 1.6 million (EUR 127.2 million as at 31 December 2021), mainly consisting of financial receivables from Group companies.

### Current Assets

Current assets include trade receivables of EUR 6 million mainly from subsidiaries, tax receivables of EUR 0.1 million relating to IRAP advances paid for the current year, other current receivables and sundry assets of approximately EUR 59 thousand, and cash and cash equivalents of EUR 0.2 million.

## Shareholders' Equity

The Parent Company Shareholders' Equity amounted to EUR 103.3 million as at 31 December 2022 and reflected an increase of EUR 38.7 million compared to 31 December 2021 due to the following factors:

- Decrease in net comprehensive income of negative EUR 0.9 million
- Capital increase for Euro 18 million as a result of the conversion of the six tranches of the bond loan subscribed by Nice & Green SA, which took place on 7 January 2022, 16 March 2022, 13 April 2022, 4 May 2022 and 29 July 2022 respectively
- Capital increase for EUR 103.9 million following the merger by incorporation of Linkem Retail S.r.l., conferred at the same time, on 1 August 2022, in favour of the parent company Tiscali Italia S.p.A;
- Decrease of EUR 77.1 million for the creation of the reserve related to the merger transaction mentioned above, in addition to EUR 4.9 million for accessory charges
- Decrease of about EUR 0.3 million for charges related to the conversion of the tranches of the POC.



## Liabilities

### Non-Current Liabilities

Non-current liabilities, amounting to EUR 54.2 million, include, in addition to the items related to financial indebtedness for which reference should be made to section 4.10.4 *“Financial Situation of the Parent Company”*.

### Current Liabilities

Current liabilities include trade payables to third parties of EUR 6.8 million and other current liabilities of EUR 0.9 million. The latter mainly include EUR 0.5 million in tax and social security payables, EUR 0.1 million in payables for remuneration due to directors, and EUR 0.3 million in other payables, mainly related to accruals for penalties and interest on outstanding tax payables.

#### **4.9.4 Financial Situation of the Parent Company**

The Parent Company's financial debt is summarised in the following table:

Financial Indebtness	31 December 2022	31 December 2021
<i>(EUR/000)</i>		
A. Cash and bank deposits	180	3185
B. Other liquid assets		
C. Held-for-trading securities		
<b>D. Liquidity (A) + (B) + (C)</b>	<b>180</b>	<b>3,185</b>
<b>E. Current Financial Receivable</b>		
<b>F. Non-current Financial Receivables from Group Companies</b>	<b>1,605</b>	<b>127,171</b>
G. Current Bank Payables		0
H. Current part of bonds issued		6000
I. Current portion of non-current paybles		
J. Other current financial payables		0
<b>K. Current Financial Indebtedness (G) + (H) + (I)+ (J)</b>	<b>-</b>	<b>6,000</b>
<b>L. Net Current Financial Indebtedness (K)-(D)-(E)-(F)</b>	<b>-1,785</b>	<b>-124,356</b>
M. Non-current Bank Payables		
N. Bond Issued		
O. Other non-current payables to group companies	53,859	203,324
P. Other non-current payables to third parties		
<b>Q. Non-Current Financial Indebtedness (M)+ (N) + (O) + (P)</b>	<b>53,859</b>	<b>203,324</b>
<b>R. Net Financial Indebtedness (L) + (Q)</b>	<b>52,075</b>	<b>78,968</b>

As at 31 December 2022, the non-current financial receivables from companies within the Group are represented by financial receivables from Tiscali International Bv, amounting to EUR 1.6 million.

The non-current other financial liabilities to companies within the Group consist of financial liabilities to Tiscali Italia S.p.A. for EUR 52.2 million and to Tiscali International Bv for EUR 1.6 million.

The variation in financial receivables and liabilities to companies within the Group is related to cash flows associated with the centralized treasury agreement, as well as operations to offset respective credit and debit positions.

As at 31 December 2022, the cash liquidity ratio, calculated as the result of net working capital divided by current liabilities, is -0.74. This indicates the inability to cover current cash needs with cash flows generated from operating activities.

At the same date, the financial autonomy ratio, calculated as the ratio of external financing to net equity, is 4. This value indicates the prevalence of external financing as a form of funding.

#### **4.9.5 Reconciliation between the Parent Company's Financial Statements and the Consolidated Financial Statements**

As requested by the CONSOB Communication No. DEM/6064293 dated 28 July 2006, the reconciliation statement between the net equity of the Group and the corresponding values of the

Parent Company is provided below:

<i>EUR 000</i>	<b>31 December 2022</b> <b>Shareholders' equity</b>
<b>Shareholders' equity and net profit (loss) of Tiscali S.p.A.</b>	<b>103,254</b>
Net profit and Shareholders' equity of consolidated companies	(344,162)
Book value of consolidated equity investments and Consolidation's Journals	307,899
<b>Shareholders' equity and net profit (loss) for the year pertaining to the Parent Company</b>	<b>66,992</b>
Shareholders' equity and net profit (loss) for the year pertaining to minority shareholders	1,013
<b>Shareholders' equity and net profit (loss) for the year as per the Consolidated Financial Statements</b>	<b>68,005</b>

The differential between the net equity of the Parent Company and the consolidated net equity is due to the treatment of losses from Tiscali Italia S.p.A. in the Separate Financial Statements of Tessellis S.p.A. For the Separate Financial Statements, the losses of Tiscali Italia S.p.A. are not considered as lasting and, therefore, are not recognized as impairment of the investment. However, for consolidation purposes, the losses are included in the Group's net equity flows in the periods when they mature..

#### **4.10 Litigations, Potential Liabilities and Commitments**

Please refer to the Paragraph "Litigations, Potential Liabilities and Commitments" in the Explanatory Notes.

#### **4.11 Non-Recurring Operations**

Please refer to the Paragraph "Non-Recurring Operations" in the Explanatory Notes.

#### **4.12 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 enter into any atypical and/or unusual transactions, as defined by the Communication.

#### **4.13 Related Party Transactions**

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

Please note that the document illustrating the procedure for regulating related parties can be found at [www.tessellis.it/procedure](http://www.tessellis.it/procedure).

#### 4.14 Remuneration of Directors, Statutory Auditors and Managers with Strategic Responsibilities

For the performance of their functions in the Parent Company and in other consolidated companies, the remuneration due to the Directors, Statutory Auditors and key management personnel of the Group companies for the financial year 2022, derived from the Pro Forma 2022 Data, and therefore taking into account the costs incurred by the current perimeter in the entire 2022 calendar year, are as follows:

	<b>Tessellis Group, Pro forma data 2022</b>
<i>(Eur/000)</i>	
Directors	589
Statutory auditors	169
Managers with strategic responsibilities	751
<b>Total</b>	<b>1,508</b>

#### 4.15 Joining the Tax Consolidation Agreement

The Company has exercised the option for consolidated taxation under the parent company Tessellis S.p.A. for the following companies:

- Tessellis S.p.A.
- Tiscali Italia S.p.A.
- Media PA Srl

The relationships arising from joining the consolidation are governed by a special “Rules and Regulations” agreement, which provides for a common procedure for the application of statutory and regulatory provisions.

#### 4.16 Assessment of the impact of climate change on Tiscali’s production facilities

The Tessellis Group, as part of the assessment of its long-term business continuity, has estimated the effects of climate change and their possible economic and financial impact on the company’s business.

The analysis was conducted focusing particular attention on certain physical risks arising from climate change that could compromise the Data Centre infrastructure:

##### (i) Rising global average environmental temperatures

The increase in environmental temperatures was assessed both on the Data Centre (located at Tessellis’ headquarters in Sa Illetta – Cagliari) and on the production facilities located throughout the

country, as well as on the interconnection devices located at the end customer's household

*Effect of rising temperatures on the Cagliari – Sa Illetta data centre*

According to the IPCC's Fifth Special Report (AR5)<sup>1</sup>, the global surface temperature in the period 2011-2020 was 1.09° C higher than in the period 1850-1900, and it is estimated that by 2040 it could reach 1.5° C above pre-industrial levels.

The Tessellis Data Centre, thanks to the energy efficiency measures described under *"1.Energy Efficiency Initiatives Concerning the Data Centre"*, is equipped with cooling machines that can cope with a rise in external temperature up to 55 °C. The operating range of the equipment used for cooling the Data Centre in fact goes from -17.5 °C to 55 °C. The maximum temperature recorded in the Data Centre area in the year 2021 is 40.1 °C. Therefore, even assuming a ten-year increase in the global average temperature of 1.5 °C, the current systems are able to cope with the cooling requirements for a period longer than the expected useful life of the systems themselves.

The technicians in charge of managing the data centre have estimated that, since it is extremely unlikely that the global average temperature will rise to a value that would compromise the capacity of the systems, there will be no impact on the cooling capacity of the chillers. Likewise, the engineers believe that the servers will not suffer any damage in the event of a temperature rise, maintaining their capacity intact.

Obviously, over a longer period of time, a rise in ambient temperatures could result in the need to make greater use of the cooling capacity of the data centre's air conditioning systems. This would have an impact on energy consumption with a consequent increase in indirect CO2 emissions. At present, this impact cannot be estimated with certainty, but engineers believe it is not significant. This effect would in any case be mitigated by the self-production of electricity from the photovoltaic system.

*Effect of rising temperatures on production facilities across the country*

Tessellis, in addition to the main data centre in Sa Illetta, has more than 29 POPs active throughout the country, some located in the facilities of other operators and others in co-location, hosting equipment (routers/servers) with technical characteristics similar to those present in the data centre. The same considerations applied to the data centre in relation to the hypothesis of higher environmental temperatures apply to them. It should be borne in mind that over the last few years a process of replacing the air-conditioning systems on these POPs has been initiated and will be completed in the next few years, thus making it possible to cope with potential increases in external temperatures.

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<sup>1</sup> Source: AR5 Synthesis Report: Climate Change 2014 – IPCC Intergovernmental Panel on climate change.

Effect of higher temperatures on the interconnection devices supplied and installed at the customer's premises to perform the service

The Internet represents the largest man-made infrastructure that is of enormous importance not only in the daily lives of individuals but more generally for the progress of mankind, science and information.

Climate change, caused by global warming, could have a negative impact on the internet service, affecting its availability, quality, security and cost. According to a UK Government Report, Wi-Fi internet connections and other telecommunication tools will be increasingly exposed to the risk of overheating as global temperatures rise and disruptions occur. Studies have shown that high temperatures lead to a reduction in the range of internet communication, while frequent thunderstorms impact signal reliability, and this undoubtedly represents a critical issue especially in emergency situations where efficient communication systems are required.

With regard to the Company's modems, in particular, these are assets that are installed in customers' households, during contract activation. These devices fall into two categories:

- a) Devices for indoor deployment: these are modems related to fibre services (FTTH/FTTC) and modems related to FWA services;
- b) Devices for outdoor deployment: these are modems related to FWA services, used where radio signal coverage requires antenna placement outside the building.

The engineers assessed the effects of climate change on these devices. The devices referred to under b) have a thermal resistance, as they are able to withstand external temperature rises of up to 56° C, without impacting on the functioning of the device. The temperature rise also has no impact on the useful life of such devices if the normal operating temperature remains below 40° C and if the 56° C threshold is not reached for more than 72 consecutive hours per year.

**(ii) Sea level rise – effect on production facilities located in Sa Illetta – Cagliari**

Global warming is the main cause of melting polar glaciers and warming oceans, which in turn affect sea levels, affecting their density and salinity.

Since the early 1900s, sea levels have risen by around 21 cm, and of these, only a third has been recorded in the last 30 years. According to IPCC studies<sup>2</sup>, The projected sea level rise by 2100 will be about 43 cm in the case of very high emission reductions, and about 84 cm in the case of high emissions. The world's coastal cities are at risk of being flooded due to their vulnerability to sea level rise, flooding and erosion.

Tessellis' offices and data centre are located in Sa Illetta, a hamlet about 2 km from the municipality of

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<sup>2</sup> Technical Summary of the IPCC Special Report on Ocean and Cryosphere in a Changing Climate (SROCC), 2019.

Cagliari. It is one of the largest wetland areas in Europe and is particularly considered not only for its historical importance, but also for its environmental relevance, as it is populated by protected animal and plant species.

The Tessellis Data Centre is located in building No. 6, which is about 90 metres from the pond on the north side. The servers are located on the second floor of the building, while the generators, electrical substations and uninterruptible power supply systems are located on the ground floor.

The technicians believe that in the event of a 30 cm rise in sea level over the next 12 months (a hypothesis that is, however, highly unlikely), the waters of the lagoon could not in any case lap the building that houses the Data Centre, nor reach any of the equipment intended for the company's production activities because this rise would not reach the ground level of the Datacenter (about 2 metres above sea level) anyway. There is also a guard channel around the area for the outflow of water towards the sea that would protect the existing structures even for higher water level rises. For this reason, the engineers believe that there is no reasonable risk of having to make investments to protect the Data Centre's machines or other machinery used for production activities.

Similarly, the engineers believe that the servers will not suffer any damage in this timeframe that would compromise their ability to function.

Should the sea level rise by more than 2 metres over a 10-year period, an event that is, however, highly unlikely, this would not lead to the need for an investment in upgrading part of the DPC infrastructure, for the reasons stated above.

Considering the climate changes hypothesised for the next 10 years, a significant change in the useful life of the equipment and systems of the Datacenter is not expected as a consequence of the rise in average temperatures and water levels.

With reference to the evaluations carried out on the consequences that would derive from the two potential climatic events outlined above (i.e., rising global temperatures and rising sea levels), the technicians believe that the assets will maintain their physical integrity and, therefore, their production capacity unchanged over the 12 months.

That being said, it is reasonably believed that it will not be necessary to relocate the company's headquarters in the next 10 years. Similarly, no specific insurance policy is deemed necessary for damages.

Cagliari, 11 May 2023

**The CEO**

**Davide Rota**

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

**Fabio Bartoloni**

## 5 Corporate Governance Report and Ownership Structure

### 5.1 Profile of the Issuer

As per Article No. 123-*bis* of the Law Decree No. 58/1998, as subsequently amended and integrated (hereinafter referred to as “**TUF**”, i.e., Consolidated Financial Law), implemented by Article 89-*bis* of the Issuers Regulations adopted by CONSOB with resolution No. 11971 dated 14 May 1999, as subsequently amended and integrated (hereinafter referred to as “**Issuers’ Regulation**”), listed companies are required to prepare a report, on an annual basis, providing information on their Corporate Governance in March 2006, as subsequently updated and available at <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf> (hereinafter referred to as “**Code**”).

This report shall be made available to the Shareholders at least 21 days before the Meeting for the approval of financial statements for the year and shall be published in the *Governance* section of the Company’s website, at [www.tessellis.it](http://www.tessellis.it)

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

The Board of Directors of Tessellis S.p.A., formerly known as Tiscali S.p.A.<sup>3</sup> (hereinafter referred to as “**Tessellis**” or the “**Company**”), in fulfilment of the prescribed obligation and with the intention of providing extensive corporate information in favour of Shareholders and investors, has prepared this report (the “**Report**”), in compliance with the format for the reaction on corporate governance and ownership structure of Borsa Italiana S.p.A. and in light of the indications provided in this regard by Assonime.

On 11 May 2023, the Board of Directors, in accordance with the provisions of the Code, carried out its assessment. The Board considered that the size, composition and functioning of the Board of Directors itself and its Committees are adequate for the Company’s management and organisational needs. The Board of Directors also took into account the professional, experienced and managerial characteristics of its members and examined the actual functioning of the corporate bodies during the financial year 2022. It should be noted that the aforesaid assessment was made after the first year of the Directors’ term of office and in a context of great dynamism and discontinuity, given by the post-

<sup>3</sup> The Shareholders’ Meeting of the Company, which met on 10 January 2023, resolved to change the name of the Parent Company from “Tiscali S.p.A.” to “Tessellis S.p.A.”. The resolution was entered in the Company Register on 19 January 2023..



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**Annual Financial Report as at 31 December 2022**

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Merger industrial integration process, as subsequently defined. Therefore, the Board is committed to constantly monitoring the adequacy of its organisation and functioning over time. At the date of the Report, the Board of Directors was composed of seven members<sup>4</sup>, including the Chief Executive Officer with executive powers and three non-executive and independent directors. In this assessment, the Board of Directors also took into account the positions in other companies held by the Directors and the Directors' concrete commitment to company management.

On 11 May 2023, the Board of Directors also adopted the Group's corporate governance regulations for the definition of a unified group policy that enhances both the Company's strategic policy-making role (as the entity exercising management and coordination activities) and the legal and functional autonomy of the subsidiaries.

Finally, it should be noted that the Company qualifies as an SME (small and medium-sized enterprise) pursuant to Article No. 1, paragraph 1, subpara *w-quater.1* ), of the Consolidated Finance Act (hereinafter referred to as the "TUF") and Article 2-ter of the Issuers' Regulations, since, as communicated to Consob within the terms of the law, the value of the average capitalisation for the year 2022 is equal to EUR 130,054 thousand, the value of the turnover for the year 2022 (referred to the 5 months, i.e., from the effective date of the merger on 1 August 2022 to 31 December 2022) is equal to EUR 100.1 million.

## **5.2 Information on Ownership Structure as at 31 December 2022**

### **a) Share Capital Structure**

The structure of the subscribed and paid-up share capital, as at 31 December 2022 amounting to EUR 185,513,965.37, is shown in Table 1 – Information on Ownership Structure. As of the date of this Report, it amounts to EUR 187,513,965.37.

There are no share-based incentive plans in place (stock options, stock grants, etc.).

### **b) Restrictions on the Transfer of Securities (pursuant to Article No. 123-bis, paragraph 1, subpara b) of the TUF)**

There are no statutory restrictions on the transfer of securities, such as ownership limits or approval clauses.

### **c) Significant holdings of capital (pursuant to Article No. 123-bis, paragraph 1, subpara c), TUF)**

Shareholders with voting rights or holding more than 5%, who at the date of this Report have notified

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<sup>4</sup> The Company's Board of Shareholders, which met on 11 May 2023, co-opted Directors Andrew Theodore Holt and Jeffrey Robert Libshutz.

the Company and CONSOB of their shareholding are: OpNet S.p.A.<sup>5</sup> with 58,13%.

d) Securities conferring special rights (pursuant to Article No. 123-bis, paragraph 1, subpara d), TUF)

No securities have been issued that confer special rights of control.

There are no special powers (e.g. special powers of the Italian State in strategic sectors, pursuant to the Law Decree No. 21 of 15 March 2012, converted into Law No. 56 of 11 May 2012).

e) Employee share ownership: Mechanism for exercising voting rights (pursuant to Article No. 123-bis, Paragraph 1, subpara e), TUF)

The Articles of Association do not provide for any special mechanisms for exercising voting rights in the case of employee share ownership, which are exercised in accordance with the provisions of the Articles of Association.

f) Restrictions on Voting Rights (pursuant to Article No. 123-bis, paragraph 1, subpara f), TUF)

The Articles of Association do not provide for multiple or increased voting shares or restrictions on voting rights.

g) Shareholders' Agreements (pursuant to Article No. 123-bis, paragraph 1, subpara g), TUF)

At the date of the Report, a Shareholders' Agreement is in place between Amsicora S.r.l. (Amsicora), Linkem S.p.A., now OpNet S.p.A. (OpNet) and Renato Soru, signed in the context of the merger by incorporation of the retail branch OpNet in Tessellis and the subsequent conferment of the same branch in the operating subsidiary Tiscali Italia S.p.A. (i.e. the "Merger").

Specifically, on 30 December 2021 OpNet, Amsicora and Renato Soru (hereinafter referred to jointly as the "**Parties**") signed a Shareholders' Agreement aimed at regulating their mutual commitments in the context of the merger transaction completed pursuant to Articles 2501 et seq. of the Italian Civil Code (the "Merger"), mainly in relation to certain commitments (i) of lock-up to be borne by Amsicora and Renato Soru, (ii) of standstill to be borne by the Parties and (iii) concerning the governance of the Company following the completion of the Merger (the "Shareholders' Agreement").

In consideration of the fulfilment of the conditions precedent underlying the Shareholders' Agreement, the Shareholders' Agreement became effective on 1 August 2022 (the effective date of the Merger) and will expire on the third anniversary following the Merger.

The following are the covenants contained in the Shareholders' Agreement, whose complete documentation is published on the Company's website, Section "Documents/Shareholders' Agreements".

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<sup>5</sup> The Shareholders' Meeting of Linkem S.p.A., which met on 26 September 2022, resolved to change its company name from "Linkem S.p.A." to "OpNet S.p.A.". The resolution was entered in the Companies' Register on 30 September 2022.

▪ *Lock-up commitments and standstill*

Pursuant to the Shareholders' Agreement:

(a) As part of the bond loan reserved for Nice&Green (hereinafter referred to as "N&G"), Amsicora undertook to guarantee the bond loan, already outstanding, until 31.12.2023, on an irrevocable basis:

- Not to carry out, either directly or indirectly, transfers of one's own Tessellis shares (or of other financial instruments, including participatory ones, which grant the right to purchase, subscribe, convert into, or exchange with, Tessellis shares or other financial instruments, including participatory ones, which grant rights inherent to or similar to such shares or financial instruments);
- Not to approve, enter into and/or perform transactions of any kind or nature on derivative instruments, which have the same effects, even if only economic, as transfer transactions;

(b) Renato Soru has irrevocably committed:

- Not to carry out, either directly or indirectly, transfers of one's own Tessellis shares (or of other financial instruments, including participatory ones, which grant the right to purchase, subscribe, convert into, or exchange with, Tessellis shares or other financial instruments, including participatory ones, which grant rights inherent to or similar to such shares or financial instruments);
- Not to approve, enter into and/or carry out transactions on derivative instruments of any kind or nature, which have the same effects, even if only economic, as transfer transactions.

The above commitments were undertaken (i) by Amsicora in respect of all Tessellis shares held at the date of the Shareholders' Agreement until the expiry of the sixth month following the effective date of the Merger, and (ii) by Renato Soru in respect of all the Tessellis shares held on the date of the Shareholders' Agreement until the expiry of the sixth month following the effective date of the Merger and in respect of 50% of the Tessellis shares held on the date of the Shareholders' Agreement until the expiry of the twelfth month following the effective date of the Merger.

The following are in any case excluded from the aforesaid commitments:

- (a) Transfers carried out in compliance with mandatory legal or regulatory obligations or measures or orders of competent Authorities;
- (b) Transfers carried out in adherence to a public tender offer for the purchase or exchange of Tessellis shares addressed to all holders of shares in the Company;

(c) With exclusive reference to the lock-up commitments undertaken by Soru, transfers *mortis causa*.

The Parties also undertook, until the effective date of the Merger, not to purchase shares or other financial instruments issued by the Company or to carry out any transactions on the shares and/or share capital of Tessellis.

▪ *Appointment of the Board of Directors*

Subject to the effectiveness of the Merger, the Parties undertook, for the entire duration of the Shareholders' Agreement, to use their best endeavours (including by voting for this purpose at the relevant Shareholders' Meetings of the Company) to ensure that the Board of Directors of the Company is composed of 7 members and to jointly submit and vote on a list for the appointment of the members of the Board of Directors of Tessellis, in accordance with the provisions of the Tessellis Articles of Association (hereinafter referred to as the "List"). The List will be composed as follows:

- (a) OpNet shall have the right to indicate 4 Directors, at least 1 (one) of whom shall be independent, to be included in the List with progressive numbering from 2 to 5;
- (b) Soru shall have the right to indicate 1 (one) Director to be included in the List with progressive number 1;
- (c) Jointly, Amsicora and Renato Soru shall have the right to indicate 1 (one) independent director to be included in the List with sequential number 6;
- (d) The additional independent Director – in the event that a minority list is not also duly presented and voted – will be indicated by OpNet with sequential number 7.

The List provides that the candidate indicated in first place will hold the position of Chairman of the Board of Directors of the Company.

In addition, the Parties have undertaken that, to the extent permitted by the applicable legal provisions, the Board of Directors of the Company will identify the Managing Director from among the directors indicated by OpNet.

▪ *Prior Consultation Obligations*

The Parties undertook to meet at least 15 business days prior to the date scheduled for each ordinary and/or extraordinary Shareholders' Meeting of Tessellis, to consult in advance in relation to the exercise of the rights attached to the shares granted under the Shareholders' Agreement with the aim of reaching, as far as reasonably possible, the determination of common voting instructions.

Amsicora undertook to issue instructions to N&G in relation to the exercise of the voting rights attached to the shares granted under the Share Loan in accordance with the determination of the Parties.

▪ *Supplementary Agreement*

In the context of the Merger, the Parties signed an agreement (hereinafter referred to as the “Supplementary Agreement”) on 5 April 2022, mainly concerning the renewal of the Board of Directors of Tessellis pending the completion of the Merger. In particular, the provisions of the Supplementary Agreement were applied in the context of the ordinary Shareholders’ Meeting called for the approval of the financial statements as of 31 December 2021 - the date on which the term of office of the Board of Directors expired - and were therefore effective only until 30 June 2022.

Pursuant to the Supplementary Agreement, Amsicora and Soru submitted and voted for a list for the election of the members of Tessellis’ Board of Directors consisting of 7 (seven) candidates, of which:

- No. 1 (one) candidate identified by Soru (in first place in the list);
- No. 2 (two) candidates identified by Amsicora (in second and third place on the list);
- No. 1 (one) independent candidate identified by Amsicora (in fourth place on the list);
- No. 3 (three) candidates identified by OpNet (in fifth, sixth and seventh place on the list), 2 (two) of whom are independent.

In addition, again in accordance with the provisions of the Supplementary Agreement, (i) the candidate indicated by Soru was appointed Chairman of the Board of Directors without management proxies, with a total gross annual remuneration of EUR 300,000.00, and (ii) the non-independent candidate indicated by OpNet received management proxies in line with those provided for the CEO of Tessellis.

h) Change of control clauses (pursuant to Article No. 123-bis, paragraph 1, subpara (h), of the Consolidated Law on Finance) and statutory provisions on takeover bids (pursuant to Articles 104, paragraph 1-ter and 104-bis, paragraph 1)

In certain agreements to which Tessellis and/or its subsidiaries are parties, the phenomenon of change of control entails a modification or extinction of the relationship; however, these are situations subject to contractual confidentiality constraints.

With regard to takeover bids, the Company’s Articles of Association do not contain any clauses derogating from the provisions on the passivity rule or provisions providing for neutralisation rules.

i) Powers to increase the share capital and authorisations to purchase treasury shares (pursuant to Article No. 123-bis, paragraph 1, subpara m), TUF)

At its meeting of 20 May 2021, the Board of Directors resolved, in exercise of the authority granted by the Shareholders’ Meeting on 26 June 2018, to issue the first two tranches of the bond loan reserved for Nice & Green S.A. (“Nice&Green”). On 24 June 2021, the Shareholders’ Meeting resolved regarding the issuance of the other tranches of said bond loan as well as the capital increase to

service the same up to a maximum of EUR 35 million. For further details in relation to the capital increase to service the “Tiscali Conv 2021” bond issue, please refer to the documentation published in the “Documents/Bond Loan” section of the Company’s website.

On 5 April 2022, Tiscali signed an investment agreement with Nice&Green, concerning a financing programme for Tiscali through the issue of a new POC, consisting of convertible bonds with a nominal amount of EUR 100,000 each, for a total maximum amount of EUR 90 million reserved for Nice&Green (hereinafter referred to as the “New POC”). On 16 May 2022, the Extraordinary Shareholders’ Meeting resolved the issue of the New POC, reserved to Nice&Green S.A. for an amount equal to EUR 90 million to be issued in several tranches pursuant to Article No. 2420-bis of the Italian Civil Code and the consequent capital increase against payment and in divisible form, in one or more tranches, with the exclusion of pre-emption rights pursuant to Article No. 2441, paragraph 5, of the Italian Civil Code, reserved for Nice&Green S.A., to service the conversion of the aforesaid loan, in addition to the consequent amendment of Article 5 of the Articles of Association. It should be noted that, in line with the amendments made with the Amendment Agreement signed between the parties on 23 November 2022 (effective as of the date of the signing of said Amendment Agreement), the Company was also given the option to request the subscription of each of the tranches by means of several sub-tranches with a minimum amount of EUR 1,000,000 and an integral multiple of EUR 1,000,000. The Amendment Agreement was signed against the payment of a waiver fee of EUR 900,000 in favour of Nice&Green. In January 2023, the subscription of the first tranche of the New POC was requested for a countervalue of EUR 2,000,000.00, following which the “Tiscali Conv 2021” bond loan expired. For further details in relation to the capital increase to service the “Tiscali Conv 2022” bond issue, please refer to the documentation published on the Company’s website in the “Documents/Bond Loan” section.

Lastly, it should be noted that on 10 January 2023, the Extraordinary Shareholders’ Meeting approved the proposal to grant the Board of Directors the power, to be exercised on one or more occasions within 30 months from the date of the Shareholders’ Meeting resolution, for a maximum amount of EUR 60,000,000.00 inclusive of share premium: (i) To increase the share capital for cash, in divisible form, pursuant to Article No. 2443 of the Italian Civil Code, also with the exclusion or limitation of the option right pursuant to Article No. 2441, paragraphs 4, 5 and 8 of the Italian Civil Code, also through the issue of shares to be reserved for incentive programmes based on the assignment of financial instruments to directors, employees and collaborators of the Company, in accordance with Article No. 2441, paragraphs 4, 5 and 8 of the Italian Civil Code, also through the issue of shares to be reserved for incentive programmes based on the assignment of financial instruments to Directors, employees and collaborators of the Company, in accordance with Article No. 2441, paragraphs 4, 5 and 8 of the Italian Civil Code, including through the issuance of shares to be reserved to service incentive programmes based on the assignment of financial instruments in favour of Directors, employees and

collaborators of the Company, identified by the Board of Directors against specific lock-up commitments by the latter; and (ii) to issue bonds convertible into ordinary shares of the Company pursuant to Article No. 2420-*ter* of the Italian Civil Code, together with the power to approve the relative capital increase to service the conversion, also with the exclusion or limitation of the option right pursuant to Article No. 2441, paragraph 5, of the Italian Civil Code; and (iii) the consequent amendment of Article 5 of the Articles of Association.

There are no resolutions of the Shareholders' Meeting concerning authorisations to purchase treasury shares pursuant to Articles 2357 *et seq.* of the Italian Civil Code.

j) Management and Coordination Activities (pursuant to Article No. 2497 *et seq.* of the Civil Code)

At the date of the Report, no shareholder exercises management and coordination activities.

### 5.3 Compliance (pursuant to Article No. 123-bis, paragraph 2, subpara a, first part, TUF)

Tessellis is a joint stock company based in Italy, subject to national and EU regulations. In connection with the listing of some of its issued financial instruments on the stock exchange, it is required to comply with the corresponding regulations.

Tessellis adheres to the Corporate Governance Code of Borsa Italiana.

Tessellis falls within the definition of SME pursuant to Article No. 1, paragraph 1, subpara *w-quater* of the TUF and Article No. 2-*ter* of the Consob Regulation on Issuers.

### 5.4 Board of Directors

#### Role and Functioning of the Board of Directors

The Board of Directors plays a role of strategic guidance and supervision, pursuing the priority objective of creating value for shareholders and stakeholders in the medium to long term, with a view to the sustainable success of the company.

The Company has adopted the traditional administration and control system that entails the division of responsibilities between the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting, with the belief that this system allows for a clear division of the roles and responsibilities entrusted to the corporate bodies and an effective management of the Company.

During 2022, 10 meetings of the Board of Directors were held, with an average duration of about 90 minutes. In accordance with the Articles of Association and Rules of Procedure, attendance was also allowed via a remote connection, to the benefit of the attendance rate, which totalled about 100% of the Directors. Board meetings are also regularly attended by the Company's management, as well as any external consultants appointed, in order to provide support and the most exhaustive information on the items on the agenda from time to time.



It is a consolidated practice that Board of Directors' meetings are also attended by managers and external consultants, depending on the specific nature of the topics to be discussed, also in order to foster a precise and in-depth knowledge of the Company's and the Group's business sector, the Company's dynamics and their evolution, the regulatory framework of reference, as well as to enhance the Board of Directors' ability to supervise the Company's activities.

Pre-Board Meeting information was disseminated with the support of computerised tools and made available – as a rule – within the ordinary term for convening the meeting, and in any case as far in advance as circumstances allowed. The information thus distributed was supplemented by the illustrations provided during the meetings, with the support of the management of the Company and/or its main subsidiaries as well as, where necessary, consultants who ensured the necessary technical-professional support. In order to facilitate the preliminary investigation of complex issues, in preparation for discussion during the meetings, informal information and in-depth analysis open to Directors and Statutory Auditors was also sometimes resorted to, close to the meetings of the Board, through the activation of specific preparation and induction paths. The flow of information to the Board, in accordance with the exercise of its powers and responsibilities, concerned, in addition to the topics examined at the meeting and the follow-up of the decisions taken, (i) the general trend of management and its foreseeable evolution, (ii) the activities carried out, in particular with reference to transactions of major economic, financial and equity significance or of particular sensitivity and (iii) any further activity, transaction or event that was deemed appropriate by the Chairman or the Chief Executive Officer to bring to the attention of the Directors.

The Board of Directors of Tessellis:

- Exercises guidance, coordination, monitoring and verification activities at a senior management level in relation to the strategy and governance of the Group as a whole;
- It is the recipient of appropriate information flows on the Group's management performance and its organisational, administrative and accounting structure;
- Decides on operations of an extraordinary nature of the subsidiaries that have a significant strategic, economic, equity or financial importance for the Parent Company and any other operation comparable in terms of importance and effects.

Furthermore, the following are reserved for the Board of Directors:

- The assessment and approval of the Business Plan of the Company and its Group, also based on the analysis of the issues relevant to the generation of long-term value, carried out during the 2022 financial year, at the meeting held on 8 July 2022;
- The periodic monitoring of the implementation of the Business Plan, as well as the assessment of the general operating performance, including the periodic comparison of the results achieved with those planned by means of impairment/stress tests, the last of which



- was performed at the meeting of 11 May 2023;
- The definition of the nature and level of risk compatible with the Company's strategic objectives, including in its evaluations all elements that may be relevant with a view to sustainable success, always carried out concurrently with the approval of the annual and half-year financial reports and, most recently, in the meeting of 11 May 2023;
  - The assessment of the adequacy of the organisational, administrative and accounting structure of the Issuer and strategically important subsidiaries, with particular reference to the internal control and risk management system, lastly carried out at the meeting of 11 May 2023. With regard to the internal control and risk management system, the Board availed itself of the preliminary investigation carried out by the Control and Risk Committee, which reports on the progress of its activities and the main findings at each meeting and specifically on the adequacy of the system during the examination of the financial statements and half-yearly report;
  - The adoption and verification, at the proposal of the Chairman, in agreement with the Chief Executive Officer, of a procedure for the internal management and external release of documents and information concerning the Company and the Group, with particular reference to inside information. The latest update of the said procedure was approved by the Board on 5 April 2022.

The Board reports quarterly to the Board of Statutory Auditors on the activities carried out and on the most significant economic, financial and equity transactions made by the Company or its subsidiaries, in accordance with the provisions of Article No. 150 of the Consolidated Law on Finance (TUF) and based on the procedure approved by the Board of Directors at its meeting of 5 April 2022.

In compliance with Recommendation No. 11 of the Code, at its meeting of 14 May 2021, the Board of Directors adopted its own regulations, which defined the rules of operation of the Board of Directors and its committees, supplementing the provisions already set forth in the Articles of Association, including the procedures for taking minutes of meetings and the procedures for managing the reporting to directors.

At its meeting of 5 April 2022, the Board then adopted a policy for managing dialogue with shareholders in general.

The Board of Directors' meeting of 11 May 2023 approved the Group's Corporate Governance Regulations, containing the common rules of corporate governance within the Tessellis Group – inspired by criteria of rationality, efficiency cooperation and differentiation with respect to the operations of the individual companies – with a view to: *(i)* coordinating the choices adopted by the subsidiaries with those of the Parent Company for the realisation of the industrial plan, *(ii)* enhancing the strategic guiding role of the Parent Company, which exercises management and coordination

activities, and (iii) respecting the legal and functional autonomy of Tessellis' subsidiaries.

Appointment and Replacement (pursuant to Article No. 123-bis, paragraph 1, subpara I), first part, TUF)

Article No.11 (“*Board of Directors*”) of the Articles of Association in force at the date of the Report provides for the appointment of Directors by means of the list voting mechanism, through which the appointment of a certain number of Directors is ensured even among those present in the lists that did not obtain the majority of votes and which guarantees the transparency and fairness of the appointment procedure. The right to submit lists is granted to Shareholders who, alone or together with other Shareholders, represent at least the percentage of the share capital required by the applicable regulations. For 2022, the minimum share for the submission of minority lists established by CONSOB is 2.5% of Tessellis' share capital (see CONSOB Determination No. 76/2023). The aforementioned mechanism therefore ensures that minority shareholders also have the power to propose their own lists. Each person entitled to vote may only vote for one list. The Company has brought its appointment mechanisms in line with Law No. 120/2011 on gender equality in access to the administration and control bodies of companies listed on regulated markets; therefore, each list must present a number of candidates belonging to the less represented gender at least equal to the minimum number required by the regulations in force, currently equal to two-fifths, rounded up to the next higher unit.

The election of Directors shall be conducted as follows:

- a.1) At the end of the voting, the votes obtained by each list will be successively divided by one, two, three, four and so on up to the number of Directors to be elected.

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

The candidates who, arranged in a single decreasing ranking on the basis of the quotients obtained, have obtained the highest quotients shall be elected, it being understood that the candidate listed in first place on the minority list, i.e. the one that has obtained the highest number of votes among those duly presented and voted and that is not connected – not even indirectly – with the shareholders who presented or voted for the list that came first in terms of number of votes, shall in any case be appointed director.

If a person who, according to the laws in force, is connected to one or more shareholders who presented or voted for the list that came first in terms of number of votes, has voted for a minority list, the existence of such connection only becomes relevant if the vote was decisive for the election of the minority director. In any case, the laws and regulations in force from time

to time shall apply.

In the event of a tie for the last Director to be elected, the one from the list that has obtained the highest number of votes shall be preferred and, in the event of a tie, the eldest.

If, at the end of the voting, not enough Directors are appointed who meet the independence requirements, or the gender balance is not ensured, the candidate who would have been elected with the lowest quotient and does not meet the independence requirements shall be excluded in the first case and, in the second case, the candidate with the lowest quotient whose election would result in the gender balance not being met shall be excluded. The excluded candidates shall be replaced by the candidates next in the ranking, whose election would determine compliance with the provisions on independence and gender balance requirements.

This procedure shall be repeated until the number of Directors to be elected is completed. In the event that, having adopted the above criterion, it is not possible to complete the number of Directors to be appointed, the Shareholders' Meeting shall appoint the missing Directors, with a resolution adopted by simple majority of the shareholders present, on the proposal of the shareholders present.

- a.2) If only one list is submitted, all directors shall be drawn, in sequential order, solely from the list submitted, provided that it obtains the majority of votes.

If, having implemented the above method of appointment, a sufficient number of Directors with the aforesaid independence requirements are not appointed, or the gender balance is not ensured, in the first hypothesis, the candidate who would have been elected with the lowest quotient and does not meet the independence requirements shall be excluded and, in the second hypothesis, the candidate with the lowest quotient whose election would result in the gender balance not being met shall be excluded; the appointment of the Directors missing as a result of the aforementioned exclusions shall be made by the Shareholders' Meeting at its meeting, with a resolution adopted by simple majority of the shareholders present.

- b) If, pursuant to the aforementioned appointment procedure, at least two members who meet the independence requirements established by the applicable legislation are not elected, the last of the elected members not meeting such requirements taken from the list that obtained the highest number of votes cast by the shareholders after the first list and that is not connected in any way, not even indirectly, with the shareholders who submitted or voted for the latter list shall be replaced with the first candidate subsequently listed in such list who meets such requirements and, if after such replacement a member meeting the independence requirements established by the applicable regulations still remains to be elected, the last of

the elected members not meeting such requirements taken from the list that obtained the highest number of votes shall be replaced with the first candidate subsequently listed in such list who meets such requirements.

- c) In the event that the Board of Directors elected pursuant to the foregoing does not allow for compliance with the gender balance envisaged by applicable laws and regulations, the most recent electees of the more represented gender from the list that ranked first in terms of the number of votes cast by shareholders shall fall from office in the number necessary to ensure compliance with the requirement and shall be replaced by the first non-elected candidates from the same list of the less represented gender. In the absence of candidates of the least represented gender in the list that came first in terms of the number of votes cast by shareholders in sufficient number to make the replacement, the above criterion shall be applied to the next most voted lists from which the elected candidates were taken. If, applying the above criteria, it is still not possible to identify suitable replacements, the Shareholders' Meeting shall integrate the body with the majorities required by law, ensuring that the gender balance requirement provided for by current legislation is met.
- d) The mechanism of appointment through list voting provided for above applies only in the case of the complete renewal of Directors; for the appointment of Directors for any reason not appointed pursuant to the procedure provided for above, the Shareholders' Meeting shall resolve with the legal majority in compliance with the regulatory requirements of gender representation; this requirement also applies to co-optations made by the Board of Directors itself pursuant to the applicable regulations.

Pursuant to Article No. 11 ("*Board of Directors*") of the Articles of Association in force at the date of the Report, the lists containing the proposals for nomination to the office of director must be filed at the registered office at least twenty-five days prior to the date scheduled for the Shareholders' Meeting, together with a description of the professional curricula of the nominees and a declaration in which the nominees accept the nomination and certify that there are no grounds for ineligibility or incompatibility, as well as that they meet the requirements of honourableness and professionalism required by the applicable regulations and the Articles of Association, substantially in line with the principles and application criteria contained in Article No. 5 of the Code. No later than 20 days before the date set for the Shareholders' Meeting, the lists and the accompanying documentation shall be made public in the manner prescribed by law. In the case of resolutions to appoint individual members of the Board of Directors, the appointment mechanism by means of list voting, which Article No. 11 ("*Board of Directors*") of the Articles of Association provides for only in the case of complete renewal of the administrative body, does not apply.

The Articles of Association do not provide that, for the purposes of the allocation of the directors to be

elected, account be taken of the lists that did not obtain a percentage of votes equal to at least half of that required by the Articles of Association for their submission, nor do they provide for independence requirements, in addition to those established for statutory auditors pursuant to Article No. 148 of the Consolidated Law on Finance (“TUF”), and/or honourableness and/or professionalism requirements for assuming the office of Director.

The Company is not subject to further rules on the composition of the Board of Directors.

Although the prescriptions contained in Article No. 11 (“*Board of Directors*”) and the above-mentioned considerations regarding the mechanism for appointing directors allow for a fair system that respects minorities, the Board of Directors deemed it appropriate for the Remuneration Committee to also assume functions on the subject of appointments, thus taking on the name of Appointments and Remuneration Committee.

For more information, also with reference to the information required by Article No. 123-bis of the Consolidated Law on Finance (“TUF”) in relation to the remuneration of directors and by the Code, please refer to the Report on the remuneration policy and compensation paid published pursuant to Article No. 123-ter of the Consolidated Law on Finance (“TUF”) and available on the Company’s website.

In consideration of the particular structure of the shareholding structure as well as the power delegation system implemented within the Board of Directors, it should be noted that as of the date of approval of the Report, the Company has not adopted a specific plan for the succession of executive directors; indeed, it is believed that in the event of sudden events that prevent the CEO from exercising his functions, there is the possibility of promptly activating the Board of Directors in order to take the appropriate resolutions.

#### Composition (pursuant to Article No. 123-bis, paragraph 2, subpara d) and d-bis), TUF

On 27 June 2019, the Shareholders’ Meeting appointed a Board of Directors consisting of seven members, namely Alberto Trondoli (Chairman), Renato Soru (Director), Patrizia Rutigliano (Director), Federica Celoria (Director), Anna Belova (Director), Manilo Marocco (Director) and Sara Polatti (Director). Following the resignation of directors Sara Polatti (29 June 2020) and Manilo Marocco (18 March 2021), the Board co-opted Cristiana Procopio (29 September 2020) and Paolo Fundarò (14 May 2021), both confirmed by the Shareholders’ Meeting of 24 June 2021. The Board of Directors, thus appointed, expired with the approval of the financial statements as of 31 December 2021 and was therefore renewed in its composition by resolution of the Shareholders’ Meeting of 16 May 2022, taken, *inter alia*, in implementation of the Supplementary Agreement connected to the current Shareholders’ Agreements. Specifically, the Board of Directors in office at the date of this Report is composed of seven members and, specifically, Renato Soru (Chairman), Davide Rota (Director), Alberto Trondoli (Director), Cristiana Procopio (Director), Maurizia Squinzi (Independent Director),

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Serena Maria Torielli (Independent Director) and Sara Testino (Independent Director). It should be noted that, on 31 January 2023, the directors Alberto Trondoli and Cristiana Procopio tendered their resignation; the Board of Directors meeting held on 27 April 2023 copied the directors Andrew Theodore Holt and Jeffrey Robert Libshutz.

Table 2 provides information on the Board members in office during 2022.

The members of the Board of Directors in office at the date of the Report were all drawn from the single list jointly presented by the shareholders Renato Soru and Amsicora S.r.l. who, at the date of the List's presentation, held 4.77% and 8.45% of Tessellis' share capital, respectively. The members of the Board of Directors were elected with the favourable vote of 100% of the voting capital.

The Board of Directors will remain in office until the approval of the financial statements as at 31 December 2024<sup>6</sup>.

The *curricula vitae* of all the members of the current Board of Directors are available on the website [www.tessellis.it](http://www.tessellis.it), section Governance - Board of Directors.

The composition of the Board of Directors of Tessellis features a majority female composition and a varied composition by age group, reflecting the Company's real attention towards the values of diversity and inclusion - essential to face the transformation of the market and make the most of the new business scenarios - without neglecting the priority objective of ensuring adequate competence and professionalism of its members.

At its meeting of 10 May 2018, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, adopted the update to the Diversity Policy of the Board of Directors and the Board of Statutory Auditors (hereinafter referred to as the "Policy"), subsequently updated at its meeting of 5 April 2022, in relation to the composition of the management and control bodies with respect to aspects such as age, gender composition and educational and professional background, as well as the Diversity Policy that applies to the entire corporate population.

The purpose of this Policy is to identify the criteria for a qualitative-quantitative composition of the Board of Directors functional to an effective performance of the tasks and responsibilities entrusted to the management body, also through the presence of persons who ensure a sufficient plurality of viewpoints and skills necessary for a good understanding of the market and current business, risks and long-term opportunities related to the Company's business. It has been drafted, taking into account the nature and complexity of the Company's business, the social and environmental context in which it operates, the Board's own experience with the activities and modus operandi of the Board and

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<sup>6</sup> With regard to the co-opted Directors, Libshutz and Holt, we await the decisions of the Shareholders' Meeting to be convened, *inter alia*, for the approval of the financial statements.

of the intra-Board Committees, as well as the results of the self-assessment processes conducted over time. In particular, the Policy is addressed to the subjects involved in the selection and appointment process of the members of the Board of Directors of the Company and therefore:

- To the Shareholders who, pursuant to the law and the Articles of Association, intend to submit lists of candidates for the appointment of the Board of Directors;
- To the Shareholders' Meeting called to appoint the Board of Directors;
- To the Company's Board of Directors, as well as to the shareholders, if – during the term of office – it becomes necessary to replace a member of the Board of Directors pursuant to Article No. 2386 of the Italian Civil Code.

In any case, the requirements of professionalism, honourableness and independence, as well as situations of incompatibility and/or disqualification, provided for by law, regulations and the Articles of Association, shall remain unchanged.

For the sake of completeness, the Policy also contains a summary of the provisions applicable in relation to the composition of the Company's Board of Statutory Auditors.

The Appointments and Remuneration Committee takes into account the indications of this Policy when it is called upon to propose candidates for the office of director to the Board of Directors, also assessing any recommendations received from Shareholders in certain predetermined cases.

For a detailed examination of the Policy, please refer to the documents section of the site [www.tessellis.it](http://www.tessellis.it)

#### Maximum number of offices held in other companies

Directors notify the Board of Directors of the offices held in companies of significant size within 30 days of the end of the previous financial year. At the meeting in which the Board of Directors approves the draft financial statements for the previous financial year, the number of offices held by directors is evaluated as follows:

##### *(i) Executive Directors:*

- a. Executive Directors must not hold other executive or controlling positions in Issuers;
- b. Executive Directors may hold other executive or control positions on the Boards of Directors of two Public Interest Companies or of Companies of Significant Size;
- c. Executive Directors may hold other non-executive positions on the Boards of Directors of five Public Interest Companies or of Companies of Significant Size.

##### *(ii) Independent and Non-Executive Directors:*

- a. Independent or Non-Executive Directors must not hold offices in more than six Issuers in



addition to executive offices in a maximum of eight Companies of public interest or of significant size. The Board of Directors of Tessellis S.p.A. has the right to grant any exceptions, including temporary ones, that allow the Company's directors to hold offices in the Boards of Directors and Auditors of other relevant companies.

As a result of the audit carried out on the members of the Board of Directors in May 2023, the current composition of the Board complies with the above-mentioned limits.

#### Peer Review

The Board of Directors assesses annually, through formalised procedures, its effectiveness and the contribution of individual Directors. The implementation of board assessment procedures is supervised by the Board. The Board Assessment evaluates the size, composition and functioning of the Board and its committees. It also includes the Board's active involvement in defining corporate strategy and monitoring the management of the Company's activities, as well as the adequacy of the internal control and risk management system. The self-assessment of the Board and its committees, with reference to size, composition and functioning, was also carried out in 2022.

The peer review took place at the meeting of 11 May 2023, referring to the financial year ending 31 December 2022, and was carried out on the basis of a questionnaire administered to all Board Members (as well as to the Chairman of the Board of Statutory Auditors). This was followed by a collective moment of sharing and discussion of the results of the activity. The areas specifically investigated were:

- Size and Composition;
- Role and Responsibilities of Directors;
- Effectiveness of the Board of Directors on key issues;
- Working methods, cohesion and interaction;
- Organisation of the Board of Directors' work;
- Intra-Board Committees.

In addition to the aforementioned skills and aptitudes, the opinions of individual Directors were collected with specific reference to:

- Additional competences relevant to the roles of Chairman of the Board of Directors and Intra-Board Committee;
- Specific competencies relevant to the role of Chief Executive Officer.

The results of the peer review were presented to the Council at its meeting on 11 May 2023.

In summary, the Board Members expressed their appreciation for the strengths of the Board, including:



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- The qualitative-quantitative profile of the Board in terms of size, composition and representation of diversity (declined in its various expressions, such as experience, professionalism, age, gender, education and international dimension)
- The balance between Independent and Non-independent Directors, which makes it possible to ensure that the Board and its Committees are managed in such a way as to reconcile the various interests, effectively resolve any conflicts and protect Shareholders;
- The positive climate of full cooperation within the Board and appreciation for the contributions made by members, which fosters trust and the balanced resolution of conflicts;
- The attendance of Directors at meetings;
- The articulation, composition and substantial and proactive contributions made by the Intra-Board Committees;
- The adequacy and effectiveness of the current strategic planning and risk governance system.

Some of the highlights include:

- Insofar as it is on the Board's agenda, the topic of sustainability should be given more space in the future, leading to its full integration into the business vision;
- Despite several improvements, the flow of information to the Board can still be improved, especially in terms of timing;
- In the definition of short- to medium-term strategies, the Board would like to be further involved, just as an in-depth examination of the business appears useful;
- The Board members would like to see greater involvement on the issue of business and risk planning, through the sharing of macro-data necessary to achieve a 360° vision that allows them to make an effective and factual contribution.

Based on the findings, an action plan will be worked on with specific follow-up initiatives that will be brought to the attention of the new Board of Directors.

#### Role of the Chairman of the Board of Directors

Article No. 12 ("Convening and Conducting Board Meetings") of the Articles of Association in effect at the date of the Report provides that the Chairman of the Board of Directors shall convene the Board of Directors and preside over and coordinate its work.

At Board of Directors' meetings, the Chairman ensured that the necessary documentation was prepared and provided to the Directors, reasonably in advance, to enable the Board of Directors to express an informed opinion on the matters submitted to it for examination.

As of the date of the Report, the Chairman of the Board of Directors is Renato Soru, who was appointed at the Shareholders' Meeting of 16 May 2023 and succeeded in office Alberto Trondoli, who was in turn appointed by the Shareholders' Meeting of 27 June 2019 and to whom the Board of

Directors meeting held on the same date had also granted specific powers of legal representation of the Company. Mr. Soru, otherwise, has no operating powers other than those provided for by law for the chairman of the administrative body.

#### Secretary of the Board of Directors

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

It is reserved to the Board of Directors to resolve, upon the Chairman's proposal, on the appointment and revocation of the secretary and the definition of his requirements (with particular regard to professionalism) and powers, as defined in the Board Regulation.

At the date of the Report, Federica Capoccia, head of the Corporate & Legal Affairs department of the Tessellis Group, holds the position of corporate secretary following her appointment by the Board of Directors on 16 May 2022. During the financial year ended 31 December 2022, the secretary provided assistance and independent legal advice to the Directors on corporate governance matters and in relation to their rights, powers, duties and obligations to ensure the regular exercise of their powers.

#### Chief Executive Officer

Pursuant to Article No. 14 ("Powers of the Board of Directors") of the Articles of Association in effect at the date of the Report, the Board of Directors may appoint one or more Chief Executive Officers, determining their powers within the limits of the law within the scope of those vested in them.

The Board of Directors granted executive powers to the CEO at its meeting on 16 May 2022.

As a general rule, the powers of the CEO can be exercised up to a maximum value of EUR 2.5 million, with some exceptions for which an increase of the limit to EUR 5 or 10 million is provided for.

The CEO reports to the other Directors and the Board of Statutory Auditors at Board of Directors' meetings and in other venues on the most important economic, financial and equity transactions carried out by the Company or its subsidiaries. Furthermore, it provides adequate and continuous information to the Board of Directors on atypical or unusual transactions whose approval is not reserved to the Board of Directors itself, as well as on the most significant activities performed within the scope of its attributions and powers. It is standard practice that, except in cases of necessity and urgency, such activities are brought before the Board of Directors so that it can deliberate on them in an informed and considered manner.

The CEO or Chief Executive Officer is primarily responsible for the management of the company;

therefore, he is the person who must establish and maintain the Internal Control and Risk Management System. During the 2022 financial year, the CEO (i) oversaw the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and periodically submits them to the Board of Directors for review; (ii) implemented the guidelines defined by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system and constantly verifying its adequacy and effectiveness; (iii) oversaw the adaptation of said system to the dynamics of the operating conditions and the legislative and regulatory landscape; (iv) requested the internal audit function to carry out audits on specific operational areas and on compliance with internal rules and procedures in the execution of corporate transactions, simultaneously notifying the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors; and (v) promptly reported to the Control and Risk Committee (or to the Board of Directors) on problems and critical issues that emerged in the performance of its activities or of which it became aware, in order to allow the Control and Risk Committee (or the Board of Directors) to take the appropriate initiatives.

#### Reporting to the Council

In view of the frequency of the Meetings (and without prejudice to further episodic and/or continuous information flows, as set forth in the Board Rules), the CEO routinely reports on the activities carried out during the Board's work, also by means of the prior transmission of specific information documents.

#### Other Executive Directors

No other Directors on the Board are to be considered Executive Directors.

#### Independent Directors

Tessellis adopts the provisions of Law No. 262/2005 and the criteria of the Corporate Governance Code for qualifying Directors as independent. On the occasion of the adoption of the Self-Regulatory Principles, in the meeting of 5 April 2022, it was specified that as a rule, for the purposes of assessing independence, any relationship is considered significant if it has resulted in income equal to or greater than 50% of the annual remuneration paid by the Company in the previous year for the office of non-executive director.

The Board of Directors, at the time of appointment and, in any case, annually when preparing the Report, assesses the independence of the Directors, considering the information provided by the individuals concerned, and adequately informs the market by publishing the Report. In light of this analysis, the Board confirmed the existence of the independence requirements for Maurizia Squinzi, Serena Torielli and Sara Testino in its meetings of 16 May 2022 and 11 May 2023. In formulating its

assessment of the independence of Non-Executive Directors, the Board of Directors has taken into account the cases in which, according to the Code, the independence requirements are deemed to be lacking, and has applied the principle of substance over form, indicated by the Code, in this regard. In line with the recommendations of the Corporate Governance Code, the Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members.

Considering that at the date of this Report, the Board of Directors consists of seven members, the percentage of Independent Directors compared to the current composition is 43%.

With reference to the 2022 financial year, also due to the composition of the Board of Directors' internal Committees, the Independent Directors did not deem it necessary to meet in the absence of the other Directors, considering that the topics worthy of specific examination were adequately discussed both at the Committee meetings and at the Board meetings.

The Board did not designate an independent director as lead independent director under the conditions set forth in Recommendation No. 13 of the Code.

## 5.5 Managing Corporate Information

Tessellis has adopted an articulated set of rules and procedures for managing the information processed in the company, in compliance with the regulations applicable to the various types of data. These rules act on the organisational, technological and operational procedures level.

The handling of information, in particular, is supported by the information systems and the processes linked to their development, maintenance and operation, on which specific requirements and rules insist, subject to a dedicated organisational supervision.

Relevant documents for the purposes of internal management and external communication of corporate information are the "Procedure for public disclosure of inside information" and the "Internal Dealing Procedure" (available at [www.Tessellis.it](http://www.Tessellis.it), documents-Procedures section), implemented on the basis of the CONSOB recommendations contained in the "Guidelines" for the management of inside information of October 2017. The Procedure for public disclosure of inside information was last updated by the Board of Directors in its meeting of 5 April 2022.

1. In addition, the Corporate & Legal Affairs and Investor Relations functions, which are entrusted with the task of establishing a dialogue with shareholders and institutional investors, respectively, operate actively at the Company. Among their various activities, these functions jointly prepare the text of press releases and, in accordance with the type of press release, take care of their internal approval procedure. In addition, they

take care of their publication, also through a network of qualified external companies that professionally perform this activity.

The information function is ensured not only through press releases, but also through periodic meetings with institutional investors and the financial community, as well as extensive documentation made available on the Company's website at [www.tessellis.it](http://www.tessellis.it). Recourse to online communication, which is mainly used by the non-institutional public, is considered strategic by the Company, as it makes it possible to disseminate information uniformly.

Tessellis undertakes to systematically take care of the accuracy, completeness, continuity and updating of the financial content conveyed through the Company's website. It is also possible to contact the Company through a specific e-mail address ([ir@tiscali.com](mailto:ir@tiscali.com)).

## **5.6 Internal Board Committees (pursuant to Article No. 123-bis, paragraph 2), subpara d), TUF**

In accordance with the Code's recommendations, the Board of Directors established certain intra-Board Committees and appointed their members.

On 16 May 2022, the Board of Directors appointed the following endo-Board Committees:

- Appointments and Remuneration Committee, composed of Serena Torielli (Chairman), Maurizia Squinzi and Sara Testino;
- Control and Risk Committee, consisting of Maurizia Squinzi (Chairman), Serena Torielli and Sara Testino; pursuant to the Board resolution of 16 May 2022, the Control and Risk Committee also performs the functions of the Related Party Transaction Committee.

The Committees remain in office until the approval of the Financial Statements as at 31 December 2024, together with the Board of Directors, the Officer in Charge of Preparation of the Company's Financial Reports, the Supervisory Board and the Head of Internal Audit.

The Board determined the composition of the Committees by favouring the competence and experience of their members and avoiding an excessive concentration of tasks.

The rules of operation of the Board of Directors apply to the intra-Board Committees, insofar as they are compatible. All Committees require the presence of a Chairman, who coordinates their meetings (minutes are taken) and informs the full Board of the topics discussed at the first useful meeting.

## **5.7 Composition and functioning of the Appointments and Remuneration Committee**

**(pursuant to Article No. 123-bis, paragraph 2, subpara d), TUF**

Since March 2001, the Company's Board of Directors has established an internal Appointments and Remuneration Committee, as required by Articles No. 4 and 5 of the Code and related recommendations.

The Committee in office at the date of the Report was appointed at the meeting of the Board of Directors of 16 May 2022 and is composed of three Non-Executive and Independent Directors: Serena Torielli (Chairman), Maurizia Squinzi and Sara Testino (see Table 2 for details). At least one member of the Appointments and Remuneration Committee has knowledge and experience in accounting and finance, and/or in remuneration policies.

The Company has opted to set up a single Committee that performs its functions in both nomination and remuneration matters. Specifically, the Appointments and Remuneration Committee has the following functions:

- a) Formulates opinions to the Board of Directors on its size and composition and makes recommendations on the professional figures whose presence on the Board of Directors is deemed appropriate;
- b) Proposes to the Board of Directors candidates for the office of director in cases of co-optation, where it is necessary to replace independent directors;
- c) Periodically assesses the adequacy, overall consistency and concrete application of the policy for the remuneration of Directors and executives with strategic responsibilities, making use in this latter regard of the information provided by the managing directors; it submits proposals to the Board of Directors on this matter;
- d) Assists the Board of Directors in drawing up the remuneration policy, by submitting proposals or expressing opinions on the remuneration of executive directors and other directors holding special offices, as well as on the setting of performance targets related to the variable component of such remuneration
- e) Monitors the concrete application of the remuneration policy – in particular, verifying the actual achievement of performance objectives – and periodically assesses the adequacy and overall consistency of the policy for the remuneration of directors and top management.

Within the scope of its functions, the Committee may make use of external consultants, at the Company's expense. The Committee meets when deemed necessary, at the request of one or more members. The provisions of the Articles of Association apply to the convening and conduct of meetings, insofar as they are compatible.

The work of the Committee is coordinated by a chairperson; the meetings are duly recorded in minutes

and, as a rule, the chairperson of the Committee informs the first useful Board of Directors.

During the financial year 2022 and as at the date of the Report, the Appointments and Remuneration Committee met twice: 4 April 2022 and 20 June 2022. The meetings were attended by all members of the Committee.

The Appointments and Remuneration Committee reviewed and approved the guidelines for the Managerial Incentive System (MBO) 2023, the MBO targets 2023 for the CEO, the report on the remuneration policy and compensation paid by Tessellis S.p.A., and the short-term variable remuneration 2022 for the CEO.

The annual remuneration report was then approved by the Board of Directors and submitted to the Shareholders' Meeting.

Directors abstain from attending meetings of the Appointments and Remuneration Committee in which proposals are made to the Board regarding their remuneration.

In carrying out its functions, the Appointments and Remuneration Committee had access to the information and corporate functions necessary to perform its duties.

The meetings were attended by all the members of the Committee and, by invitation, by all the members of the Board of Statutory Auditors (with the exception of the meeting of 4 April 2022 in which Statutory Auditor Gaetano Rebecchini was absent with justification).

The meetings lasted on average about 40 minutes.

## **5.8 Remuneration of Directors, General Managers and Key Executives**

Information on the general remuneration policy, share-based remuneration plans, and the remuneration of Directors, General Managers, Key Executives and Heads of Control Functions can be found in the Remuneration Report to which reference should be made.

## **5.9 Internal Audit and Risk Management System – Audit and Risk Committee**

The Company adhered to the Corporate Governance Code for Listed Companies back in October 2001.

In particular, following the approval of the new Corporate Governance Code approved by the Corporate Governance Committee in January 2020, Tessellis assessed its adherence to the requirements of the new code and prepared this report using the new format communicated by Borsa Italiana in February 2022. Tessellis believes that its internal control and risk management system adheres to the requirements of the Corporate Governance Code.

### Internal Audit System

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The Internal Audit System is the set of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations, and the safeguarding of corporate assets.

The Board of Directors has the apex responsibility for the Internal Audit System, for which it determines the guidelines and periodically verifies the adequacy and effective functioning, ensuring that the main corporate risks are identified and adequately managed.

In addition to a continuous comparison and exchange between the various corporate bodies involved, the Audit and Risk Committee prepares a half-yearly report on the governance system of the Company and the Group headed by Tessellis and on the activities carried out during the reporting period, on the occasion of the approval of the draft annual financial statements and half-yearly report. Attached to the report of the Audit and Risk Committee are the reports issued by the Supervisory Board and the Head of Internal Audit.

The Board of Directors examines the aforementioned disclosures and evaluates the governance system together with the Internal Audit plans. With reference to the 2022 financial year, at its meetings of 5 April and 12 September 2022, relating respectively to the approval of the draft Financial Statements as of 31 December 2021 and the half-yearly report as of 30 June 2022, the Board of Directors judged the Internal Audit System to be adequate with respect to the Company's needs, current regulations and the recommendations contained in the Code, approving the Internal Audit Plans, after consulting the Board of Statutory Auditors and the Director in charge of the Internal Audit System.

The Board has assessed the adequacy and effectiveness of the organisational, administrative and accounting structure of Tessellis S.p.A. and Tiscali Italia S.p.A., an operating company of the Tessellis Group wholly owned by Tessellis S.p.A., having strategic relevance, with particular reference to the Internal Audit System and risk management, also with respect to the characteristics of the company and the risk profile assumed. The Board assessed the general management performance, taking into consideration, in particular, the information received from the delegated bodies, as well as periodically comparing the results achieved with those planned.

The Audit and Risk Committee plays a fundamental role in the Internal Audit System; for its duties and functioning, please refer to the following paragraph. The other bodies forming part of the Internal Control System are the CEO, whose functions are taken over by the CEO, and the Internal Audit function.

The CEO, in compliance with the provisions of the Corporate Governance Code, operationally implements the indications of the Board of Directors on internal control, also proceeding to the concrete identification and management of the main corporate risks, submitting them to the Board of



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Directors for evaluation. He proposes to the Board of Directors the appointment of the Head of Internal Audit, whose support he uses to perform his functions.

The Head of Internal Audit is provided with the appropriate means to perform his functions and does not report hierarchically to any manager of operational areas; he reports on his work to the Board of Directors, as well as to the Audit and Risk Committee and the Board of Statutory Auditors, at least every six months.

The Head of Internal Audit has the operational responsibility of coordinating the activities of the Internal Audit function, is not responsible for any operational area and has the necessary professional skills to perform the tasks for which he is responsible in line with the recommendations of the Code. In order to further strengthen the independence requirement, the Head of Internal Audit, and, therefore, the Internal Audit function, report hierarchically to the Chairman of the Audit and Risk Committee, while, administratively, they report to the Chief Executive Officer, whose powers include providing the Head of Internal Audit and his function with suitable means. When examining the work plan prepared by the Head of Internal Audit, the Audit and Risk Committee also assesses the suitability of the means and resources granted. In order to perform his duties, the Head of Internal Audit had access to all information relevant to the performance of his duties.

For the financial year 2022, in continuity with the previous year, the position of Head of Internal Audit was held by Francesca Marino appointed by the Board of Directors, after consulting the Audit and Risk Committee and the Board of Statutory Auditors, on 16 May 2022.

At the date of the Report, the main activities carried out in the field of internal control by the Committee and the Internal Audit function were as follows:

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- Assessing the governance of the Group headed by Tessellis and the activities carried out by the various control bodies;
- Preparation of half-yearly reports for the Board of Directors on governance activities;
- Assessment of the activity of the Supervisory Board and the updating, dissemination and application of the Group's Organisational, Management and Control Model pursuant to Legislative Decree No. 231/2001;
- Implementation of the 2022 audit plan and preparation of the 2023 audit plan;
- Audit of the adequacy of administrative and accounting procedures for the preparation of the 2021 half-yearly report and financial statements in order to assess their relative effectiveness in support of the Manager in charge. This activity is also aimed at issuing the certification pursuant to Article No. 154-bis of the Consolidated Law on Finance ("TUF");
- Support for the updating of the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2011, in order to ensure its full compliance with legal requirements. For this activity, the Company made use of an external specialised company and, as of the date of this report, the updating of the model is in progress.

#### Audit and Risk Committee

In line with the Code's recommendations, the Board of Directors set up an Audit and Risk Committee, with advisory and proposal-making functions.

On 16 May 2022, the Audit and Risk Committee was appointed, consisting of three Non-Executive and Independent Directors: Maurizia Squinzi (Chairman), Serena Torielli and Sara Testino. The Audit and Risk Committee has advisory and proposal-making functions with the aim of improving the Board of Directors' functionality and strategic guidance capacity in relation to the Internal Audit System. At least one member of the Audit and Risk Committee has experience in accounting and finance and/or risk management. Pursuant to Article No. 6 of the Code, the Audit and Risk Committee supports the Board of Directors:

- a) Assessing, in consultation with the Officer in Charge of Preparation of the Company's Financial Reports, the Statutory Auditor and the Control Body, the correct use of accounting policies and, in the case of groups, their uniformity for the purposes of preparing the consolidated financial statements;
- b) Assessing the suitability of the periodic financial and non-financial information to correctly represent the Company's business model, strategies, the impact of its activities and the

performance achieved, in coordination with the committee, if any, provided for in Recommendation No. 1, letter a) of the Code;

c) Reviewing the content of periodic non-financial information relevant to the Internal Audit System and risk management;

d) Expressing opinions on specific aspects relating to the identification of the main corporate risks and supporting the evaluations and decisions of the Board of Directors relating to the management of risks arising from prejudicial events of which the latter has become aware;

e) Reviewing the periodic and particularly significant reports prepared by the Internal Audit Department;

f) Monitoring the autonomy, adequacy, effectiveness and efficiency of the internal audit function, to which it may entrust the Internal Audit Department with the performance of checks on specific operational areas, simultaneously notifying the Chairman of the Supervisory Body.

The Audit and Risk Committee's work is attended by the entire Board of Statutory Auditors, its Chairman or an auditor delegated by the Chairman of the Board. In light of the topics discussed from time to time, the Chairman of the Audit and Risk Committee may invite other persons, in addition to the Chief Executive Officer, to participate in its work, such as the auditing firm, the General Director or the Chief Financial Officer, if any, the Officer in Charge of preparing accounting and financial documents, etc..

Audit and Risk Committee meetings are usually held before the Board of Directors' meetings scheduled for the approval of the half-yearly and annual financial reports, and in any case at least once every six months. The Chairman of the Audit and Risk Committee shall ensure that members are provided, reasonably in advance of the meeting date, with the documentation and information necessary for the work, except in cases of necessity and urgency. A written summary of the Committee's work is in any case collected. Meetings of the Audit and Risk Committee are reported to the first useful Board of Directors meeting.

During 2022, the Audit and Risk Committee met five times, namely: 4 April, 16 May, 12 September, 14 October and 1 December. During the meetings, the Committee examined and assessed the activities carried out when preparing the draft financial statements as at 31 December 2021, the activities carried out by Internal Audit and the Supervisory Board and approval of the 2022 audit plan, the annual report for the Board of Directors, the activities carried out by the Supervisory Board pursuant to Legislative Decree no. 231/2001, the report of the Executive in Charge on the verification of the model and operational effectiveness of controls pursuant to Law No. 262, the report on risks and related mitigation activities. In addition, the Committee periodically monitored the progress of the industrial integration process between the Tessellis Group and the retail unit of the former Linkem, following the

merger finalised in August 2022. With the completion of this Extraordinary Transaction, in fact, a complex process began for the redefinition of the organisational structure and models that resulted in a new organisational chart and a different work organisation in Tiscali Italia S.p.A., the operating company of the Tessellis Group. Consequently, the Committee paid particular attention to the new risks that emerged in close correlation with the integration process, and in particular those related to the new organisation and size of the post-merger Group, as well as to the different governance models and corporate cultures and the speed of response and adaptation to change.

All current members of the Audit and Risk Committee and the entire Board of Statutory Auditors attended the meetings.

In accordance with the items on the agenda, the Supervisory Board, the Head of Internal Audit and the Manager Responsible for Financial Reporting attended the meetings, as well as representatives of the auditing firm or directors and consultants of the Company.

All meetings were duly convened and minuted and lasted an average of approximately 80 minutes.

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

As provided for by Article No. 14 of the Articles of Association and in compliance with the provisions introduced by Law No. 262/2005, on 12 September 2022, Fabio Bartoloni, Chief Financial Officer and Company executive, in charge of drafting the Company's accounting and financial documents, was appointed as the Officer in Charge of preparing the Company's Accounting and Financial Reports, in possession of the necessary requirements and proven experience in accounting and financial matters (hereinafter referred to as the "Officer in Charge"), who succeeds Silvia Marchesoli, who held this position until that date. The office will expire with the renewal of the Board of Directors scheduled on the date of approval of the Financial Statements for the year ending 31 December 2024.

Pursuant to Article No. 14 of the Company's Articles of Association, the Officer in Charge of preparing the Company's Accounting and Financial Reports is appointed, upon the proposal of the Chief Executive Officer, subject to the mandatory opinion of the Board of Statutory Auditors. The Officer in Charge of preparing the Company's Accounting and Financial Reports must meet the requirements of honourability laid down for Directors and have significant professional experience in administration and finance. He remains in office for a three-year term or for the shorter term established at the time of his appointment and may be re-elected.

#### Auditing Company

Statutory auditing is performed by a registered auditing firm appointed by the Shareholders' Meeting on the basis of a reasoned proposal by the Board of Statutory Auditors. In particular, the Shareholders' Meeting held on 30 May 2017, on the basis of a motivated proposal of the Board of Statutory Auditors, resolved, on the basis of an in-depth technical-economic analysis, to appoint

Deloitte & Touche S.p.A. as the independent auditing firm for the 2017-2025 financial years.

#### Internal controls relating to accounting and financial reporting

The Internal Audit System on corporate reporting must be agreed upon as the process that, involving multiple corporate functions, provides reasonable assurance on the reliability of financial reporting, the reliability of accounting documents and compliance with applicable regulations. There is an obvious correlation with the risk management process, which consists of the process of identifying and analysing those factors that may jeopardise the achievement of corporate objectives, the main purpose being to determine how such risks can be managed and adequately monitored and rendered harmless as far as possible. A suitable and effective risk management system can in fact mitigate any negative effects on the Company's objectives, including the reliability, accuracy, trustworthiness and timeliness of accounting and financial information.

#### Description of the main features of the existing Risk Management and Internal Audit Systems in relation to the financial reporting process

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

##### *Identification of financial reporting risks*

The risk identification activity is carried out firstly through the selection of the relevant entities (companies) at the level of the Group headed by Tessellis and, subsequently, through the analysis of the risks that reside along the corporate processes from which financial reporting originates.

This activity includes: *i)* The definition of quantitative criteria in relation to the economic and equity contribution made by the individual companies in the last financial statements and selection rules with minimum materiality thresholds. The consideration of qualitative elements is not excluded; *ii)* The identification of significant processes, associated with material data and information, i.e. accounting items for which there is a not remote possibility of containing errors with a potential material impact on financial reporting.

For each significant account, the most relevant "assertions" are also identified, again according to assessments based on risk analysis. Assertions in financial statements are represented by existence, completeness, occurrence, valuation, rights and obligations, and presentation and disclosure. Risks thus refer to the possibility that one or more financial statement assertions may not be correctly represented, with a consequent impact on the disclosure itself.

##### *Risk assessment on financial reporting*

Risk assessment is conducted both at an overall company level and at a specific process level. The former includes the risks of fraud, incorrect functioning of computer systems or other unintentional

errors.

At the process level, the risks associated with financial reporting (underestimation, overestimation of items, inaccurate reporting, etc.) are to be analysed at the level of the activities making up the processes.

#### *Identification of controls against identified risks*

Attention is first paid to the company-wide controls that can be linked to relevant data/information and assertions, which are identified and assessed both by monitoring the reflection at process level and at a general level.

Company-wide controls are aimed at preventing, identifying and mitigating any significant errors, although they do not operate at process level.

#### *Assessment of controls against identified risks*

The assessment of the control system used is a function of several elements: timing and frequency; adequacy; operational compliance; organisational assessment. The overall analysis of the controls governing each risk is defined independently as a summary of the process of assessing the level of adequacy and compliance corresponding to those controls.

These analyses summarise considerations regarding the effectiveness and efficiency of the controls governing the individual risk so that the overall assessment of risk management is broken down into assessments of existence, adequacy and compliance.

Information flows with the results of the activities performed are provided to the administrative bodies by the Officer in Charge to support the attestations to the accounting documents.

#### B) Roles and Departments Involved

Basically, the Officer in Charge is at the top of the system that supervises the formation of financial reporting and informs senior management thereof.

In order to pursue his mission, the Officer in Charge is empowered to dictate the organisational lines for an adequate structure within his function; he is provided with means and tools to carry out his activities; he has the possibility of collaborating with other organisational units.

A multiplicity of corporate functions contribute to the supply of economic and financial information. Therefore, the Officer in Charge establishes a systematic and profitable relationship with these functions.

The Officer in Charge makes use of the Internal Audit Department to verify the effectiveness and efficiency of the Internal Audit System for financial reporting purposes. In particular, at the beginning of the year, the controls that can be tested are identified, both at the process level and at the level of

general IT controls, and testing is carried out throughout the year. The results are presented to the officer in charge and any areas for improvement are discussed with the various contacts of the functions involved.

It is considered that the model used provides sufficient guarantees for correct accounting and financial reporting.

During 2022, with specific reference to the Merger, the Officer in Charge carried out specific analyses of the risks to financial reporting and defined plans to adapt the model established pursuant to the regulations set forth in Law No. 262 of 2005 (hereinafter referred to as the “**262 Model**”) to the evolution of business and organisational processes and information systems, in connection with the integration process. In particular, a 262 Model Contact Person was appointed with the task of ensuring the mapping of controls in relation to the identified risks and coordinating the work of adapting and formalising controls by the various control owners. These activities will continue during 2023. As usual, the Internal Audit Department will ensure the execution of checks on the effectiveness and efficiency of controls through the execution of the annual programme of Model 262, with particular attention to the design of controls and through careful planning of checks with process owners in alignment with operational activities.

#### Supervisory Board

On 16 May 2022, the Board of Directors, with the favourable opinion of the Appointments and Remuneration Committee, appointed the Supervisory Board (hereinafter referred to as “SB”) in office at the date of this Report, composed of Maurizio Piras (Chairman) and Francesca Marino.

The SB will remain in office until the approval of the financial statements as at 31 December 2024.

#### Organisation, management and control model pursuant to Legislative Decree No. 231/2001

The Company has adopted an organisation, management and control model in line with the provisions of Legislative Decree No. 231/2001, in order to ensure, also formally, conditions of correctness and transparency in the conduct of company activities (hereinafter referred to as the “Organisational Model”), which consists of:

- 1) A general part, in which the purposes and principles of the Organisational Model are described and its essential components are identified and regulated;
- 2) Special parts, containing the rules that company representatives and the persons subject to their direction and supervision are required to observe for the purposes of the correct application of the Organisational Model and that provide the Supervisory Board and the other control functions with the tools to carry out monitoring, control, verification activities.

As of the date of this Report, the Organisational Model is being reviewed and updated in light of recent regulatory changes relevant to the Company, with particular regard to new predicate offences regarding payment instruments other than cash and the protection of cultural heritage, as well as the organisational and structural changes that have affected the Tessellis Group in the 2022 financial year as part of the Merger transaction.

In compliance with the provisions of Article No. 6 of the Legislative Decree No. 231/2001, the Company has appointed a Supervisory Board with the task of overseeing the operation of and compliance with the Model and ensuring that it is updated.

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

The Organisational Model pursuant to Legislative Decree No. 231/2001 and the Code of Ethics, as updated from time to time, are available on the Company's website, in the Documents/Organisational Model section.

The Supervisory Board shall, *inter alia*: (i) Promote and supervise the dissemination and knowledge of the Model and the implementation of the personnel training plan through training plans for the Recipients (as defined in the Organisational Model); (ii) Report to the Board of Directors any violations of the Organisational Model and/or of the laws in force of which it becomes aware in the performance of the aforementioned tasks; (iii) Supervise the effectiveness, adequacy and observance of the provisions of the Organisational Model by the Recipients.

The Supervisory Board performs the following tasks: (i) Supervising the effectiveness of the model, which takes the form of verifying the consistency between the various management activities and the model established; (ii) Examining the adequacy of the model, with regard to its capacity to prevent unlawful conduct; (iii) Analysing the maintenance over time of the requirements of the model and its suitability to pursue the purposes for which it is intended; (iv) Taking care of the updating of the model, in the event that the analyses carried out make it necessary to make corrections and adjustments through the submission of proposals to adjust the model to the corporate bodies/departments capable of implementing them. Depending on the type and scope of the interventions, the proposals will be directed towards the functions of Personnel and Organisation, Administration, etc., or, in certain particularly important cases, towards the Board of Directors; (v) Continuous monitoring, i.e. verification of the implementation and actual functionality of the proposed solutions.



The Supervisory Board reports to the Board of Directors: (i) Whenever necessary, on the formulation of proposals for any updates and adjustments to the Special Parts of the adopted Model, to be implemented by means of any amendments and additions that may be necessary; (ii) Immediately, on any ascertained violations of the adopted Model, in cases where such violations may entail the emergence of a liability on the part of the Company, so that appropriate measures may be taken. In cases where it is necessary to take appropriate measures against directors, the Supervisory Board is required to inform the Shareholders' Meeting; (iii) Periodically, on an informative report, on at least a half-yearly basis concerning the verification and control activities performed and their outcome.

The Supervisory Board shall report to the Board of Statutory Auditors: (i) Immediately, on any ascertained violations of the adopted Model, in cases where such violations may entail the emergence of a liability for the Company, since the Board of Statutory Auditors must supervise the adequacy of the Company's administrative, organisational and accounting system and its proper functioning; (ii) Periodically, by transmitting the periodic information report referred to in the previous point.

#### 5.10 Directors' Interests and Related Party Transactions

Currently, in Tessellis, at the level of self-discipline, there is a rule of removal from meetings and/or compulsory abstention from voting of the Director with an extra-corporate interest and, in any case, a regime of prior disclosure applies. The matter is regulated by the Self-Regulatory Principles and the Board's Rules of Procedure.

In compliance with the CONSOB Related Parties Regulation, the Company has adopted the Procedure for the Regulation of Related Party Transactions (hereinafter also referred to as the "RPT Procedure"), as last amended on 28 July 2021 and available on the website [www.Tessellis.it](http://www.Tessellis.it) section Documents - Procedures. In particular, the Procedure provides for:

- o The establishment of a specialised intra-Board committee, competent for Related Party Transactions carried out by both Tessellis and its subsidiaries (except in the case of excluded transactions);
- o The classification of Related Party Transactions into Highly Significant and Less Significant Transactions (except for those qualifying as excluded, as defined);
- o The adoption of an annual economic limit of a small amount, diversified according to the physical or legal nature of the related party (EUR 50,000 and EUR 100,000 respectively);

- o The definition of “Related Parties”, by referring to the accounting principles applied by the Company in the preparation of its financial statements, as well as to the CONSOB Related Parties Regulation;
- o Assigning to the Corporate & Legal Affairs department the activity of managing and updating the Related Parties List and, more generally, of preliminary investigation and support of the Related Parties Committee.

The Committee’s opinions, of a non-binding nature, concern the Company’s interest in carrying out the transaction, as well as the convenience and substantial fairness of the related conditions. In view of the issue of the opinion, a specific preliminary investigation is carried out, in which management is required to cooperate. In the event of a negative opinion by the Committee on transactions of major significance, the Board of Directors has the right to make the execution of the initiative subject to authorisation by the Shareholders’ Meeting.

#### Related Party Transaction Committee

As of the date of the Report, the Related Party Transaction Committee is composed of the Independent Directors Maurizia Squinzi (Chairman), Serena Torielli and Sara Testino, appointed by the Board of Directors on 16 May 2022; this Committee is competent in case of evaluation of Related Party Transactions of Greater Significance pursuant to the Procedure set forth below.

The Related Party Transaction Committee has the task of performing the functions provided for by CONSOB regulations and the RPT Procedure, which defines the rules, methods and principles aimed at ensuring the transparency and substantial and procedural correctness of Related Party Transactions entered into by Tessellis. The RPT Procedure provides for different approval processes for Related Party Transactions depending on their relevance, value and nature.

The Committee performs the following functions: (i) It expresses a reasoned, non-binding opinion on the Company’s interest in the completion of transactions of lesser significance (as defined in the RPT Procedure), as well as on the appropriateness and substantial fairness of the related conditions; (ii) In the case of transactions of greater significance (as defined in the RPT Procedure), it is also involved in the negotiation and preliminary stage and subsequently expresses a reasoned, binding opinion, except for special approval procedures, on the Company’s interest in the completion of the transaction in question, as well as on the appropriateness and substantial fairness of the related conditions.

During the 2022 financial year, the Related Party Transaction Committee met three times, namely on 4 April, 20 June and 8 July. The meetings were attended by all the members and all the members of the Board of Statutory Auditors (with the exception of the meeting of 4 April 2022 in which Statutory Auditor Gaetano Rebecchini was absent with justification).

The meetings lasted on average about 45 minutes.

The Committee assessed and expressed a favourable opinion on the terms of the service contract between Linkem S.p.A. (now OpNet S.p.A.) and Linkem Retail S.r.l. (subsequently merged by incorporation into Tessellis and then sold to Tiscali Italia S.p.A. as part of the Merger transaction), concerning the supply of network services on OpNet infrastructure, as well as the terms of the Directorship agreement and the remuneration reserved for the CEO; among the transactions of lesser importance between the Company, or its Italian subsidiary, the Committee examined and approved the agreements with the companies Istella, for the supply of hospitality services provided at the Tessellis data centre, and Sababa Security S.p.A, for the purchase of cybersecurity services for Tessellis' IT infrastructure. For a more detailed examination, please refer to the periodic information to the market pursuant to Article No. 114, paragraph 5 of Legislative Decree No. 58/98, available on the website [www.tessellis.it](http://www.tessellis.it), section Press Releases.

### 5.11 Board of Auditors

The Board of Statutory Auditors in office at the date of the Report was appointed by the Shareholders' Meeting of 24 June 2021 and will remain in office until the approval of the Financial Statements as at 31 December 2023.

The Company's Board of Statutory Auditors was appointed on the basis of the only list submitted by Amsicora S.r.l. (as of the date of submission of the list, owner of a direct and indirect shareholding equal to 14% of Tessellis' share capital), which obtained 99.5% of the votes of those present at the Shareholders' Meeting. The following were appointed as Auditors:

- Riccardo Francesco Rodolfo Zingales, Chairman of the Board of Statutory Auditors;
- Gaetano Rebecchini, Standing Auditor, in office until 16 May 2022 and subsequently replaced by Alternate Auditor Andrea Borghini (the latter, confirmed in office by the Shareholders' Meeting of 10 January 2023);
- Rita Casu, Standing Auditor;
- Lara Cappellotto, Alternate Auditor;
- Andrea Borghini, Alternate Auditor, in office until 16 May 2022 and subsequently replaced by Antonio Zecca (the latter, confirmed in office by the Shareholders' Meeting of 10 January 2023).

Table 3 provides further detailed information on the composition of the Board of Statutory Auditors. The curricula vitae of the Statutory Auditors are available on the website [www.tessellis.it](http://www.tessellis.it), Governance - Board of Statutory Auditors section. For the Company's diversity policies, please refer to the considerations made in Section 4.3.

#### Appointment and Composition

Consistent with the first principle of Article No. 8 of the Code, with regard to the appointment of statutory auditors, the Articles of Association in force at the date of the Report provide for the list voting mechanism pursuant to Article No. 18 ("Board of Statutory Auditors"), through which the transparency and fairness of the appointment procedure is guaranteed and the rights of minority shareholders are protected.

Only Shareholders who, alone or together with other Shareholders, can prove that they collectively hold at least the percentage of the share capital required by the applicable regulations are entitled to submit lists. The lists must contain five candidates listed by means of a sequential number, starting with the one with the most seniority. For 2022, the minimum quota for the submission of minority lists established by CONSOB is 4.5% of the share capital of Tessellis (see CONSOB Determination No. 60/2022). Each shareholder may submit or contribute to the submission of only one list and each

candidate may be included in only one list under penalty of ineligibility. The lists containing the proposed appointments must be filed at the Company's registered office at least twenty-five days prior to the date set for the Shareholders' Meeting, together with a description of the professional curricula of the persons nominated and a declaration in which said persons accept the nomination and certify that there are no grounds for ineligibility or incompatibility, and that they meet the requirements of honourableness and professionalism required by the applicable regulations and the Articles of Association. No later than twenty days before the date set for the Shareholders' Meeting, the lists and the accompanying documentation shall be made public in the manner prescribed by law.

Each Shareholder may vote for only one list. The following are elected: a) From the list that has obtained the highest number of votes, in the progressive order with which they are listed in the list, two Standing Auditors and one Alternate Auditor; b) The third Standing Auditor shall be the candidate for the relevant office indicated in first place, among the Standing Auditors, in the list that has obtained the highest number of votes after the first one, among the lists submitted and voted by shareholders who are not connected, not even indirectly, with the shareholders who have submitted or voted for the list that came first in terms of number of votes; c) The second Alternate Auditor shall be the candidate for the relevant office indicated in the first place, among the Alternate Auditors, in the same minority list referred to in the previous point. In the event of a tie between the lists submitted and voted by shareholders who are not connected, not even indirectly, with the shareholders who submitted or voted for the list that ranked first in terms of number of votes, the candidate from the list submitted by shareholders owning the largest shareholding or, secondarily, by the largest number of shareholders shall be elected. The chairmanship of the Board of Statutory Auditors shall go to the candidate for the office of Standing Auditor indicated in first place on the list that will have obtained the highest number of votes after the first one, among the lists presented and voted by shareholders who are not connected, not even indirectly, with the shareholders who presented or voted for the list that obtained the highest number of votes. If only one list is submitted, the first three candidates in numerical order shall be elected as Standing Auditors by majority vote and the fourth and fifth candidates as Alternate Auditors, and the chairmanship of the Board of Statutory Auditors shall fall to the first candidate.

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

If, applying the above criteria, it is still not possible to identify suitable replacements, the Shareholders'

Meeting shall integrate the body with the majorities required by law, ensuring that the gender balance requirement provided for by current legislation is met.

#### Requirements

Pursuant to Article No. 18 (“Board of Statutory Auditors”) of the Articles of Association in force at the date of the Report, at least one of the Standing Auditors, and at least one of the Alternate Auditors, must be chosen from among those enrolled in the register of auditors who have exercised the activity of statutory auditing for a period of no less than three years.

The Statutory Auditors who are not in the aforesaid position must have at least three years’ overall experience in the exercise of specific activities that are in any case related to the corporate purpose and, in any case, related to the telecommunications sector. Article No. 18 (Board of Statutory Auditors) also provides that persons who already hold the office of Statutory Auditor in more than five listed companies may not be appointed as Statutory Auditors.

#### Activities

The members of the Board of Statutory Auditors operate with autonomy and independence, in constant liaison with the Audit and Risk Committee, whose meetings they attend on a regular basis, and with the Internal Audit Department, in line with the principles and application criteria set forth in Article No. 8 of the Code.

During the 2022 financial year, the Board of Statutory Auditors in office held 8 meetings, attended by all Statutory Auditors, with an average duration of 70 minutes.

For the financial year 2023, 12 meetings have been scheduled, 8 of which have already been held.

### **5.12 Relations with the Shareholders**

The Company considers it to be in its specific interest – as well as a duty towards the market – to establish and maintain a transparent and ongoing dialogue with institutional investors, financial analysts, as well as with the generality of shareholders and the financial community, which meets the criteria of truthfulness, timeliness, clarity coherence, completeness and symmetry of information, based on mutual understanding of roles, aimed at fostering timely and transparent information on the Company’s general performance, also with reference to the corporate purpose, as well as at acquiring opinions and proposals, in a constructive perspective, and allowing for an informed exercise of the respective rights. To this end, a special Engagement Policy was adopted by the Board of Directors in its meeting of 5 April 2022, which can be consulted on the [www.tessellis.it](http://www.tessellis.it) website in the “Documents” section.

The policy establishes that dialogue is carried out in full compliance with the principle of equal treatment of shareholders and that all activities functional to the dialogue with shareholders and other relevant stakeholders are carried out in compliance with the regulations in force from time to time and with the internal procedures on inside information. The Company pays particular attention to ensure that relevant information (especially price sensitive information), as well as information that by its nature or contractual obligations is to be considered confidential, is not unduly disclosed.

The information provided is proportionate and balanced with reference to the interests of the Company and stakeholders, respectively, as well as linear and consistent with previous disclosures.

The Board of Directors of Tessellis S.p.A. approved the policy in compliance with the recommendations of the Corporate Governance Code and the engagement policies adopted by institutional investors.

The subjects involved in the process of managing dialogue with shareholders and other relevant stakeholders are the Board of Directors (and within the same, each individual director) and the Investor Relations Department. In particular, the Board of Directors: *(i)* Promotes the development and maintenance of transparent and continuous forms of dialogue with shareholders in general, also taking into account the engagement policies of the main institutional investors (applicable from time to time), aimed at fostering complete information on the Company's general performance; *(ii)* Promotes initiatives aimed at fostering dialogue with the Company's other relevant stakeholders (after identifying them); *(iii)* Is the body responsible for the adoption, dissemination, implementation and possible revision of the engagement policy.

The Investor Relations Department, dialogues with stakeholders depending on the subject matter and is responsible, in agreement with the Chief Executive Officer, for drafting proposals to amend the engagement policy to be submitted to the Board of Directors.

The Chief Executive Officer is entrusted with the task of actively working, also through the Investor Relations Department, to establish dialogue with shareholders, institutional investors and other relevant stakeholders of the Company. In particular, the Chief Executive Officer: *(i)* Identifies the participants on behalf of the Company in the dialogues with stakeholders, choosing from among the Company's directors and/or managers who have the most suitable knowledge and skills to provide information relevant to the dialogue with stakeholders; *(ii)* Updates the Board of Directors on the dialogue activities carried out.

The Chief Executive Officer, for these purposes, has the power to involve other individual directors, the Corporate Secretary's Office and the Competent Corporate Functions on the various matters of interest and, if necessary, may also make use of external consultants.

The Investor Relations Department is in charge of ongoing interaction with institutional investors,

financial analysts, as well as with shareholders in general and the financial community. In particular, (i) It collects requests from institutional investors, financial analysts and shareholders in order to promote dialogue with the Company, reporting, at the appropriate times and to the extent of its competence, to the Chief Executive Officer; (ii) It coordinates, where necessary and in agreement with the CFO, with the Company's internal functions in order to carry out, in respect of requests received, an adequate preliminary investigation aimed at gathering the necessary and/or appropriate information to reply to the parties concerned; (iii) It takes care of the communication with the parties involved in the dialogue, acting as spokesperson, as far as each one is concerned, for the Chairman, the Chief Executive Officer and defining with them the contents of the communication; (iv) It proposes, coordinates and organises the initiatives aimed at establishing or fostering a dialogue with the parties involved; (v) It prepares the documentation functional to the information to be provided to the Board of Directors. Dialogue with shareholders, institutional investors and other stakeholders, in particular in connection with or on the occasion of the Company's Shareholders' Meetings, as well as with reference to the so-called extra-meeting dialogue, covers the issues falling within the Board's competence, including in particular and in compliance with the principles of confidentiality and in a balanced manner with the company's interest in the same: corporate strategies, economic-financial outlook and dynamics, corporate governance, remuneration policies, sustainability and environmental issues, Internal Audit System and risk management. Tessellis S.p.A. communicates and interacts with shareholders on an ongoing basis through various tools and methods. The information activity is ensured by making available, on the Company's website (<https://www.tessellis.it>), in a timely and continuous manner, the information that is relevant for institutional investors, financial analysts, as well as for the generality of shareholders. The documentation is freely available in Italian and English and includes: (i) In the "Press Releases" section, all press releases disclosed to the market; in the "Documents" section, the Company's periodic accounting documentation approved by the competent corporate bodies (annual and consolidated financial statements; half-yearly report; non-financial statement), as well as the Articles of Association, internal dealing communications, the report on the corporate governance system and the report on remuneration, as well as any other document whose publication is required by the applicable regulations from time to time; (ii) In the "Governance" section, the profiles of the main administration and control bodies, as well as the documentation prepared for Shareholders' Meetings.

Tessellis undertakes to systematically take care of the accuracy, completeness, continuity and updating of the financial contents conveyed through the Company's website. It is also possible to contact the Company through a specific e-mail address ([ir@tiscali.com](mailto:ir@tiscali.com)).

The process of proactive and reactive engagement of shareholders and institutional investors may include, during the year: (i) The organisation of meetings and conference calls, both in group meeting and one-to-one form, with institutional analysts/investors on the Company's performance and results; (ii) The sending to the mailing list of institutional analysts/investors of the "save the date" relating to the



half-yearly conference calls, the most relevant press releases and the half-yearly presentation; (iii) The participation in roadshows, conferences (usually sector-specific), physical or virtual, with one-to-one or group meetings with institutional shareholders/investors.

The Shareholders' Meeting represents, then, an institutional moment of privileged meeting with shareholders. To this end, Tessellis S.p.A. endeavours to make available to shareholders, in good time, all the information required by the regulations in force from time to time, offers the possibility of watching live streaming of the proceedings of the shareholders' meeting, and allows shareholders with voting rights to ask questions on the items on the agenda (even before the meeting).

The Directors, auditors and top management of Tessellis and its subsidiaries are obliged to maintain the confidentiality of documents and information acquired in the performance of their duties. Any relations of these persons with the press and other mass media, as well as with financial analysts and institutional investors, involving confidential documents and information concerning Tessellis or the Group headed by Tessellis may only take place through the Investor Relations Department, with the exception of interviews and statements made by executive directors.

Company managers and, in any case, all employees and collaborators are required to keep confidential any price-sensitive documents and information acquired as a result of and in the course of the performance of their duties and may not disclose them to others except for official or professional reasons, unless such documents or information have already been made public in the prescribed forms. Such persons are prohibited from giving interviews to the press, or making public statements in general, which contain information on relevant facts, qualifiable as "privileged" within the meaning of Article No. 7 of Regulation (EU) No. 596 of 16 April 2014 on market abuse (hereinafter also referred to as "MAR"), which have not been included in press releases or documents already released to the public, or expressly authorised by the Investor Relations Department.

In compliance with the provisions of Article No 114, paragraph 2 TUF, the Company has established procedures for the communication by the various corporate functions to the Corporate & Legal Affairs function of events deemed price sensitive.

Pursuant to Article No. 18 of the MAR, concerning the keeping of a register of persons who have access to price-sensitive information, the Company has set up a register at the Corporate & Legal Affairs function of persons who, by reason of their work or professional activity or by reason of the functions they perform, have access to this type of information. Pursuant to the aforementioned regulations, the register, which is managed electronically, contains: the identity of each person who has access to privileged information, the reason why that person was entered in the register, the date on which that person was entered in the register, and the date on which the information referring to the person was updated.

At its meeting of 28 April 2017, the Board of Directors approved the procedures for managing the register of persons with access to inside information and the corporate procedure for public disclosure of inside information, which were then updated at the Board of Directors' meetings of 27 April 2020 and 5 April 2022. The procedures are available on the Company's website, [www.tessellis.it](http://www.tessellis.it), "Documents" section.

### 5.13 Shareholders' Meetings

The Company encourages and facilitates Shareholders' participation in Shareholders' Meetings, providing, in compliance with the regulations on price sensitive communications, the information concerning the Company requested by Shareholders.

In order to facilitate the information and participation of its Shareholders, as well as to facilitate obtaining the documentation that, pursuant to and within the terms of the law, must be made available to them at the Company's registered office on the occasion of Shareholders' Meetings, the Company has set up a special section entitled "Governance/Shareholders' Meetings" on the website [www.tessellis.it](http://www.tessellis.it), which allows for the retrieval of such documentation in electronic format.

The Shareholders' Meeting adopted its own Shareholders' Meeting Regulations, the latest version of which, dated 29 April 2011, can be found on the Company's website in the "Documents" section.

The Shareholders' Meeting Regulations have been adopted with the intention of guaranteeing an orderly and functional conduct of the meetings, clarifying the rights and duties of all participants and establishing clear and unambiguous rules without in any way limiting or prejudicing the right of each shareholder to express their opinions and formulate requests for clarification on the items on the agenda. The Board of Directors believes that the prerogatives of the minority shareholders are respected when adopting resolutions at the Shareholders' Meeting, as the Articles of Association in force do not provide for majorities other than those indicated by law.

Pursuant to Article No. 2370 of the Italian Civil Code and Article No. 8 (Attendance at the Shareholders' Meeting) of the Articles of Association in force at the date of this Report, Shareholders may attend the Shareholders' Meeting if the Company has received the notice sent by the authorised intermediary pursuant to the provisions in force, certifying the ownership of the shares on the record date. Those who have the right to attend the Shareholders' Meeting may be represented, pursuant to the law, by means of a proxy that may be conferred in writing or electronically, if provided for by specific regulatory provisions and according to the procedures indicated therein. The Company excludes the possibility of a person to whom the holders of voting rights may confer proxy. The Chairman of the Shareholders' Meeting is responsible for ascertaining the right to attend the Shareholders' Meeting and the validity of proxies. Shareholders' Meeting resolutions passed in accordance with the law and these Articles of Association are also binding on dissenting shareholders.

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

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by the Vice-Chairman, if appointed, or, in his absence, by a person designated by the Shareholders' Meeting. The Shareholders' Meeting appoints a secretary, who may or may not be a shareholder, and also appoints two scrutineers from among the shareholders and auditors, if deemed appropriate. The resolutions of the Shareholders' Meeting are recorded in the minutes signed by the Chairman, the secretary and the scrutineers, if any. Where required by law and whenever he deems it appropriate, the Chairman shall have the minutes drawn up by a Notary Public. On the occasion of the Shareholders' Meetings, the Board, through the Managing Director, reported to the Shareholders' Meeting on the activities carried out and planned, and endeavoured to ensure that the shareholders were adequately informed of the necessary elements so that they could make informed decisions on the matters for which the Shareholders' Meeting was competent.

#### **5.14 Changes since the end of the reporting period**

It is hereby acknowledged that the Shareholders' Meeting of the Company, which met on 10 January 2023, resolved to change the name of the Parent Company from "Tiscali S.p.A." to "Tessellis S.p.A.". The resolution was entered in the Company Register on 19 January 2023. The name "Tiscali" remains in the group as the name of the subsidiary Tiscali Italia S.p.A. to identify the telecommunications services commercially distinct from the Tiscali brand, which was joined by the "Linkem" brand, acquired with the merger of August 2022.

It is also acknowledged that the Board of Directors meeting held on 26 April 2023 copied the directors Andrew Theodore Holt and Jeffrey Robert Libshutz, replacing the resigning directors Alberto Trondoli and Cristiana Procopio.

#### **5.15 Considerations on the letter from the Chairman of the Corporate Governance Committee**

The recommendations formulated in the letter sent by the Chairman of the Corporate Governance Committee on 25 January 2023 have been brought to the attention of the Board of the CEO and the Independent Directors for the appropriate evaluations.

**TABLES**

**TABLE 1: INFORMATION ON THE SHAREHOLDING STRUCTURE AS AT 11 MAY 2023**

SHAREHOLDING STRUCTURE					
	No. of shares	No. of voting rights	Listed in Euronext Milan	Unlisted	Rights and obligations
Ordinary shares  (specifying whether the possibility of an increase in voting rights is provided for)	180,839,104	180,839,104	180,839,104 (ISIN IT0005496473)	-	
Preferred Shares					
Multiple-voting shares					
Other categories of shares with voting rights					
Savings shares					
Convertible savings shares					
Other non-voting share classes					
Other					
OTHER FINANCIAL INSTRUMENTS (granting the right to subscribe for newly issued shares)					
	Unlisted	No. of instruments in circulation	Category of shares serving the conversion/exercise	No. of shares for conversion/year	
Convertible bonds	Tiscali Conv 2022				
Warrant					

**SIGNIFICANT SHAREHOLDINGS IN THE SHARE CAPITAL**

## Annual Financial Report as at 31 December 2022

<b>Registrant</b>	<b>Direct shareholder</b>	<b>Share % of ordinary capital</b>	<b>Share % of voting capital</b>
OpNet S.p.A.	OpNet S.p.A.	57.52%	57.52%

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS  
AT THE END OF THE FINANCIAL YEAR 2022**

Personal detail	Year of birth	Role	Appoin tment date	Executive - Non-Executive – Independent	Mandate expiry date	First appoint ment (*)	Other positions (***)	Attendance at Board meetings	Control and Risks (**)	Appointments and Remuneratio n (**)	Related Party Transaction s (**)
Renato Soru	1957	P	16 May 2022	Non-Executive	Approval of financial statements as at 31 Dec. 2024	27 June 2019	-	10/11			
Davide Rota	1968	AD	16 May 2022	Executive	Approval of financial statements as at 31 Dec. 2024	16 May 2022		11/11			
Alberto Trondoli	1958	A	16 May 2022	Non-Executive	Approval of financial statements as at 31 Dec. 2024	27 June 2019	-	9/11			
Cristiana Procopio	1979	A.	16 May 2022	Non-Executive	Approval of financial statements as at 31 Dec. 2024	29 September 2020	2	10/11			
Maurizia Squinzi	1950	A. I.	16 May 2022	Non-Executive and Independent TUF	Approval of financial statements as at 31 Dec. 2024	16 May 2022	2	11/11	P	M	P
Serena Maria Torielli	1969	A. I.	16 May 2022	Non-Executive and Independent TUF	Approval of financial statements as at 31 Dec. 2024	16 May 2022	2	11/11	M	P	M
Sara Testino	1978	A. I.	16 May 2022	Non-Executive and Independent TUF	Approval of financial statements as at 31 Dec. 2024	16 May 2022	2	11/11	M	M	M
Directors terminated during the financial year 2022											
							-				
No. of meetings held during the reporting year			Audit and Risk Committee			Appointment and Remuneration Committee			Related Party Transaction Committee		
All the Directors were appointed on the basis of the only list jointly presented by Renato Soru, and Amsicora Srl - who, at the date of the list presentation held, respectively, a 4.77% and 8.45% stake in Tesselis' share capital – as well as Linkem Retail S.r.l., a wholly-owned subsidiary of Linkem S.p.A. (now OpNet S.p.A.) as the company holding the retail branch.											
Quorum required for the submission of lists by minorities for the election of one or more members: 2.5%.											

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

(\*\*) This column indicates the Directors' participation in Committee meetings and the Director's position within the Committee: "P": Chairman; "M": Member.

(\*\*\*) Offices held as Director or Statutory Auditor in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies.

**TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS  
AT THE END OF THE FINANCIAL YEAR 2022**

Personal Details	Year of Birth	Role	Appointment Date	First Appointment (*)	Mandate expiry date	List	Independence Code	Participation in Board meetings	Other positions
Riccardo Francesco Rodolfo Zingales	1960	Chairman	24 June 2021	24 June 2021	Approval of financial statements as at 31 Dec. 2023	Soru / Amsicora	Yes	13/13	-
Rita Casu	1963	Statutory Auditor	24 June 2021	30 November 1998	Approval of financial statements as at 31 Dec. 2023	Soru / Amsicora	Yes	13/13	-
Andrea Borghini	1972	Statutory Auditor	16 May 2022	16 May 2022	Approval of financial statements as at 31 Dec. 2023	Soru / Amsicora	Yes	5/13	-
Lara Cappellotto	1973	Alternate Auditor	24 June 2021	24 June 2021	Approval of financial statements as at 31 Dec. 2023	Soru / Amsicora	Yes	-	-
Antonio Zecca	1975	Alternate Auditor	10 January 2023	10 January 2023	Approval of financial statements as at 31 Dec. 2023	Soru / Amsicora	Yes	-	-
Statutory Auditors terminated during the financial year 2022									
Gaetano Rebecchini	1987	Statutory Auditor	24 June 2021	24 June 2021	Resignation 16 May 2022	Soru / Amsicora	Yes	8/13	1
Andrea Borghini	1972	Alternate Auditor	24 June 2021	24 June 2021	Taking over the resigning statutory auditor, G. Rebecchini, on 16 May 2022	Soru / Amsicora	Yes	-	-
No. of meetings held in the reporting year: 8									
Quorum required for the submission of lists by minorities for the election of one or more members: 2.5%.									

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

**Consolidated Financial Statements of Tessellis S.p.A.  
as at 31 December 2022**



**6 Consolidated Financial Statements and Explanatory Notes**
**6.1 Income Statement**

Consolidated Income Statement	Notes	2022 (*)	of which related parties
<i>(EUR/000)</i>			
Revenues	1	100,060	131
Other incomes	2	2,396	
Purchase of materials and external services	3	74,452	26,373
Personnel cost	4	14,882	639
Other operating charges (incomes)	3	273	
Write-downs of receivables from customers	5	2,134	
Restructuring costs	6	64	
Depreciations & amortizations	7-12-13-14-15-16	41,097	
<b>Operating Results</b>		<b>(30,446)</b>	<b>(26,881)</b>
Result from the investments evaluated at equity method		(245)	
Financial Income	8	5	
Financial Expenses	8	4.028	
<b>Income (loss) before tax</b>		<b>(34,714)</b>	<b>(26,881)</b>
Taxation	9	16	
<b>Net result</b>	<b>10</b>	<b>(34,730)</b>	<b>(26,881)</b>
<b>To be attributed to:</b>			
- Result pertaining the Parent Company		<b>(34,739)</b>	
- Result pertaining Third Parties	10	<b>9</b>	
<b>Profit (loss) per share</b>			
Profit per share from current and transferred activities:			
- Base		(0.309)	
- Diluted		(0.309)	
Profit per share from current activities:			
- Base		(0.309)	
- Diluted		(0.309)	

(\*) The Consolidated Financial Statements as at 31 December 2022 represent the first financial statements of the new Tessellis Group and have 1 August 2022 as the date of first consolidation. Therefore, the financial year 2022 has a duration of 5 months and comparative data is not available.

**6.2 Comprehensive Income Statement**

<b>Comprehensive Income Statement</b>	<b>Notes</b>	<b>2022 (*)</b>
<i>(EUR/000)</i>		
<b>Result for the period</b>		<b>(34,730)</b>
<b>Other elements for the Comprehensive Income Statement:</b>		
Other elements of the comprehensive income statement that later will be reclassified in the profit/(loss) for the fiscal year		0
Other elements of the comprehensive income statement that later will not be reclassified in the profit/(loss) for the fiscal year		1,973
<i>(Loss)/profit from revaluation on plans with defined benefits</i>		1,973
<b>Total of other elements for the comprehensive Income Statement:</b>		<b>1,973</b>
<b>Total result of the comprehensive Income Statement</b>		<b>(32,757)</b>
<b>To be attributed to:</b>		
<b>Shareholders of the Parent Company</b>		<b>(32,766)</b>
<b>Minority Shareholders</b>		<b>9</b>
<b>Total</b>		<b>(32,757)</b>

(\*) *The Consolidated Financial Statements as at 31 December 2022 represent the first financial statements of the new Tessellis Group and have 1 August 2022 as the date of first consolidation. Therefore, the financial year 2022 has a duration of 5 months and comparative data is not available.*

**6.3 Statement of Assets and Liabilities**

Statement of Assets and Liabilities	Notes	31 December 2022 (*)	of which related parties
<i>(EUR/000)</i>			
<i>Non-current Assets</i>			
Goodwill	12	127,702	
Intangible assets	13	64,686	
Leased contracts rights of use	14	13,614	
Customer acquisition costs	15	23,141	
Property, plants and machinery	16	66,438	
Investments evaluated at equity method	17	6,025	
Other financial assets	18	1,900	
		<b>303,506</b>	<b>0</b>
<i>Current Assets</i>			
Inventories	19	505	
Trade receivables	20	13,980	781
Tax receivables	21	115	
Other receivables and other current assets	22	18,315	2,648
Cash and cash equivalents	23	8,265	
		<b>41,180</b>	<b>3,429</b>
<b>Total Assets</b>		<b>344,686</b>	<b>3,429</b>
<i>Capital and reserves</i>			
Share Capital		185,514	
Other Reserves		(83,783)	
Result for the year pertaining to the Group		(34,739)	
<b>Result for the year pertaining to the Group</b>	24	<b>66,992</b>	<b>0</b>
<b>Minority interests</b>		<b>1,013</b>	
Equity attributable to minority interests	25	1,013	
<b>Total Net Assets</b>		<b>68,005</b>	
<i>Non-Current Liabilities</i>			
Payables to banks and other lenders	26	76,309	8,099
Lease payables	26	10,727	
Other non-current liabilities	27	25,544	1,678
Liabilities for pension benefits and severance pay	28	7,814	
Provisions for risks and charges	29	2,085	

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		<b>122,479</b>	<b>9,777</b>
<i>Current liabilities</i>			
Payables to banks and other lenders	26	14,752	3,510
Lease payables	26	4,925	
Payables to suppliers	30	87,792	18,688
Other current liabilities	32	46,733	8,593
		<b>154,202</b>	<b>30,791</b>
<b>Total Net Assets and Liabilities</b>		<b>344,686</b>	<b>40,568</b>

(\*) The Consolidated Financial Statements as at 31 December 2022 represent the first financial statements of the new Tessellis Group and for this reason no comparative data are available.

**6.4 Cash Flow Statement**

<b>Cash Flow Statement</b>	<b>Notes</b>	<b>2022 (*)</b>	<b>of which related parties</b>
<i>(EUR/000)</i>			
<b>CONTINUING OPERATIONS</b>			
<b>Result from continuing operations</b>		<b>(34,730)</b>	<b>(26,880)</b>
<i>Adjustments for:</i>			
Depreciation		41,097	
Income from allocation of Bonus Sud and Industria 4.0 tax credits	12-13-14-15-16	(1,521)	
Provision for doubtful debts from customers	2	2,134	
Capital gain on sale of participations	5	(392)	
Write-down of assets	2	446	
Income Taxes	2	16	
Change in provisions for risks	9	(486)	
Amounts owed to suppliers/receivables from customers/other receivables and payables.	6	10	
Other variations	29	445	
Provision for severance pay	4-6	1,012	
Use of Fastweb vouchers	3	2,557	
Financial charges/income	3	4,021	
<b>Cash flows from operating activities before changes in working capital</b>	8	<b>14,609</b>	<b>(26,880)</b>
Change in receivables		(5,001)	(69)
Change in stock	19	(1)	
Change in trade payables	30	4,510	24,817
Change in long-term trade payables	27	8,908	
Net change in provisions for liabilities and charges	29	(450)	
Net change in the provision for severance pay	28	(104)	
Changes in other liabilities	31	(18,821)	(11,770)
Changes in other assets	21	766	3
<b>Changes in working capital</b>		<b>(10,193)</b>	<b>12,981</b>
<b>NET CASH FLOW PROVIDED BY CONTINUING OPERATIONS</b>		<b>4,416</b>	<b>(13,898)</b>
<b>INVESTMENT OPERATIONS</b>			
Change in other financial assets		(6)	
Acquisitions of Tangible Fixed Assets	17	(10,257)	(7,041)
Acquisition of rights of use	16	(165)	
Costs of Customer Acquisitions	14	(7,652)	
Acquisitions of Intangible Fixed Assets	15	(5,165)	
- of which for voucher use (without monetary effect)	13	2	
Fees for purchase/sale of participations	12-15	(4,631)	
Net proceeds from the sale of intangible assets		17,000	
Change in payables to suppliers of fixed assets		17,977	
<b>NET CASH FLOW GENERATED BY (USED IN) INVESTMENT OPERATIONS</b>		<b>7,103</b>	<b>(7,041)</b>

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FINANCING OPERATIONS			
Change in payables to banks and other lenders	26	(3,438)	
of which:			
<i>Repayment of principal and interest on Senior Debt</i>		(3,174)	
<i>Increase/Decrease in overdrafts</i>		(264)	
Repayment/acceptance of financial leases	26	(3,968)	
Exchange effect	8	(137)	
<b>NET CASH FLOW GENERATED BY (USED IN) FINANCING OPERATIONS</b>		<b>(7,543)</b>	
<b>NET CASH FLOW GENERATED BY (USED IN) THE PERIOD</b>		<b>3,976</b>	<b>(20,939)</b>
		<b>0</b>	
<b>NET CASH FLOW GENERATED BY (USED IN) DISCONTINUED OPERATIONS</b>			
		<b>3,935</b>	
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>			
		<b>354</b>	
<b>CASH AND CASH EQUIVALENTS FROM CHANGE IN SCOPE OF CONSOLIDATION</b>			
		<b>8,265</b>	<b>(20,939)</b>
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>			

(\*) *The Consolidated Financial Statements as at 31 December 2022 represent the first financial statements of the new Tessellis Group and have 1 August 2022 as the date of first consolidation. Therefore, the cash flow statement for the year 2022 relates to the change in cash flows over a period of 5 months. For the same reason, comparison data are not available.*

**6.5 Statement of changes in the Shareholders' Equity**

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	Capital	Legal reserve	Reserve for shares premium	Stock option reserve	Reserve for employees benefits	Accumulated losses and other reserves	Net Equity pertaining to the Group
<i>(EUR/000)</i>							
<b>Balance as at 1 August 2022</b>	<b>185,514</b>	<b>2,011</b>	<b>(1,701)</b>	<b>(77,375)</b>	<b>108,449</b>		<b>108,449</b>
Changes in the scope of consolidation				635	635		635
Ancillary charges from the merger of the former Linkem retail unit				(4,855)	(4,855)		(4,855)
Recognition of payables for puts on minorities				(3,467)	(3,467)		(3,467)
Third-party assets				(1,004)	(1,004)	1,004	
Comprehensive Income Statement Result			1,973	(34,739)	(32,766)	9	(32,757)
<b>Balance as at 31 December 2022 (*)</b>	<b>185,514</b>	<b>2,011</b>	<b>272</b>	<b>(120,805)</b>	<b>66,992</b>	<b>1,013</b>	<b>68,005</b>

(\*) *The Consolidated Financial Statements as at 31 December 2022 represent the first financial statements of the new Tessellis Group and have 1 August 2022 as the date of first consolidation. Therefore, the statement of changes in equity for the financial year 2022 accommodates changes for a period of 5 months. For the same reason, comparison data are not available.*

## 6.6 Explanatory Notes and Indications on the Comparability of Data

These consolidated financial statements (hereinafter also referred to as the “Financial Statements”), which represent the Tessellis Group’s first consolidated financial statements, have been prepared using the Euro as the reporting currency as this is the currency in which most of the Group’s operations are conducted; all values are rounded to the nearest thousand Euro unless otherwise indicated. Foreign operations are included in the consolidated financial statements according to the principles indicated in the 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. As extensively illustrated in paragraph 4.6 of the Report on Operations, the Merger Transaction qualifies as a reverse acquisition.

It follows that, from an accounting point of view, the Group emerging from the Transaction qualifies 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 as at 31 December 2022 have 1 August 2022 as the date of first consolidation.

The results of operations as of 31 December 2022 are therefore consolidated as of 1 August 2022, while on the balance sheet side, the balances as of 31 December 2022 are inclusive of all effects of the Transaction.

Therefore, the Statements and Notes contained in this section of the Report include, from an economic and financial point of view, the economic and financial data of the new group as of 1 August 2022 and until 31 December 2022 (5 months) and from a balance sheet point of view, the balances as of 31 December 2022.

Furthermore, as a consequence of the foregoing, no comparative data are shown, as the Tessellis Group was born in 2022.

In particular, it should be noted that the balance sheet movement tables are represented as follow:

- Opening balances as of 1 August 2022, relating to the balances arising from the Transaction and the Price Allocation Paid (“PPA”) activities, currently still provisional, which will be completed within 12 months from the date of acquisition;
- Changes for the period (01 August 2022 - 31 December 2022);
- Balances as at 31 December 2022, determined by summing up the previous points.



## 6.7 Going Concern Assessment

First of all, as previously indicated, it should be noted that the Tessellis Group was created as a result of the Transaction and therefore the present financial year represents the first financial year closed by the same group. However, as is well known, the Transaction consists of the corporate combination of two pre-existing businesses, specifically the business related to the ex-Tiscali Group and the retail business operated by Opnet S.p.A..

The two businesses have shown negative economic and financial results in the past, and for this reason, the Directors have carried out an assessment of the Group's ability to continue as a going concern, also based on past experience, considering the results achieved in the 2022 financial year, analysed by the same on the basis of certain pro-forma data reported in the report on operations, and the results expected from the 2023-26 Updated Business Plan.

In this context, the Directors point out that in the financial year 2022, and therefore in the 5-month period ended 31 December 2022, the Tessellis Group:

- Reported a negative result for the year, with a loss of EUR 34.7 million;
- Reported a decreasing broadband customer base, from 1,150 thousand users as of 1 August 2022, to 1,105 thousand users as of 31 December 2022 (-4%);
- Increased the amount of commercial overdue, from EUR 13.3 million as of 1 August 2022 to EUR 15.7 million as of 31 December 2022.

Against the backdrop of the economic, financial and management results described above, in the financial year 2022 and in the first months of 2023, the Group implemented the following actions aimed at improving its result performance and strengthening its capital and financial structure:

- Maintained substantially unchanged net financial debt (including trade payables and other non-current payables), which went from EUR 120.7 million as at 1 August 2022 to EUR 121 million as at 31 December 2022. Please note that the amount as at 31 December 2022 includes EUR 3.5 million related to the recognition of a put option on minority interests held by the current shareholders of 3P Italia S.p.A..
- Had a positive cash flow from operations before changes in working capital of EUR 14.6 million;
- Implemented actions aimed at the development of value-added businesses, such as media and advertising services, as well as those dedicated to the agri-tech segment and future communities, in particular through some commercial agreements and some direct investments in some young companies in the sector;
- Laid the foundations for a capital strengthening, both thanks to the approval by the Shareholders' Meeting of a proxy to the Board for a capital increase for a maximum of EUR 60 million, and thanks to the negotiation of some clauses related to the New POC,

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- which will allow for a more flexible use of the same;
- Reduced the amount of other overdue payables from EUR 5.3 million as at 1 August 2022 to EUR 3.4 million as at 31 December 2022;
  - Repaid financial debts based on contractual maturities in the amount of EUR 2.6 million;
  - Valued some assets not in use through the sale of some IP addresses exceeding the Group's needs for a consideration of about EUR 17.8 million;
  - Approved, on 11 May 2023, the business plan update by preparing the 2023-26 Updated Business Plan.

Furthermore, as provided for in the 2023-2026 Updated Business Plan, already in the first months of 2023, certain operational efficiencies planned in the 2022 financial year following the post-Transaction integration will translate into an increase in profitability compared to what was achieved in 2022 and will lead to the achievement of a break-even at free cash flow level in the 2024 financial year. In order to be able to fully implement the actions set forth in the 2023-2026 Updated 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 June 2023-May 2024 identifying the resources required over the next 12 months. This cash plan estimates a total cash requirement over the period June 2023-May 2024 of EUR 60.5 million to enable the Tessellis Group to meet its obligations over the period indicated. It should be noted that this cash requirement includes, in addition to the fulfilment of ordinary and current obligations, the payment of agreed instalments with suppliers and other debtors, the repayment of financial debts on the due dates in the amount of EUR 10 million and a reduction in overdue trade payables of approximately EUR 4.6 million.

The financial resources identified by the Directors include:

1. The estimated liquidity as at 31 May 2023, equal to EUR 11 million, already including the proceeds from the sale of some IP addresses carried out between April and May 2023, for a consideration net of direct costs of approximately EUR 15.8 million;
2. The possibility to sell a further portion of IP addresses currently in the portfolio. As at 31 December 2022, there were about 1.3 million IP addresses in the portfolio;
3. The possibility to subscribe 12 tranches of the New POC for a total notional amount of EUR 60 million and a cash-in of EUR 57 million;
4. The possibility to obtain financial resources through the exercise of the proxy to execute capital increases already approved by the Shareholders' Meeting for a maximum amount of EUR 60 million.

It should be noted that the nature of the New POC underwritten with Nice & Green is substantially similar to that of the previous convertible/converting 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 respect 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, which, once implemented, would render the market value of such addresses substantially nil. Therefore, the financial resources potentially obtainable from such a sale could be lower than 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 utilisation 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, if from 1 January 2024 the shares owned by Opnet should not be available for such use, the planned subscription of 12 tranches would be reduced to 6 tranches, for a nominal amount of EUR 30 million (EUR 28.5 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 out in Note 26 "Current and non-current financial liabilities".
3. With reference to the possibility of exercising the Mandate for the capital increase, on 11 May 2023 the Board of Directors initiated a capital increase transaction for EUR 25 million, partially exercising the Mandate granted by the Shareholders' Meeting for a capital increase for a maximum of EUR 60 million. The outcome of the capital increase approved on 11 May 2023, however, presents some uncertainties related to the lack of a guarantee consortium and the situation of the stock markets. Therefore, the possibility of raising financial resources through this instrument appears to be conditioned by the successful performance of the transaction, which is not fully under the Directors' control;
4. The 2023-2026 Updated Business Plan presents an estimate of the economic and financial results that could be achieved if the management succeeds in implementing all the actions included therein and if the results of the same actions turn out as hypothesised. However, the

possibility of implementing all the planned actions, 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 believe that:

1. The valuation of the IP addresses in the short term is not expected to change downwards and, therefore, they believe that the sale of these assets, although not assumed in the June 2023 – May 2024 cash plan, constitutes a financial leverage that can be used by the Tessellis Group in case of need;
2. Based on the current information in the possession of the Directors, they reasonably believe that the risks listed in point 2 above can be mitigated on the basis of the following considerations:
  - a. With regard to the securities loan in favour of Nice & Green, the Directors believe that, in the circumstances in which the current loan should fail, it would be possible to replace the current lender with other shareholders;
  - b. With regard to the dilution of Opnet, the Directors consider it reasonable to obtain a waiver from the Financial Institutions in the event of any dilution below 40%;
  - c. With regard to the default clauses, to date no events of potential default have been identified;
3. Based on the current information in the possession of the Directors, there have been expressions of interest – albeit not formalised and therefore not binding – from potential investors belonging to the Tessellis Group's chain of control to subscribe to the capital increase and, therefore, the Directors believe that the hypothesis in which the capital increase is not at least partially subscribed is remote;
4. The 2023-2026 Updated Business Plan presents numerous prudences and lower growth derived from more conservative scenarios and therefore they are confident in the achievement of the results included therein.

### Going Concern Conclusions

Under the circumstances outlined above, the Directors believe, after analysing the uncertainties and results for the period, assuming compliance with the 2023-2026 Updated Business Plan, considering the actions outlined above, that the Group will be able to honour its obligations while 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.

### **6.8 Business Outlook**

Please refer to Section 4.8.

### **6.9 Events after the end of reporting period**

Please refer to Section 4.7.

### **6.10 Accounting Standards**

The 2022 Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as the measures issued in implementation of Article No. 9 of Legislative Decree No. 38/2005. IFRS also includes all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The preparation of the consolidated financial statements requires the directors to make certain estimates and, in certain cases, to make assumptions in applying the accounting policies. The areas of the financial statements that, in the circumstances, require the adoption of assumptions in applying the accounting policies and those that require the use of estimates are described in the note "Use of estimates" below.

The consolidated financial statements are audited by Deloitte & Touche S.p.A.

Pursuant to Legislative Decree No. 254 of 30 December 2016, Tessellis S.p.A., as "parent company", has prepared a consolidated statement of a non-financial nature as a separate report to the consolidated financial statements, called the "Sustainability Report", which contains the information required by the same Legislative Decree.

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On 11 May 2023, the Company also approved the consolidated non-financial statement (the “Sustainability Report 2022”), which is subject to limited review by Deloitte & Touche S.p.A..

The publication of the Sustainability Report 2022 is announced by means of a press release, which contains the indication of the section of the Tessellis S.p.A. website where the consolidated non-financial statement is published.

### Financial Statement Formats

As previously mentioned, the Consolidated Financial Statements as at 31 December 2022 represent the first consolidated financial statements of the new Tessellis Group. The method of presentation of the Consolidated Financial Statements as at 31 December 2022, consistent with IAS 1 - “Presentation of Financial Statements”, provides for:

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

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

It should be noted that the income statement, statement of comprehensive income, statement of cash flows and statement of changes in Shareholders’ Equity include the results of Tessellis Group’s operations from the First Consolidation Date to 31 December 2022, and therefore refer to a period of 5 months.

### Segment Information

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

Operating segment means the component of an entity:

- Which undertakes revenue- and cost-generating business activities (including revenues and costs relating to transactions with other components of the same entity);
- Whose operating results are periodically reviewed at the highest operational decision-making level for the purpose of making decisions about resources to be allocated to the segment and assessing performance;
- For which separate financial statement information is available.

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

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

Until 31 December 2022, the Company had identified the following operating segments:

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

### Seasonality of Revenues

Tiscali's business is not significantly affected by seasonality of the business.

### Consolidation Criteria

The consolidation area includes the Parent Company Tessellis S.p.A. and the companies that it controls, those companies on which it holds the power, directly or indirectly, to establish financial and operating policies or those companies for which it is financially exposed and has a right over the variable results deriving from its involvement in such entities that it influences thanks to the power it

can exercise over them. In the specific circumstances related to Tiscali, control coincides with the majority of the voting rights that it can exercise on occasion of the ordinary Shareholders' Meetings of the companies part of the consolidation area.

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

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

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

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

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

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

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

The related companies are those in which the Group can exercise considerable influence but neither



control nor joint control through participation to the decision on the financial and operating policies of the subsidiary company. According to the net equity method, such shareholdings are initially calculated in the balance sheet at cost of acquisition, corrected by adjustments subsequent to the acquisition of the net equity of the related companies, at net of any losses of value of each shareholding. Any surplus from the acquisition cost respect to the percentage belonging to the Group of the fair value of the related company's assets, liabilities and potential liabilities identifiable on the date of acquisition is recognised as goodwill. Such goodwill is included in the value of the investment and it is subjected to an *impairment test*. The lower value of the cost of acquisition respect to the percentage belonging to the Group of the fair value of the related company's assets, liabilities and potential liabilities identifiable on the date of acquisition is posted in the income statement for the fiscal year of the acquisition. The consolidated financial statements include also the shares belonging to the Group in the results of the related companies as well as those with joint control effective from the date in which the significance influence begins until the moment in which such significant influence ends. Whenever the shares pertaining to the Group in the losses of the related company exceeds the book value of the shareholding in the financial statements, the value of the shareholding is brought to zero and the shares of the additional losses are calculated only if the Group is obligated to do so.

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

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

### Consolidation Area

The consolidation scope of the Group includes the Tessellis S.p.A. (Parent company) Financial Statements and those of the companies on which the same exercises control, directly or indirectly, starting from the date in which control was acquired and up the date in which such control ends. The fully consolidated companies are reported below and on the Note *List of Controlled Companies Included in the Consolidation Scope*.

The consolidation scope as at 31 December 2022 follows:

Name	Registered office	Shareholding owned by	Values as of December 31, 2022 (EUR 000)			Percentage of direct shareholding	Percentage of Group shareholding (**)
			Share Capital	Net Equity	Net Result		
Tessellis S.p.A.	Italy	Parent Company	185,254	103,254	(927)	n.a.	n.a.
Tiscali Italia S.p.A.	Italy	Tessellis S.p.A.	36,994	94,702	(55,696)	100,0%	100,0%
Media PA (#)	Italy	Tiscali Italia S.p.A.	49	282	223	100,0%	100,0%
Linkem Services S.r.l. (#)	Italy	Tiscali Italia S.p.A.	70	267	(600)	85,0%	85,0%
Veesible S.r.l. (#)	Italy	Tiscali Italia S.p.A.	200	172	(28)	75,0%	75,0%
3PItalia S.p.A. (#)	Italy	Tiscali Italia S.p.A.	2,000	2,052	234	54,7%	54,7%

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Tint Holding (#)	Nederlands	Tessellis S.p.A.	115,519			99.5%	99.5%
Tiscali International Bv (#)	Nederlands	Tint Holding Nv	115,469	(3,604)	(100)	100.0%	100.0%
Tiscali Financial Services SA	Luxembourg	Tiscali International BV	31	(437,020)	(4,431)	100.0%	100.0%

(\*)Percentage of Group Participation

(#) Data reported by companies through reporting packages for consolidated purposes as at 31 December 2022

It should also be noted that the following companies were consolidated using the equity method:

- Janna S.c.p.a., in which Tessellis holds 17% and exercises significant influence;
- Aetherna S.r.l., with a 49% shareholding;
- Connecting Project S.r.l., with a 40% shareholding;
- Salesmart S.r.l., with a 40% shareholding.

### Other Intangible Assets

#### *Goodwill*

Under IFRS 3 (Business Combinations), goodwill is recognised in the financial statements at the date control of a business is acquired and is determined as the excess of (a) over (b), where (a) represents the consideration paid and (b) the fair value of the assets acquired:

Goodwill is classified in the statement of financial position as an intangible asset with an indefinite useful life and is tested for impairment at least annually.

Goodwill initially recognised is subsequently reduced only for accumulated impairment losses. In the event of a transfer of control of a previously acquired business, the corresponding value of goodwill is taken into account in determining the gain or loss on disposal.

#### *Computer software – Patents – Trade marks – Development costs*

Acquired software licences, trademarks and patents are capitalised and recognised as intangible assets at the cost incurred for the acquisition and amortised on a straight-line basis over their estimated useful life (generally three to five years).

Internally-generated intangible assets arising from costs incurred for the development of operating software under the Group's control and directly associated with the production of services, relating in particular to the “technological platforms” for accessing and managing the Tiscali network, are recognised as assets when:

- The following general conditions specified by IAS 38 for the capitalisation of intangible assets are met: (a) the asset is identifiable; (b) it is probable that the asset will generate future economic benefits; (c) the costs of developing the asset can be measured reliably;
- The Group can demonstrate the technical feasibility of completing the intangible asset so that

it will be available for use or sale, its intention to complete the asset for use or sale, the manner in which it will generate probable future economic benefits, the availability of technical, financial or other resources to complete the development and its ability to measure reliably the cost attributable to the asset during its development.

During the development period, the asset is reviewed annually for impairment. Subsequent to initial recognition, development costs are measured at cost less amortisation and any accumulated impairment losses. Amortisation of the asset begins when the development is complete and the asset is available for use. The cost is amortised by reference to the period over which the related project is expected to generate revenue for the Group.

Costs associated with the development and routine maintenance of software, which do not meet the above requirements, and research costs, are charged in full to profit or loss in the period in which they are incurred.

#### *Broadband service activation costs*

Customer acquisition and activation costs are amortised on a straight-line basis over a period of 36 months.

#### *Costs of obtaining new customers*

The incremental costs incurred in obtaining new customers are capitalised linearly over a period of 36 months. Periodically, the management verifies that the application of a specific analysis criterion, namely the application of a useful life equal to the churn rate (greater than 36 months) by applying the derecognition of interrupted contracts generates different economic and financial results. The analysis updated to 2022 shows that the simplified approach followed by management presents results that are substantially consistent – and, in any case, slightly more prudent – than those obtainable from a specific analysis.

IRUs are classified as Concessions and Similar Rights and consist of costs incurred for the acquisition of the registration rights of use of the fiber optic network, namely the 'transmission capacity' and related charges; they are amortised on a straight-line basis, in the shorter of the duration of the concession defined by contract and the estimated utilisation of the right.

#### Property, plants and equipment

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

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

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

The minimum and maximum depreciation rates applied during the financial year 2022 are shown below:

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

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

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

Leased Assets

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

Accounting according to this principle provides for:

1. The recognition in the balance sheet of an asset representing the right of use and a financial liability representing the commitment to the leasing company, presented in separate items with respect to the other balance sheet components;
2. The recognition in the income statement in the income statement, under operating costs, of amortisation, depreciation and any write-downs/depreciations of the asset for right of use and,

in the financial section, the interest expense accrued on the financial liability;

3. The recognition among the cash flow of the financing activities of the payments made to the leasing companies and among the operating cash flow of the notional financial charges determined by applying the amortising cost method to the financial liability.

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

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

### Inventories

Inventories relate exclusively to tablets or personal computers that are provided by Tiscali as part of the Ultrainternet Fibra Voucher offer. Inventories are valued on a FIFO (first in, first out) basis.

### Impairment losses of assets (*Impairment*)

Goodwill and Financial Statement sheet assets are tested (*impairment tests*) Annually or more frequently if there is indication of impairment. The carrying value of intangible assets with finite useful lives and property, plant and equipment is tested whenever there is an indication that the asset may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU (Cash Generating Unit), to which the asset 'belongs'. The recoverable amount is the greater amount between fair value net of sales costs and its value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying

amount, the asset is reduced to its recoverable amount. The loss of relevant impairment is recognized in the income statement under write-downs. In the event that a write-down in previous years, no longer has reason to exist, the carrying value of the asset (or cash-generating unit) is increased to the new value resulting from the estimate of its recoverable amount, but not over the net book value that the asset would have had if no impairment had been recognised for the asset loss. The reversal is recognised in the income statement.

The Company has identified two operating segments subject to information, based on the requirements of IFRS 8. For the purposes of the impairment test, however, the “Corporate” operating segment is tested together with the “Access” operating segment, as it shares with it a significant amount of assets. It should also be noted that the Corporate financial sector has mainly inter-company cash flows and of insignificant amount.

### Financial Instruments

#### Loans and Receivables

The Receivables of the Group are stated in the items *Other Non-Current Financial Assets*, *Trade Receivables*, *Other Receivables* and *Other Current Assets* and *Other Current Financial Assets*, and include guarantee deposits, trade receivables, loans to others generated as part of the core business.

They are valued, in case they have a fixed term, at amortised cost using the effective interest method. When financial assets have no fixed maturity, they are valued at acquisition cost. Receivables due beyond one year, bear interest or bear interest below market are discounted using market rates.

Assessments are frequently carried out to find objective evidence of impairment of a financial asset or group of assets. If any such evidence exists, the impairment loss should be recognised as an expense in the income statement in the period.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term deposits, in the latter case with a term of less than three months.

#### Payables and Financial Liabilities

Payables and Financial Liabilities of the Group are disclosed in the items *Bonds*, *Due to Banks and Other Lenders*, *Finance Lease Liabilities*, *Other Non-Current Liabilities*, *Payables to Suppliers*, and include trade payables, payables to others, the financial payables, including payables for loans received for advances on the sale of loans and finance leases. Trade payables and other payables are stated at nominal value. Borrowings are initially recognised at cost, equal to the fair value of the consideration received, net of transaction costs. Subsequently, the loans are valued at amortised cost

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using the effective interest method, calculated considering the issue costs and any other premium or discount applicable to the regulation.

#### Financial derivatives

The Group does not use derivatives.

#### Liabilities due to pensions and employee severance indemnities

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

#### Financial income and charges

The interest income and charges, including interest on bond issues, is recognised using the effective interest rate.

#### Research costs and advertising expenses

Research costs and advertising expenses are charged directly to the income statement as incurred in the FY.

#### Taxes

Income taxes include all taxes calculated on the taxable income of the companies of the Group, considering the temporary and permanent changes established by applicable legislation, based on the best possible interpretation of corporate events.

Deferred tax liabilities are generally recognised for all taxable temporary differences related to Group companies and participations in associated companies.

Any deferred tax assets, arising from temporary differences and/or tax losses carried forward, are taken over to the extent that it is considered likely that there may be future taxable tax results that allow the use of these deductible temporary differences and/or tax losses.

#### Earning per Share

Basic earnings per ordinary share is calculated by dividing the share of the Group's profit attributable to ordinary shares by the weighted average number of ordinary shares outstanding

during the year, excluding treasury shares.

For the purposes of diluted earnings per ordinary share, the weighted average number of shares outstanding is adjusted by assuming the subscription of all the potential shares deriving, for example, the conversion of bonds and exercise of rights on dilutive shares and potential dilutive effect of the allocation of shares to the beneficiaries of the Stock Option plans already accrued.

## ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, ADOPTED BY THE GROUP AS OF 1 JANUARY 2022

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group as of 1 August 2022:

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

The adoption of these amendments had no impact on the Group's consolidated financial statements.



**ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS IFRS ENDORSED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT EARLY ADOPTED BY THE GROUP AS OF 31 DECEMBER 2022**

- 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 as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. The changes will apply from 1 January 2023, 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 standard.
- On 7 May 2021, the IASB published an amendment entitled “**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**”. The document clarifies how deferred taxes are to be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leasing and decommissioning obligations. The changes will apply from 1 January 2023, 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.

**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 published an amendment entitled “**Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants**”. The documents are intended to clarify how to classify debts and other short-term or long-term liabilities. The amendments become effective as of 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 7 May 2021, the IASB published an amendment entitled “**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**”. The document clarifies how deferred taxes are to be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leasing and decommissioning obligations. The changes will apply from 1 January 2023, 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 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 in the Group's consolidated financial statements from the adoption of this amendment.

## USE OF ESTIMATES

The preparation of the 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”;
4. Estimates related to the provisions for risks and charges. Although as at 31 December 2022 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.

## 6.11 Explanatory Notes

### Revenues (Note 1)

	2022
<b>Revenues</b> (EUR/000)	
Revenues	100,060
<b>Total</b>	<b>100,060</b>

Revenues in 2022 are EUR 100.1 million. For a discussion of the business performance in 2022, please refer to the Management Report where the 2022 Pro Forma Data and the 2022 Adjusted Pro Forma Data are also presented.

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)

	2022
<b>Other Income</b> (EUR/000)	
Other Income	2,396
<b>Total</b>	<b>2,396</b>

Other income, amounting to a positive EUR 2.4 million, includes the following elements

- The accrued portion of tax credits for investments under the Bonus Sud and Industry 4.0 regulations for a total amount of EUR 1.5 million attributable to the release of the 2022 portion of deferrals related to tax credits acquired in the Transaction and deriving from certain investments made in the past by the former Tiscali Group;
- Income from tax credits for the purchase of electricity pursuant to the Law Decree No. 4/22 in the amount of EUR 0.4 million;
- Proceeds from the sale of the investee company XFarm for EUR 0.4 million.

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

<b>Purchase of materials and outsourced services, payroll and operating costs (income)</b>	<b>2022</b>
<i>(EUR/000)</i>	
Line rental/traffic and interconnection costs	55,805
Lease and rental costs	5,045
Costs for portal services	377
Marketing costs	4,924
Other services	8,301
Other operating expenses (income)	273
<b>Total</b>	<b>74,725</b>

Purchases of materials and services and other operating (income) expenses of EUR 74.7 million include the following items:

- EUR 55.8 million for line/traffic and interconnection rental costs related to Broadband and Ultrabroadband fixed and Fixed wireless services, and Mobile services;
- EUR 5 million in lease and rental costs related to the cost of leases and rentals of operating assets that do not fall within the scope of IFRS 16;
- EUR 8.3 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 4.9 million for marketing costs;
- EUR 0.4 million for portal services;
- EUR 0.3 million in other charges.

**Staffing Costs (Note 4)**

<b>Staffing costs</b>	<b>2022</b>
<i>(EUR/000)</i>	
Wages and salaries	9,989
Other staffing costs	4,893
<b>Total</b>	<b>14,882</b>

The following table shows the average number of FTEs in the five months ending 31 December 2022:

**Average Number of Employees (FTE)**

	31 December 2022
Managers	23
Middle Managers	56
Employees	866
Workers	16
<b>Total</b>	<b>961</b>

The number of average FTEs in the five months ended 31 December 2022 was 961. This figure includes 480 average FTEs pertaining to the former Tiscali Group, 372 average FTEs attributable to the Business Unit acquired on 1 August 2022, 96 average FTEs relating to employees of the Engineering business unit (these 96 employees returned on 1 November 2022 following the early termination of the business lease agreement), 7 employees pertaining to 3P Italia S.p.A. and 6 employees of Vevisible S.r.l., which was established on 26 October 2022.

**Write-downs of receivables from customers (Note 5)**

Write-downs of Receivables from customers (EUR/000)	2022
Provision for bad debts	2,134
<b>Total</b>	<b>2,134</b>

Provisions for doubtful customer receivables amounted to EUR 2.1 million (2.1% 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 an increase in the proportion of collections by Rid/credit card compared to collections by postal order.

**Restructuring costs (Note 6)**

Restructuring costs and other provisions (EUR/000)	2022
Restructuring costs and other provisions	64
<b>Total</b>	<b>64</b>

The item Restructuring costs as at 31 December 2022 is not significant.

**Depreciation and amortisation (Note 7)**

<b>Depreciation and amortisation</b> (EUR/000)	<b>2022</b>
Depreciation and amortisation	41,097
<b>Total</b>	<b>41,097</b>

Depreciation and amortisation amounted to EUR 41.1 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 (Charges) for the year 2022, which totalled a negative EUR 4 million, is detailed below.

<b>Net Financial Income (Charges)</b> (EUR/000)	<b>2022</b>
<b>Financial Income</b>	
Interest on bank deposits	4
Other financial income	1
<b>Total</b>	<b>5</b>
<b>Financial Charges</b>	
Interest and other bank charges	1,538
Other financial charges	2,490
<b>Total</b>	<b>4,028</b>
<b>Net Financial Income (Charges)</b>	<b>(4,023)</b>

The item Financial Charges of EUR 4 million includes the following elements:

- Financial expenses related to interest accrued on the loan to Senior Lenders amounting to EUR 1.5 million;
- Interest expenses on finance leases and IRU for approximately EUR 0.4 million;
- Bank charges of EUR 0.8 million referring mainly to commissions on short-term credit lines, particularly the SDD (Sepa Direct Debit) advance lines;
- Financial expenses of EUR 0.9 million related to the waiver fee in favour of Nice & Green following the changes made to the investment agreement (POC);
- Interest expense on bank accounts for EUR 0.1 million;

- Interest on arrears for EUR 0.3 million related to trade and tax payables.

### Income Taxes (Note 9)

Income Taxes (EUR/000)	2022
Current taxes	16
<b>Total</b>	<b>16</b>

Current taxes refer to IRAP and IRES for the year.

With reference to the Group's prior tax losses, on which no deferred tax assets were recognised as of 31 December 2022, it should be noted that, as of 31 December 2022, they amounted to EUR 425.6 million. This amount includes prior tax losses produced while the optional tax consolidation regime was in force and transferred to the parent company.

### Minority interests and earnings (loss) per share (Note 10)

Third parties' result, positive and equal to EUR 9,000, was determined in relation to the line-by-line consolidation of the subsidiaries 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" is negative and equal to EUR 0.309 and was calculated by dividing the loss from continuing operations for 2022 attributable to the ordinary shareholders of the Parent Company, equal to EUR 34.7 million, by the weighted average number of ordinary shares outstanding during the year, equal to 112,306,841.

The diluted earnings per share of "continuing operations" is negative and equal to EUR 0.309 and was calculated by dividing the net loss for the period attributable to the ordinary shareholders of the Parent Company, amounting to EUR 34.7 million, by the weighted average number of potential shares outstanding during the year, equal to 112,306,841.

### Impairment Test (Note 11)

On 11 May 2023, the Company's Board of Directors approved the updated 2022-2025 Business Plan.

The updated Business Plan (The 2023-26 Updated Plan), which incorporates the Tessellis Group's results as of 31 December 2022, covers the time period 2023 - 2026.

The impairment test was carried out by comparing the carrying value of the assets at 31 December 2022 with their value in use, determined on the basis of the following key elements. This test concerned the goodwill recognised in the consolidated financial statements, the value of net invested assets, as well as the value of the investment in Tiscali Italia recognised in the separate financial statements of Tessellis S.p.A..

**(i) Definition of “cash-generating units”**

The Group has identified the Cash Generating Units with the reportable segments. The impairment test of assets was performed on the Access CGU (which includes Tiscali Italia S.p.A., the other consolidated companies, the holding company and the dormant companies), as in fact the Access CGU is identified with the Group’s consolidated area.

**(ii) Criteria for estimating the recoverable amount**

The value in use of the Cash Generating Units (CGUs) was determined on the basis of discounting the cash flows for the years 2023-2026 resulting from the Tessellis Group’s 2023-2026 Updated Plan approved by the Board of Directors on 11 May 2023.

For the purpose of the impairment test, a time span of 4 years was therefore used.

The main assumptions used to estimate the recoverable amount relate to:

- 4-year explicit forecast period (01 January 2023 – 31 December 2026);
- EBITDA arising from market and business development assumptions;
- Investments to maintain the expected development of the business and pre-established level of profitability;
- Determination of the terminal value calculated as perpetuity based on the projection of the average of years 2024-2026, properly normalised;
- WACC rate determined on the basis of market valuations of the cost of money and specific risks related to the company’s core business;
- Long-term growth (LTG) equal to 0.2%.

The WACC was calculated as follows:

1) Risk free rate

The market rate for a risk-free investment was calculated using the risk-free rate for German government bonds (denominated in EUR) with a 30-year maturity observed on 31 December 2022. The rate is 3.38%.

2) Beta unlevered and Beta relevered

Beta unlevered was calculated as the average of the beta unlevered version of a panel of



companies similar to Tiscali (by size/sector/structure). It amounts to 0.48.

Beta levered was derived by starting from beta unlevered and factoring in:

- A debt/risk capital ratio of 99.2%, derived from the average of comparables;
- A tax rate of 24%.

Including the above factors, a levered Beta rate for Tiscali is 0.785.

3) Market risk premium

The risk premium assigned by the market amounts to 5.5%.

4) Size Premium

The Size premium was calculated on the basis of the Duff and Phelps table and represents Tiscali's risk level compared to the other companies included in the panel. It is equal to 3.05%.

5) Company Specific Risk Premium

- The corporate risk premium was set at 3% also taking into account the risks arising from the integration process.

The above factors (1 to 6) were considered in order to calculate Tessellis' cost of risk capital as at 31 December 2022, which amounts to 14.2%.

6) Debt rate

- Tiscali's relevant debt rate was set at 2.2%. The debt rate was adjusted by eliminating the tax impact (rate of 24%), resulting in a cost of debt at 31 December 2020 of 1.7%.

Based on these parameters, the WACC used for testing is 7.97%.

At the consolidated level, the test showed a positive difference between the recoverable value and the consolidated book value.

### ***Sensitivity analysis on the results of the impairment test***

With reference to the current and expected scenario, as well as the results of the impairment tests conducted for the period ending 31 December 2022, a sensitivity analysis of the estimated recoverable amount was performed using the discounted cash flow method. The discount rate is considered to be a key parameter in estimating the recoverable amount. The sensitivity analysis performed by the Company shows that even with a WACC increased by 2% (9.97%), there would be no significant effect on the level of cover.

A sensitivity analysis on the long-term growth rate was also carried out. These analyses showed that a zero growth rate (compared to a rate of 0.2% used by the company) would have no significant effect on the cover level.

### ***(iii) Consideration of external indicators of impairment***

Taking into account the current market situation, considerations were made as to the existence of external indicators of impairment with particular reference to what is expressed by the financial market.

To this end, the market capitalisation of the Tessellis Group does not show any elements that differ from those resulting from the impairment procedure. In particular, as previously indicated, capitalisation at 31 December 2022 amounts to approximately EUR 130.1 million.

**Goodwill (Note 12)**

<b>GOODWILL</b>	
<b>Balance as at 1 August 2022</b>	-
Increase	<b>127,702</b>
<b>31 December 2022</b>	<b>127.702</b>

Goodwill amounted to EUR 127.7 million and is broken down as follows:

- EUR 124.3 million arising from the merger operation between Tessellis and the Retail Branch detailed below.
- EUR 3.4 million relating to the goodwill of 3P Italia S.p.A. at 31 December 2022, EUR 1.9 million of which was determined upon the first consolidation into the Tessellis Group, which took place on 26 September 2022.

As previously indicated, 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. From an accounting point of view, in accordance with IFRS 3, the Directors analysed the Transaction and identified Linkem Retail S.r.l. as the acquiring company under IFRS 3, 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 of 31 July 2022, and on the basis of the number of shares in circulation as of 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 of 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 they provisionally assumed to be equal to the carrying value, 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. This process of valuation of the net assets acquired appears

in the consolidated financial statements for the year ended 31 December 2022 (the “PPA”) provisional and will be completed within 12 months, as required by IFRS 3. Any changes between the interim PPA and the final PPA will be reflected retrospectively considering the effective date of the Transaction. At the end of the provisional PPA activities described above, the Directors determined the Goodwill arising from the Transaction as the difference between the price paid by Opnet for the acquisition of the former Tiscali Group, amounting to EUR 52,335 thousand, and the fair value value of the acquired assets relating to the former Tiscali Group provisionally determined, amounting to negative EUR 71,955 thousand. This value is therefore EUR 124,290 thousand.

### Intangible Assets (Note 13)

Intangible Assets (EUR/000)	Computers, software and development costs	Concessions and similar rights	Broadband service activation costs	Other intangible assets	Intangible Assets in Progress and Advances	Total
<b>Net book value as at 1 August 2022</b>	<b>418</b>	<b>29,051</b>	<b>34,339</b>	<b>6,812</b>	<b>632</b>	<b>71,253</b>
Increases		1,454	5,945	770	1,002	9,171
Decreases					(14)	(14)
Depreciation for the period	(55)	(3,589)	(11,497)	(1,087)		(16,228)
Reclassifications		504				504
<b>31 December 2022</b>	<b>363</b>	<b>27,420</b>	<b>28,787</b>	<b>6,495</b>	<b>1,620</b>	<b>64,685</b>

### Introduction

Balances at 1 August 2022, amounting to EUR 71.2 million, refer to the provisionally determined fair value of the assets of Tiscali Italia for EUR 46.2 million and to the net book value of the assets present in the Retail Branch and in the subsidiaries Linkem Services S.r.l. and 3P Italia S.p.A. for EUR 25 million.

The item *Development costs*, equal to EUR 0.4 million, includes the development costs of application software customised for the exclusive use of the Group pertaining to the Retail Branch (net of the related amortisation provision).

The balance of *Concessions and similar rights* of EUR 27.4 million mainly includes:

- EUR 12.9 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);
- EUR 13.2 million of rights and multi-year 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 1.3 million for patent and industrial property rights.

Investments in 2022 amounted to EUR 1.5 million, depreciation for the period amounted to EUR 3.6 million, and reclassifications of EUR 0.5 million included assets transferred from the “Network Equipment Rights” category.

The item *Broadband Service Activation Costs* amounted to EUR 28.8 million. The increase in 2022 is EUR 6 million, and relates to customer acquisition and activation costs for fixed broadband services, including EUR 0.6 million for line activation costs and EUR 5.4 million for capitalisation of personnel costs.

*Amortisation and depreciation* for the period, calculated according to the criteria outlined in the annual financial report, amounted to EUR 11.5 million.

*Other intangible assets* amounted to EUR 6.5 million. The increase in the period amounted to EUR 0.8 million (net of the related amortisation provision). Amortisation for the period, calculated according to the criteria outlined in the annual financial report, amounted to EUR 1.1 million.

*Intangible assets in progress and advances* amounted to EUR 1.6 million and the related additions to EUR 1 million. *Disposals* amounted to EUR 14,000.

**Rights of use from leasing contracts (Note 14)**

Rights of use from leasing contracts (EUR/000)	Rights of Use of Real Estate	Rights of Use of Network Equipment	Total
<b>Net book value as at 1 August 2022</b>	<b>11,823</b>	<b>4,627</b>	<b>16,450</b>
Increases	155	11	<b>165</b>
Decreases	(8)	(622)	<b>(631)</b>
Depreciation for the period	(1,083)	(704)	<b>(1,787)</b>
Reclassifications		(584)	<b>(584)</b>
<b>31 December 2022</b>	<b>10,886</b>	<b>2,727</b>	<b>13,614</b>

Introduction

The balances at 1 August 2022, which amount to EUR 16.4 million, refer to the fair value of the assets of Tiscali Italia for EUR 15.3 million as well as the net book value of the balances included in the Retail Branch for EUR 1.2 million.

The item *Rights to Use Real Estate*, amounting to EUR 10.9 million, includes the recognition of the right to use the Sa Illetta headquarters lease and other leases of industrial sites.

This item includes increases in the period of EUR 0.2 million. Disposals amounted to EUR 8,000. Depreciation for the period amounted to EUR 1.1 million.

The item *Rights of Use of Network Equipment*, which includes operating leases with right of redemption, capitalised as of 1 January 2019, amounts to EUR 2.7 million. Increases for the period amounted to EUR 11 thousand.

This item includes depreciation for the period amounting to EUR 0.7 million. Disposals amounted to EUR 0.6 million. In addition, this item includes reclassifications of assets with a net book value of EUR 0.6 million. These are assets whose lease agreement has expired, but which have a residual net book value yet to be depreciated. As the lease agreement has expired, these assets were reclassified from this category to the category "Concessions and similar rights".

**Customer acquisition costs (Note 15)**

<b>Customer acquisition costs</b>	
<i>(EUR/000)</i>	
<b>Net book value as at 1 August 2022</b>	<b>31,058</b>
Increases	3,662
Decreases	-
Depreciation for the period	(11,579)
Reclassifications	
<b>31 December 2022</b>	<b>23,141</b>

Introduction

The balances at 1 August 2022, which amounted to EUR 31.1 million, refer to the value of the assets of Tiscali Italia for EUR 8.2 million as well as the net book value of the assets in the Retail Branch for EUR 22.9 million.

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

Increases for the period amounted to EUR 3.7 million, while depreciation for the period amounted to EUR 11.6 million.

**Property, Plant and Equipment (Note 16)**

The movements in 2022 are shown in the following table:

<b>Tangible Assets</b>	<b>Properties</b>	<b>Plants and equipment</b>	<b>Other tangible assets</b>	<b>Tangible assets in progress</b>	<b>Total</b>
<i>(EUR/000)</i>					
<b><u>HISTORICAL COST</u></b>					
<b>Balance as at 1 August 2022</b>	<b>519</b>	<b>55,229</b>	<b>1,158</b>	<b>11,235</b>	<b>68,141</b>
Increases		3,582	48	6,627	<b>10,257</b>
Divestments	(519)	(6)		(41)	<b>(565)</b>
Reclassifications		9,930		(9,345)	<b>585</b>
Other changes		53			<b>53</b>
<b>31 December 2022</b>	<b>-</b>	<b>68,788</b>	<b>1,206</b>	<b>8,477</b>	<b>78,471</b>

**ACCUMULATED DEPRECIATION****Balance as at 1 August 2022**

Depreciation for the period	20	11,405	79		<b>11,504</b>
Divestments	(20)	(4)			<b>(24)</b>
Reclassifications		520			<b>520</b>
Other changes		33			<b>33</b>
<b>31 December 2022</b>	<b>-</b>	<b>11,954</b>	<b>79</b>		<b>12,033</b>

**NET BOOK VALUE**

<b>Balance as at 1 August 2022</b>	<b>519</b>	<b>55,229</b>	<b>1,158</b>	<b>11,235</b>	<b>68,141</b>
<b>31 December 2022</b>	<b>-</b>	<b>56,834</b>	<b>1,127</b>	<b>8,477</b>	<b>66,438</b>

Introduction

Balances at 1 August 2022, amounting to EUR 68.1 million, refer to the value of Tiscali Italia assets for EUR 23.9 million as well as the net book value of assets in the Retail Unit and in the investees Linkem Services S.r.l. and 3P Italia S.p.A. for EUR 44.1 million.

The item *Property* is null and refers to the property of the participated company Linkem Services S.r.l. entirely written down during the financial year 2022.

*Plant and machinery* for EUR 56.8 million includes specific network equipment such as routers, DSLAMs, servers and transmission equipment installed in ULL sites.

*Increases* for the period include investments for EUR 3.6 million, while net disposals for the period amounted to EUR 2,000.

There are reclassifications for a historical value of EUR 10 million (against a depreciation provision of EUR 0.5 million), of which (i) EUR 9.4 million is attributable to assets coming from the item *Tangible assets in progress* for assets that began their depreciation cycle in the period; (ii) EUR 0.6 million is related to assets coming from the category *Network equipment usage rights*, since they are assets related to lease contracts that ended in the period, but with a residual book value to be depreciated.

Depreciation for the period amounted to EUR 11.4 million.

*Other tangible assets*, whose balance amounted to EUR 1.1 million, include furniture and fixtures, electronic and electromechanical office machines, and motor vehicles. Investments for the period amounted to EUR 48,000, while depreciation for the period amounted to EUR 0.1 million.

*Tangible assets in progress and advances*, whose balance amounts to EUR 8.5 million, mainly include investments in network infrastructure. Capital expenditure in the period amounted to EUR 6.6 million and mainly related to the acquisition costs of CPE devices for FWA services.

This item includes disposals for EUR 41.0 million and reclassifications of negative EUR 9.3 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 accounted for using the equity method (Note 17)

This item includes the value of the following investee companies:

- Janna S.c.p.a., (EUR 3.7 million), 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. The share held is 17%.
- Connecting Project S.r.l. for EUR 1.7 million, an Italian company specialising in offering integrated, high value-added solutions dedicated to telecommunications retail operators. The stake held is 40%.
- Aetherna S.r.l. for EUR 0.6 million, a B2B telecommunications company for over twenty years, specialising in the provision of digital services for the hospitality industry. The stake held is 49%.
- Salesmart S.r.l. for EUR 55,000, a company that develops advanced solutions for Digital Marketing. The stake held is 40%.

The changes in this item during the period considered are shown in the following table:

Investments accounted for using the equity method	1 August 2022	Contributions for the period	Contribution period write-downs	Result for the period	31 December 2022
<i>(EUR/000)</i>					
Janna S.C. a.r.l.	3,719	400	(400)		3,719
Aetherna S.r.l.	575			(87)	488
Connecting Project S.r.l.	1,722			32	1,755
Salesmart S.r.l.	55			10	64
<b>Total</b>	<b>6,070</b>	<b>400</b>	<b>(400)</b>	<b>(45)</b>	<b>6,025</b>



### Shareholdings accounted for using the equity method

In view of the significant influence held in the companies, the following economic and financial information is presented:

Name	Registered office	Shareholding owned by	Values as at 31 December 2021 (EUR/000)				Percentage of direct shareholding as at 31 December 2022	Shareholding Book Value as at 31 December 2022	
			Assets	Share Capital	Net Equity	Revenues			Net Result
			10,191						
Janna S.C.p.a.	Italy	Tiscali Italia S.p.A.		5,984	7,632	28	1,598	17%	3,719
			1,617						
Aetherna S.r.l.	Italy	Tiscali Italia S.p.A.		28	430	1,778	353	49%	488
			275						
Salesmart S.r.l.	Italy	Tiscali Italia S.p.A.		10	(65)	441	(75)	40%	64
			2,398						
Connecting Project S.r.l.	Italy	Tiscali Italia S.p.A.		10	721	2,714	204	40%	1,755

### Other non-current financial assets (Note 18)

Other non-current financial assets (EUR/000)	31 December 2022
Security Deposits	791
Securities	855
Other financial assets	254
<b>Total</b>	<b>1,900</b>

*Security deposits*, amounting to EUR 0.8 million, are represented by deposits paid in the context of the performance of activities on multi-year contracts.

The item *Securities* includes the participations valued at cost of the companies acquired with the integration of the Retail unit.

*Other financial assets* of EUR 0.3 million are related to financial receivables from the subsidiary Salesmart S.r.l..

### Inventory (Note 19)

Inventories amounted to EUR 0.5 million and included:

- EUR 0.7 million related to the Puma ex Linkem equipment inventory written down by EUR 0.4 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 3P Italia S.p.A.

**Receivables from customers (Note 20)**

Receivables from customers (EUR/000)	31 December 2022
Customer receivables	23,963
Bad Debt Allowance	(9,983)
<b>Total</b>	<b>13,980</b>

*Customer Receivables*, as at 31 December 2022, amounted to EUR 14 million, net of write-downs for a total of EUR 10 million, and originated from the sales of fixed broadband, fixed wireless and mobile services, and from advertising sales.

The analysis of the recoverability of receivables is carried out periodically, adopting a specific policy for the determination of the allowance for doubtful accounts 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, taking into account 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:

(EUR/000)	31 December 2022
<b>Balance as 1 August 2022</b>	(9,949)
Provisions	(2,134)
Utilisations	2,099
<b>Bad debt allowance Eop</b>	<b>(9,984)</b>

The total allowance for the period amounted to EUR 2.1 million.

The item utilisations includes the write-off of credit positions that are no longer recoverable.

The following table shows the due date (gross of the bad debt provision) as at 31 December 2022:

(EUR/000)	31 December 2022
not overdue	8,107
1 - 180 days	9,605
181 - 360 days	3,979
more than 360 days	2,272
<b>Total Customer Receivables</b>	<b>23,963</b>
Bad Debt	(9,983)

**Annual Financial Report as at 31 December 2022**

<b>Total customer receivables net of bad debt</b>	<b>13,980</b>
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Below is the schedule net of the bad debt provision as at 31 December 2022:

<i>(EUR/000)</i>	<b>31 December 2022</b>
not overdue	6,685
1 - 180 days	4,482
181 - 360 days	788
more than 360 days	2,026
<b>Total</b>	<b>13,980</b>

It should be noted that the amounts beyond 360 days included in the above table relate exclusively to recoverable VAT on fully written-down receivables.

**Tax Receivables (Note 21)**

<b>Tax Receivables</b>	<b>31 December 2022</b>
<i>(EUR/000)</i>	
Tax Receivables	115
<b>Total</b>	<b>115</b>

This item mainly includes IRES (Corporate Income Tax) credits recorded in the Parent Company's accounts.

**Other Receivables and Other Current Assets (Note 22)**

<b>Other Receivables and Other Current Assets</b>	<b>31 December 2022</b>
<i>(EUR/000)</i>	
Other receivables	12,923
Accrued income	4
Prepaid expenses	5,388
<b>Totale</b>	<b>18,315</b>

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 3.4 million and electricity tax credits pursuant to Decree-Law 4/22 for EUR 0.4 million;

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- Receivables from Infratel and Fastweb for voucher contributions for EUR 4.6 million;
- Sundry receivables and advances to suppliers for EUR 2.6 million (of which EUR 2.2 million from Opnet S.p.A. in relation to the transfer transaction of the Linkem retail branch);
- Receivables from tax authorities for VAT amounting to EUR 1.8 million;
- Other receivables for minor activities for EUR 0.1 million.

The item Prepaid expenses, whose balance is EUR 5.4 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.

**Cash and cash equivalents (Note 23)**

Cash and cash equivalents as at 31 December 2022 amounted to EUR 8.3 million and include the Tessellis Group's liquidity, held mainly in bank accounts. There are no time deposits.

**Shareholders' Equity (Note 24)**

<b>Shareholders' Equity</b>	<b>31 December 2022</b>
<i>(EUR/000)</i>	
Share Capital	185,514
Legal Reserve	2,011
Employee benefits reserve	272
Accumulated losses and other reserves	(86,066)
Result for the period	(34,739)
<b>Shareholders' Equity attributable to the Group</b>	<b>66,992</b>
<b>Minority interest in Shareholders' Equity</b>	<b>1,013</b>
<b>Total Shareholders' Equity</b>	<b>68,005</b>

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

As at 31 December 2022, share capital amounted to EUR 185.5 million, corresponding to 177,509,104 shares with no par value.

The increase in share capital includes EUR 103.9 million related to the effects of the Merger incorporation and EUR 18 million related to the conversion of the six tranches of the bond loan subscribed by Nice & Green SA, which took place on 7 January 2022 (No. 2 tranches), 16 March 2022, 13 April 2022, 4 May 2022 and 29 July 2022, respectively.

In addition, there were the following increases in other reserves for:

- EUR 93.6 million related to the effects of the Merger;

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- EUR 0.6 million related to the effects of the first consolidation connected to the acquisition of the new subsidiaries Linkem Services S.r.l., 3P Italia S.p.A and Vevisible S.r.l.;
- EUR 0.2 million related to the reserve for employee benefits (OCI reserve).

Decreases in other reserves relate to:

- To ancillary charges related to the merger of the former Linkem retail branch negative for EUR 4.8 million;
- To the recognition of the financial debt related to the put option for the acquisition of the minorities on the contract signed with 3P Italia S.p.A. on 26/9/22 for the acquisition of the majority stake for EUR 3.5 million;
- Third-party interest of EUR 1 million.

The loss attributable to the Group amounted to EUR 34.7 million.

**Equity attributable to minority interests (Note 25)**

Equity attributable to minority interests as at 31 December 2022 amounted to EUR 1 million.

**Current and non-current financial liabilities (Note 26)***Senior Loan*

With reference to the Senior Loan, on 22 July 2022, Tessellis signed certain agreements aimed at rescheduling the maturities and the cost of the Senior Loan (i.e., the “Amendment Agreements”), which supersede the previous Amendment Agreements signed on 7 October 2021.

The Amendment Agreements made a change to the debt repayment profile, providing for an early repayment of EUR 2.6 million to be made on 30 September 2022 and two repayments of EUR 650,000 to be made on 31 January 2023 and 28 February 2023, respectively. In addition, an increase in the interest rate from 1%-1.25% to 2% on all tranches was foreseen.

The signing of these agreements led to the fulfilment of a condition precedent to the Merger Transaction, as it allowed the approval of the Lending Institutions to the Transaction itself, thus overcoming the constraint present in the Modifying Agreements of 7 October 2021.

The new amortisation schedule of the senior loan is compatible with the cash flows expected by the Group and included in the 2023-2026 Updated Business Plan.

**Current Financial Liabilities**

<b>Current Financial Liabilities</b>	<b>31 December 2022</b>
<i>(EUR/000)</i>	
Payables to banks and other lenders	14,752
Leasing debts	4,925
<b>Total</b>	<b>19,677</b>

Payables to banks and other lenders – current portion

The item *Payables to Banks*, amounting to approximately EUR 14.7 million, comprises the following items:

- The short-term Senior Loan component in the amount of EUR 7.4 million;
- Bank payables of EUR 3.6 million;
- Other financial payables to Opnet S,p,A, for EUR 3.5 million;
- The short-term component of the Banca Agreement Sanpaolo (former Cassa di Risparmio dell'Umbria) loan for EUR 0.2 million.

Lease payables – current portion

This item amounted to EUR 4.9 million and included the following elements:

- Short-term portion of payables for operating leases in the amount of EUR 3.2 million for network equipment.
- The debt arising from the IFRS 16 accounting of the lease agreement for the Sa Illetta office in the amount of EUR 1.8 million.

**Non-current financial liabilities**

<b>Non-current financial liabilities</b>	<b>31 December 2022</b>
<i>(EUR/000)</i>	
Payables to banks and other lenders	76,309
Payables for leasing	10,727
<b>Total</b>	<b>87,036</b>

Payables to banks and other lenders

This item includes the long-term portion of the payable to Senior Lenders for EUR 61 million, the long-term portion of the Banca Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria) loan for EUR 3.3 million, other financial payables to Opnet S.p.A. for EUR 8 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 3.5 million, as well as bank payables for EUR 0.5 million also related to 3P Italia S.p.A.

#### Leasing liabilities – Long-term portion

This item includes the long-term portion of payables for operating leases in the amount of EUR 10.7 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 8 million and the long-term portion representing the debt on other leases on certain network equipment for EUR 2.7 million.

#### Net Financial Indebtedness

The Group's net financial indebtedness is depicted in the following table:

<b>Financial Indebtness</b>	<b>Notes</b>	<b>31 December 2022</b>
<i>(EUR/000)</i>		
A. Cash and bank deposits		8,265
B. Cash equivalents		
C. Other current financial assets		4
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>		<b>8,269</b>
<b>E. Current financial debt</b>	(1)	<b>12,044</b>
<b>F. Current portion of non-current financial debt</b>		<b>7,634</b>
<b>G. Current financial indebtedness (E + F)</b>		<b>19,678</b>
<b>H. Net current financial indebtedness (G - D)</b>		<b>11,408</b>
I. Non-current financial debt	(2)	87,036
J. Debt instruments		
K. Trade and other non-current payables	(3)	22,548
<b>L. Non-current financial indebtedness (I + J + K)</b>		<b>109,584</b>
<b>M. Net financial indebtedness (H + L)</b>		<b>120,992</b>

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

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It should also be noted that the amount of payables to suppliers and other parties overdue by more than 12 months is EUR 6.3 million. It should also be noted that the severance indemnity payable to the company amounts to EUR 7.8 million.

The following table shows the reconciliation between the net financial indebtedness prepared according to the CONSOB communication and the management net financial indebtedness reported in the Report on Operations.

	31 December 2022
<i>(EUR/000)</i>	
<b>Consolidated net financial debt</b>	<b>97.7</b>
Other cash and non-current financial receivables	0.8
Long-term component of trade payables and accrued tax liabilities	22.5
<b>Consolidated net financial debt prepared in accordance with CONSOB Attention Notice No. 5/21 of 29 April 2021</b>	<b>121.0</b>

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

Composition of current and non-current debt	31 December 2022	Current share	Non-current share
<i>(EUR/000)</i>			
Senior debt (including former CR Umbria)	71,887	7,634	64,253
Long-term bank debt (3P Italy)	490		490
Bank debt	3,609	3,609	
<b>Total senior debts and other bank debts</b>	<b>75,986</b>	<b>11,243</b>	<b>64,743</b>
Payables to leasing companies	15,652	4,925	10,727
Other financial liabilities (including put options)	15,076	3,510	11,566
Debiti commerciali e altri debiti non correnti	22.548		22.548
<b>Total payables to leasing companies and other payables</b>	<b>53,276</b>	<b>8,435</b>	<b>44,841</b>
<b>Total Indebitness</b>	<b>129,262</b>	<b>19,678</b>	<b>109,584</b>

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 68.4 million;



- Intesa Sanpaolo (former Cassa di Risparmio dell'Umbria) loan under the Amendment Agreements signed on 7 October 2021 for EUR 3.5 million;
- Indebtedness to other financing institutions by 3P Italia S.p.A. for EUR 0.5 million;
- Bank debt by the subsidiary Tiscali Italia S.p.A. for EUR 3.6 million;
- Operating lease payables of EUR 15.6 million. This amount includes the operating lease agreement for the Sa Illetta office for EUR 9.8 million. The residual amount of EUR 5.8 million includes property leases and company car leases related to the acquisition of the former Linkem branch for EUR 1.7 million and other operating leases related to sites and network equipment for the residual amount;
- Other financial payables arising from the contract signed with 3P Italia S.p.A. on 26 September 2022 for the acquisition of the majority stake for EUR 3.5 million
- Other financial payables to Opnet related to the purchase device (CPE) for the provision of the FWA service, amounting to EUR 11.6 million;
- The long-term component of trade payables and accrued tax payables in the amount of EUR 22.5 million.

The table below shows the monetary and non-monetary changes in financial liabilities occurring in 2022:

Monetary and non-monetary changes in financial liabilities	1 August 2022	Cash flows (repayments/disbursements)	Accrued interest	Payables for minority put options	31 December 2022
<i>(EUR/000)</i>					
Senior debt (incl. Former CR Umbria)	73,588	(3,92)	1,491		71,887
Long-term bank payables (3P Italy)	490				490
Bank Payables	2,054	1,555			3,609
Leasing	31,570	(4,708)	398		27,261
Other financial payables_ Sarda factoring	990	(990)			
Other Financial Payables_Put Option 3P Italy				3,467	3,467
Trade and other non-current payables	16,300	6,248			22,548
<b>Gross Financial Indebtedness</b>	<b>124,992</b>	<b>(1,086)</b>	<b>1,889</b>	<b>3,467</b>	<b>129,262</b>

#### Event of default

The financial documentation relating to the Senior Loan provides, as is customary in structured finance agreements, for certain “events of default” upon the occurrence of certain events, including (i) Breach of payment obligations; (ii) Breach of commitments under the agreement; (iii) Breach of financial covenants; (iv) Misrepresentation; (v) Failure to execute or breach of documents relating to guarantees; (vi) Significant cross-default events; (vii) Significant “warnings” or “qualifications” by the independent auditors; (viii) Insolvency, liquidation and dissolution of significant Group companies; (ix) Initiation of bankruptcy proceedings; (x) Implementation of significant forced procedures against the

**Annual Financial Report as at 31 December 2022**

Group; (xi) Loss of significant litigation; (xii) Cessation 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 31 December 2022 (nominal values at 31 December 2022):

Loan	Amount	Maturity	Financial Institutions	Contractee	Guarantors
<i>EUR million</i>					
Tranche A	15.0	31-Mar-25	Banco BPM	Tiscali Italia S.p.A.	Tiscali S.p.A
Tranche B	6.7	31-Mar-26	Banco BPM		Tiscali International BV Tiscali Financial Services SA

Loan	Amount	Maturity	Financial Institutions	Contractee	Guarantors
<i>EUR million</i>					
Tranche A	10.0	31-Mar-25	Intesa San Paolo S.p.A.	Tiscali Italia S.p.A.	Tiscali S.p.A
Tranche B	41.6	31-Mar-25	Intesa San Paolo S.p.A.		Tiscali International BV Tiscali Financial Services SA

*Note: The table above includes nominal values. The total value of the senior loan accounted for at amortised cost is EUR 68.3 million.*

It should be noted that as at 31 December 2022 there were no events of default.

**Leasing**

The following table shows the present value of the minimum lease payments due:

*(EUR 000)*

	Minimum lease payments	Present value of minimum lease payments
	31 December 2022	31 December 2022
Not longer than 1 year	5,733	4,925
Longer than 1 year and not longer than 5 years	11,252	9,869
Longer than 5 years	940	858
<b>Total</b>	<b>17,925</b>	<b>15,652</b>
Less future finance charges (-)	2,273	0
<b>Present value of minimum lease payments</b>	<b>15,652</b>	<b>23,008</b>
Included in the financial statements as:		

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Lease Payables (Short Term)	4,925	
Lease Payables (Long Term)	10,727	
	<b>15,652</b>	<b>0</b>

**Other non-current liabilities (Note 27)**

<b>Other non-current liabilities</b>	<b>31 December 2022</b>
<i>(EUR/000)</i>	
Trade Payables	17,945
Other payables	7,599
<b>Total</b>	<b>25,544</b>

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 7.6 million mainly comprise:

- The long-term component of the deferral of tax credits in the amount of EUR 2.4 million (compared to EUR 3.5 million recognised as current assets);
- EUR 2.9 million in tax payables for tax bills to be regularised on a long-term basis;
- EUR 1.7 million in payables to Opnet S.p.A. following the merger with the former Linkem branch;
- EUR 0.2 million for security deposits due to customers;
- EUR 0.3 million in payables to Janna S.c.p.a. (whose purpose is to manage a submarine fibre optic cable between Sardinia and the peninsula and between Sardinia and Sicily).

**Liabilities for severance pay (Note 28)**

The following table shows the movements during the period:

<i>(EUR/000)</i>	<b>1 August 2022</b>	<b>Increases due to return of Engineering Unit</b>	<b>Provisions</b>	<b>Uses</b>	<b>Payments to Funds (*)</b>	<b>(Utile)/ perdita attuariale</b>	<b>31 December 2022</b>
	9,361	685	1,012	(104)	(1,168)	(1,973)	7,814
<b>Total</b>	<b>9,361</b>	<b>685</b>	<b>1,012</b>	<b>(104)</b>	<b>(1,168)</b>	<b>(1,973)</b>	<b>7,814</b>

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

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The provision for severance indemnities, which includes indemnities accrued mainly in favour of employees, refers to the Parent Company and the subsidiaries operating in Italy and amounted to EUR 7.8 million at 31 December 2022.

In application of IAS 19, the methodologies called Traditional Unit Credit Method, for companies with at least 50 employees, and Projected Unit Credit Cost, were used for the valuation of the severance indemnity due as of 31 December 2006 (defined benefit plan), using the following financial parameters:

Financial Assumptions

Inflation rate:	2.30%
Discount rate:	3.77%

Demographic Assumptions:

Death rate:	ISTAT 2016 M/F Mortality tables
Disability:	INPS tables broken down by age and gender
Retirement:	100% upon fulfilment of AGO requirements
Advances Frequency:	3.50% from 18 to 65 years
Turnover Frequency:	3.00% from 18 to 65 years

A sensitivity analysis of the main valuation parameters was carried out, showing the impact on the balance sheet value of the provision for severance indemnities when these parameters change.

The table below shows the impact of these changes in percentage terms with respect to the carrying value of the fund itself:

	<b>% change with respect to the book value of the seerance indemnity fund</b>
Turnover Rate + 1%	<b>1.0%</b>
Turnover Rate - 1%	<b>- 1.2%</b>
Inflation Rate + 0.5%	<b>1.6%</b>
Inflation Rate - 0.5%	<b>- 1.6%</b>
Discount rate + 0,5%	<b>- 2.5%</b>
Discount rate - 0.5%	<b>2.6%</b>

As the only defined benefit plan related to severance indemnities accrued by employees as at 31 December 2006, no new contributions to the plan are expected in the next year. With reference to the portion of severance indemnity accrued in the period and, more generally, from 2007 onwards, this treatment is considered a defined contribution plan and is not discounted.

**Provisions for risks and charges (Note 29)**

	1 August 2022	Provisions	Utilisations	Releases	31 December 2022 (*)
Tax provision	25		(18)	(7)	
Fund for network infrastructure restructuring charges	1,463		(384)		1,080
Client Supplementary Allowance Fund	606	5	(18)	(109)	484
Provision for employee disputes	289	133	(21)	(50)	351
Other provisions for risks and charges	638		(10)	(457)	171
<b>Total</b>	<b>3.020</b>	<b>139</b>	<b>(450)</b>	<b>(624)</b>	<b>2,085</b>

The provision for risks and charges as at 31 December 2022 amounted to EUR 2.1 million and mainly included the following items:

- EUR 1.1 million for provisions against charges to be incurred for the rationalisation of the network infrastructure
- EUR 0.5 million for provisions for 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 personnel.

Monetary utilisations in the period amounted to EUR 0.4 million and mainly related to the restructuring of the network infrastructure.

In addition, EUR 0.6 million was released to the income statement, attributable to the release of the provision for agents' termination indemnity for EUR 0.1 million and the release of other provisions for risks and charges for the difference.

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

**Payables to suppliers (Note 30)**

<b>Payables to suppliers</b> <i>(EUR/000)</i>	<b>31 December 2022</b>
Payables to suppliers	87,792
<b>Total</b>	<b>87,792</b>

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 31 December 2022, net trade payables due (net of payment plans agreed with suppliers, accounts receivable and in dispute with the same suppliers) amounted to EUR 15.7 million.

**Taxes payables (Note 31)**

Taxes payable are nil.

**Other Current Liabilities (Note 32)**

<b>Other Current Liabilities</b> <i>(EUR/000)</i>	<b>31 December 2022</b>
Accrued expenses	3,163
Deferred income	21,709
Other payables	21,861
<b>Total</b>	<b>46,733</b>

Accrued expenses mainly refer to personnel expenses.

Deferred income of EUR 21.7 million mainly refers to:

- The short-term portion of the deferral of tax credits in the amount of EUR 2.9 million (compared to EUR 3.4 million recognised as current assets);
- To the deferral of revenues for the activation of fixed and fixed wireless broadband and voice services, for the non-accrual portion, for about EUR 16.7 million;
- To the deferral of revenues from the sale of transmission capacity (IRU), accrued in future years, for about EUR 2.1 million.

Other payables of EUR 21.9 million mainly include:

- Tax and social security payables of EUR 6.2 million;
- Payables to public institutions of EUR 3.8 million;

- Other short-term payables of EUR 3.5 million;
- Trade payables to Opnet S.p.A. of EUR 8.4 million.

## 6.12 Other Information

### Financial Instruments

#### Financial risk management objectives

The Group's Corporate Treasury department provides services to the business, coordinates access to financial markets, and monitors and manages the financial risk associated with the Group's operations through internal risk reports that analyse exposures by degree and magnitude of risk. These risks include market risks (including currency risks, fair value interest rate risks and price risks), credit risks and cash flow interest rate risks.

#### Interest rate risk management

In relation to its outstanding debt, mainly at a fixed rate, the Company believes that the risk of interest rate fluctuations is not significant, and therefore has not entered into any transactions to hedge this risk.

#### Liquidity Risk Management

The following table considers the maturity of financial investments for the next few years, highlighting in particular the amounts to be paid in the year 2022.

The cash flows shown in the table refer to the nominal amounts due on outstanding loans:

31 December 2022	Balance Sheet values	Cash out	lower than 1 year	from 1 year to 5 years	higher than 5 years
<i>(EUR 000)</i>					
Guaranteed bank loan_Senior Loan	68,395	77,425	8,491	68,934	
Lease debts	15,652	15,652	4,925	9,869	858
Trade payables (short and long term)	105,737	105,737	87,792	17,945	
Other debts (#)	27,039	27,039	21,862	5,177	
Bank debts	3,609	3,609	3,609		

(#) excluding accruals and deferrals

Please refer to Section 4.8 for considerations on the ability to meet payment obligations falling due in less than one year in the context of the Directors' assessment of whether the going concern assumption is met.

## Fair Value

The following tables show the valuations as at 31 December 2022 of the financial instruments present at the balance sheet date:

	31 December 2022	
	Balance	Fair Value
<i>(EUR 000)</i>		
Guaranteed bank loan_Senior Loan	68,395	69,568
Non-Guaranteed bank loan	3,609	3,609
Lease debts	15,652	15,652

The fair value of the above financial instruments was determined using the discounted cash flow method and taking market interest rates as a reference, increased by contractual spreads (where applicable).

## Stock Options

As at 31 December 2022, there were no active stock option plans in place.

## Disputes, contingent liabilities and commitments

During the normal course of its business, the Tiscali Group is involved in certain legal and arbitration proceedings, as well as being subject to tax audit.

The following is a summary of the main proceedings in which the Group is involved.

### Civil and administrative proceedings

#### BT Italia S.p.A.

By ordinary summons, Tiscali Italia requested the Court of Milan to ascertain and declare that Tiscali Italia has a claim against BT Italia S.p.A, in the amount of EUR 790.4 thousand plus VAT, equal to the monetary countervalue of the claim relating to rights on optical fibre and/or other services recognised under the agreement entered into between the parties on 30 April 2018 and, accordingly, order BT Italia S.p.a. to pay, in favour of Tiscali Italia, the aforementioned amount of EUR 790.4 thousand plus VAT, to be increased by interest and monetary revaluation, from the demand until the fulfilment of the



claim. On 1 December 2022, a hearing was held for the clarification of the conclusions and on that occasion the judge proceeded with the assignment of the legal deadlines for the filing of closing briefs. As of the date of this Report, the case is retained for decision by the judge.

### **Tax and social security proceedings**

#### *Revenue Agency inspection 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 (Revenue Agency, Regional Directorate of Sardinia, Taxation and Compliance Department, Control Office Large Entities), 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 infringements, both in formal and substantive terms, for the tax year 2020, with reference, albeit not exclusive, to the following transactions:

- Merger of Aria S.r.l. and Veesible S.r.l. into Tiscali Italia;
- Accrual of tax credits on new investments (Bonus Sud; Industria 4.0);
- Transformation of deferred tax assets into tax credits.

At the date of this Report, the verification operations are underway, mainly at the Agency's premises, and a number of cross-examination meetings have been held at Tiscali Italia's offices. As of the date of this Report, based on the information available to the Company, no particular critical issues can be assessed.

### **Fair Value**

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

- Level 1: corresponds to prices quoted on active markets;
- Level 2: corresponds to prices calculated through elements taken from observable market data;
- Level 3: corresponds to prices calculated through other elements different from observable market data.

In FY 2022, there were no assets/liabilities recognised at fair value as per the above detailed parameters.

## Segment Reporting

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

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

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

The income statement and balance sheet structure by business segment for the year 2022 are shown below.

2022	Access	Media & Adversing	Corporate	Total
<i>(EUR/000)</i>				
<b>Revenue</b>				
From third parties	100,053	-	8	<b>100,060</b>
Intra-group	330	-	(330)	-
<b>Total revenues</b>	<b>100,383</b>	<b>-</b>	<b>(323)</b>	<b>100,060</b>
<b>Operating profit</b>	<b>(29,711)</b>	<b>-</b>	<b>(734)</b>	<b>(30,445)</b>
Result on Investments at equity method				(245)
Financial Income				5
Financial Expenses				4,028
<b>Pre-tax result</b>				<b>(34,714)</b>
Income taxes				16
<b>Net result from operating activities (on-going)</b>				<b>(34,730)</b>
Income from held for sale and discontinued operations				-
<b>Net operating income</b>				<b>(34,730)</b>

31 December 2022	Access	Corporate	Total
<i>(EUR/000)</i>			

### Assets

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Segment assets	214,779	123,883	338,661
Equity investments carried at equity			
Equity investments in other companies	6,025		6,025
Goodwill			
Assets held for sale			
<b>Total consolidated assets</b>	<b>220,803</b>	<b>123,883</b>	<b>344,686</b>
<b>Liabilities</b>			
Segments liabilities	265,218	11,463	276.681
Liabilities held for sale			
<b>Total consolidated liabilities</b>	<b>265,218</b>	<b>11,463</b>	<b>276,681</b>

**Commitment and other Guarantees**

A breakdown of guarantees given in the reporting year is shown in the table below:

(EUR 000)	31 December 2022
Guarantees given to third parties (sureties)	81,004
Commitments	-
<b>Total</b>	<b>81,004</b>

Guarantees and sureties provided to third parties mainly relate to the guarantee on loans granted by financing institutions to the Tessellis Group for a total of EUR 73.3 million, entirely attributable to the Senior Loan.

The same item includes EUR 7.6 million of other guarantees, which refer for EUR 1.8 million to guarantees provided by Tiscali Italia S.p.A. mainly in favour of public entities for tax payables due to the entities themselves and EUR 5.8 million provided by the parent company in favour of the tax authorities for the Group's VAT surplus for the year 2018.

Although not material at the consolidated level, it should be noted that the parent company provided guarantees during the year for credit lines and leasing to the subsidiary Tiscali Italia S.p.A. for EUR 5.5 million.

The parent also has commitments of EUR 1.6 million for the year 2022 relating to the maintenance of credit lines granted to the subsidiary Tiscali Italia S.p.A.

### **Non Recurring Transactions**

Pursuant to CONSOB Resolution No. 15519 of 27 July 2006, it should be noted that in the period under observation, i.e. from 1 August 2022 to 31 December 2022 (i.e. the five months following the incorporation of the former Linkem unit) there were no non-recurring transactions.

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

No non-recurring transactions were identified in the financial year 2022.

### **Atypical and/or unusual transactions**

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

### **Related Party Transactions**

#### *Procedure*

The document explaining the procedure for regulating related parties can be found at [www.tessellis.it/procedure](http://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 and conditions deemed normal in their respective markets, taking into account the characteristics of the goods and services provided.

The table below summarises the income statement and balance sheet values recorded in the Tessellis Group’s consolidated financial statements as at 31 December 2022:

**Annual Financial Report as at 31 December 2022**

Income Statement	Note	Tessellis Group, 2022 accounting data
<i>(EUR 000)</i>		
Monteverdi S.r.l.	1	(45)
Istella	2	(40)
CC & Soci	3	-
Open Campus	4	30
Cuccureddus S.r.l.	5	1
Lai Dolores	6	(19)
Close family employees of Mr. Soru	7	(42)
Opnet	8	(25,603)
Project Group S.r.l.	9	(531)
Sababa Securities S.p.A.	10	(68)
Board of Directors and Strategic Directors	11	(597)
<b>Total Income and Charges</b>		<b>(26.880)</b>
<b>TOTAL</b>		<b>(26.880)</b>

Balance Sheet	Note	Tessellis Group, 2022 accounting data
<i>(EUR 000)</i>		
Monteverdi S.r.l.	1	(45)
Istella	2	554
CC & Soci	3	(2,347)
Open Campus	4	142
Cuccureddus S.r.l.	5	7
Lai Dolores	6	(3)
Close family employees of Mr. Soru	7	(8)
Opnet S.p.A.	8	(32,972)
Project Group S.r.l.	9	(1,762)
Sababa Securities S.p.A.	10	(514)
Board of Directors and Strategic Directors		(201)
Receivable from Istella sale	11	11
<b>Total Creditors (Suppliers) of Materials and Services</b>		<b>(37.139)</b>
<b>TOTAL</b>		<b>(26.880)</b>

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.*

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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 of December 2019, Istella provides Tessellis with consulting services for software development and customer care automation support.*
3. *CC & Soci: the company CC & Soci Srl, a subsidiary of CC Holding Srl, which holds a stake of approximately 11.8% in Amsicora S.r.l.(a shareholder of the Company with a 9.73% stake as of 31 December 2022), 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 Dr. Renato Soru. Tiscali Italia S.p.A. 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 Dr Renato Soru.*
6. *Dolores Lai: Tiscali Italia S.p.A. has a consultancy contract with Dolores Lai, lawyer, for legal consultancy services in the privacy field. 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 shareholding in Tessellis was 58.6% at 31 December 2022. The transactions in question 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 SLB rental and to the sale of CPE belonging to the Linkem retail branch merged into Tiscali Italia on August 1, 2022; (iii) other commercial debts existing before the date of merger into 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.*

**Remuneration of directors, statutory auditors and executives with strategic responsibility**

For the performance of their functions in the Parent Company and other consolidated companies, the remuneration due for the financial year 2022 (5 months following the Merger Deed) to the Directors and Statutory Auditors is as follows:

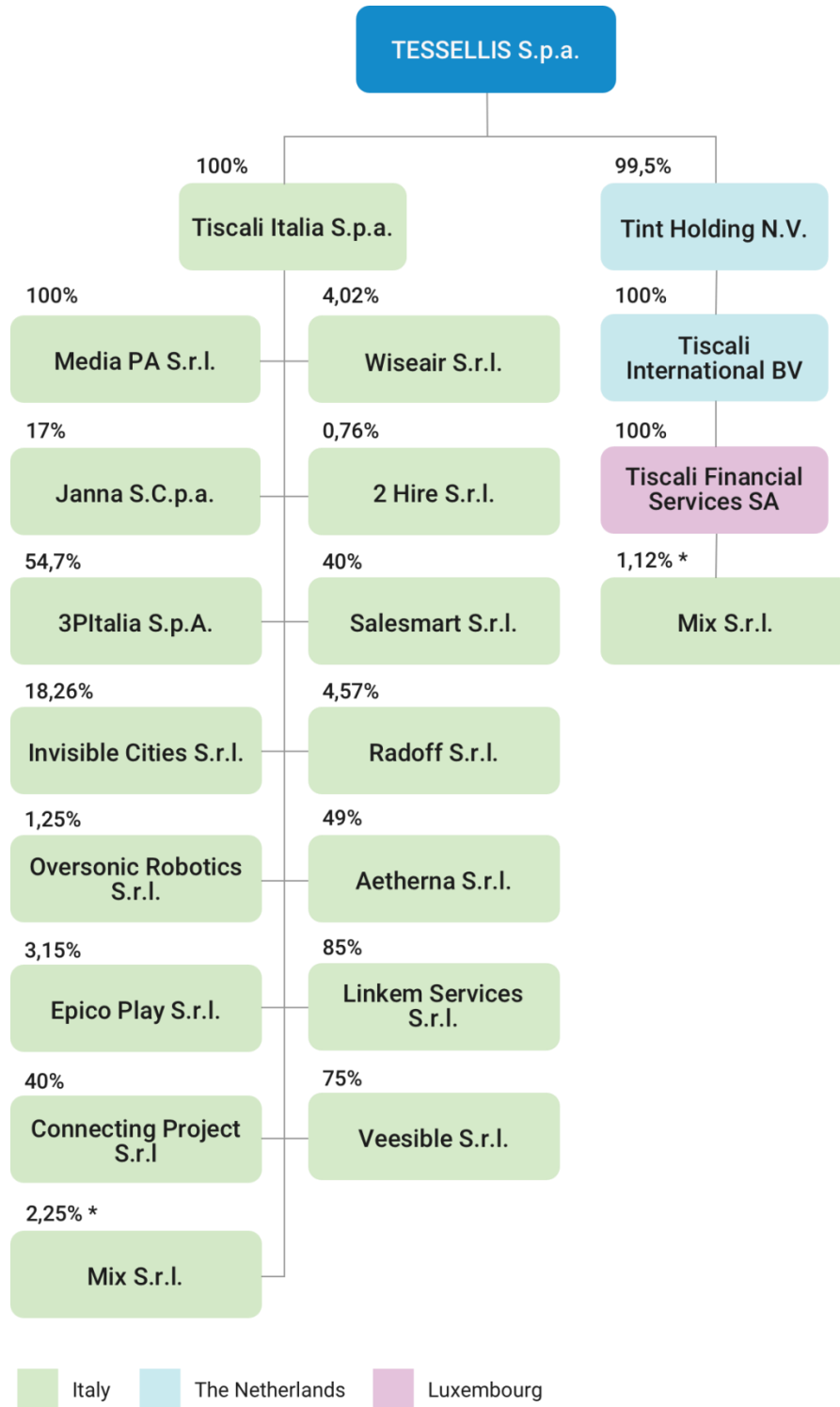
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	2022
<i>(EUR/000)</i>	
Directors	252
Auditors	66
Managers with strategic responsibilities	345
<b>Total</b>	<b>663</b>

The remuneration due for the 12 months of the financial year 2022 is as follows:

	31 December 2022
<i>(EUR/000)</i>	
Directors	589
Auditors	169
Managers with strategic responsibilities	751
<b>Total</b>	<b>1,508</b>

Structure of the Tessellis Group as at 31 December 2022:



(\* The shareholdings shown in Tiscali Italia S.p.A. for 2.25% and in Tiscali Financial Services SA for 1.12% refer to the same company, Mix S.r.l.



## Annex — Information pursuant to Article No. 149-duodecies of the CONSOB Issuers' Regulation

The following table, drawn up in accordance with Article No. 149-duodecies of the CONSOB Issuers' Regulations, shows the fees for work on the consolidated financial statements as at 31 December 2022 and the half-yearly report 2022, as well as for audit and non-audit services rendered by the auditing firm to the Tessellis Group. The following figures refer to the 12 months of the financial year 2022:

Type of Services	Party providing the Service	Beneficiary	Fees
<i>(EUR/000)</i>			
Financial Audit (*)	Deloitte & Touche S.p.A.	Parent Company – Tiscali S.p.A.	356
	Deloitte & Touche S.p.A.	Subsidiaries	61
Certifications required by law	Deloitte & Touche S.p.A.	Parent Company – Tiscali S.p.A.	55
	Deloitte & Touche S.p.A.	Subsidiaries	
Other professional services	Deloitte & Touche S.p.A.	Parent Company – Tiscali S.p.A.	210
<b>Total</b>			<b>672</b>

(\*) amount including supervisory fee

Cagliari, 11 May 2023

**The CEO**

**Davide Rota**

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

**Fabio Bartoloni**

**2022 Consolidated Financial Statements certification in compliance with Article No. 81-ter of the CONSOB Regulation No. 11971 dated 14 May 1999 and subsequent amendments and additions**

The undersigned, Davide Rota in his capacity of Chief Executive Officer, and Fabio Bartoloni, in his capacity of the Officer 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 formation of the Consolidated Financial Statements in FY 2022.

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.

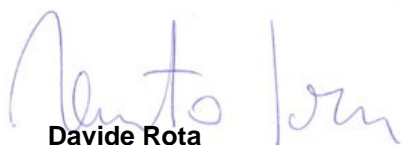
It is also hereby certified that the Financial Statements as at 31 December 2022:

- Have been drafted were prepared in compliance with the *International Financial Reporting Standards (IFRS)* adopted by the European Union, as well as with the legislative and regulatory provisions in force in Italy;
- Are consistent with the results of accounting books and entries;
- Are suitable for providing a true and fair view of the equity, economic and financial situation of the issuer and all the companies included in the consolidation area.

Lastly, it is hereby certified that the Management Report includes a reliable analysis of the references to important events which have taken place during the year and of their effect on the consolidated financial statements, together with a description of the main risks and uncertainties

Cagliari, 11 May 2023

**The Chief Executive Officer**



**Davide Rota**

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



**Tessellis S.p.A. Financial Statements  
as at 31 December 2022**

## 7 Tessellis S.p.A. – Financial Statements and Explanatory Notes

### 7.1 Income Statement

	<i>Notes</i>	2022	of which related parties	2021	of which related parties
<i>(EUR)</i>					
Revenue	1	3,120,145	3,112,749	2,979,987	2,943,983
Other income		98		1,895,284	
Purchase of external materials and services	2	(2,310,638)	(950,597)	(3,311,127)	(1,570,884)
Personnel costs	3	(226,747)	(145,392)	(391,418)	(302,618)
Other operating expense (income)	4	(9,006)		(679)	
Write-downs accounts receivable from customers	5	(90,611)		(147,066)	
Restructuring costs	5	(1,321)		(333,044)	
<b>Operating result (EBIT)</b>		<b>481,920</b>	<b>2,016,760</b>	<b>691,937</b>	<b>1,070,482</b>
Financial Income	6	10,611		0	
Financial Expenses	6	(1,419,694)		(898,817)	
<b>Income (loss) before tax</b>		<b>(927,163)</b>	<b>2,016,760</b>	<b>(206,880)</b>	<b>1,070,482</b>
Taxation	7	42		(94,146)	
<b>Net result from operating activities (ongoing)</b>		<b>(927,121)</b>	<b>2,016,760</b>	<b>(301,026)</b>	<b>1,070,482</b>
Result from held for sale and discontinued operations	8	0		0	
<b>Net result for the period</b>		<b>(927,121)</b>	<b>2,016,760</b>	<b>(301,026)</b>	<b>1,070,482</b>

## 7.2 Comprehensive Income Statement

<b>Comprehensive Income Statement</b>	<b>2022</b>	<b>2021</b>
<i>(Euros)</i>		
<b>Result for the period</b>	<b>(927,121)</b>	<b>(301,026)</b>
<b>Other elements for the comprehensive Income Statement:</b>		
Other elements of the comprehensive income statement that later will be reclassified in the profit/(loss) for the fiscal year	0	0
Other elements of the comprehensive income statement that later will not be reclassified in the profit/(loss) for the fiscal year	0	0
<i>o/w (Loss)/profit from revaluation on plans with defined benefits</i>	0	0
<b>Total of other elements for the comprehensive Income Statement:</b>	<b>0</b>	<b>0</b>
<b>Total result of the comprehensive Income Statement</b>	<b>(927,121)</b>	<b>(301,026)</b>
To be attributed to:		
<i>Shareholders of the Parent Company</i>	<b>(927,121)</b>	<b>(301,026)</b>
<i>Minority Shareholders</i>	-	-
<b>Total</b>	<b>(927,121)</b>	<b>(301,026)</b>

### 7.3 Equity and Financial Statement

(EUR)	Notes	31 december 2022	of which related parties	31 december 2021	of which related parties
<i>Non-current assets</i>					
Investments	9	157,336,473		130,562,909	
Other financial assets	10	1,604,891	1,604,891	127,171,141	127,170,987
		<b>158,941,364</b>	<b>1,604,891</b>	<b>257,734,050</b>	<b>127,170,987</b>
<i>Current assets</i>					
Trade receivables	11	5,971,539	5,953,539	16,648,135	16,630,135
Other receivables and other current assets	13	58,927		1,057,767	
Cash and cash equivalents	14	179,644	10,768	3,184,705	10,768
		<b>6,307,158</b>	<b>5,964,307</b>	<b>20,893,473</b>	<b>16,640,904</b>
		<b>0</b>			
<b>Total assets</b>		<b>165,248,522</b>	<b>7,569,199</b>	<b>278,627,523</b>	<b>143,811,891</b>
<i>Capital and reserves</i>					
Share Capital		185,513,965		63,655,159	
Results from previous fiscal years and other reserves		(81,332,617)		1,214,262	
Results for the fiscal year pertaining to the Group		(927,121)		(301,026)	
<b>Total Shareholders' equity</b>	15	<b>103,254,227</b>		<b>64,568,395</b>	
<i>Non-current liabilities</i>					
Other non-current liabilities	16	54,236,260	53,859,357	203,889,077	203,323,563
Provisions for liabilities and charges	17	0		351,750	
		<b>54,236,260</b>	<b>53,859,357</b>	<b>204,240,827</b>	<b>203,323,563</b>
<i>Current Liabilities</i>					
Convertible bond	18			6,000,000	
Trade payables	19	6,771,191	357,878	1,828,830	225,348
Tax payables	20	-42		23,530	
Other current liabilities	21	986,886	2,476,159	1,965,941	620,017
		<b>7,758,035</b>	<b>2,834,036</b>	<b>9,818,301</b>	<b>845,365</b>
<b>Total Shareholders' equity and Liabilities</b>		<b>165,248,522</b>	<b>56,693,394</b>	<b>278,627,523</b>	<b>204,168,928</b>

## 7.4 Statement of changes in the Shareholders' Equity

	Capital	Legal reserve	Other reserves	Merger Reserve Linkem Retail	Reserves for stock options	Accumulated losses and Loss for the period	Total
<i>(Euro)</i>							
<b>Balance as of 31 dec 2020</b>	<b>51,655,159</b>	<b>6,981</b>	<b>2,047,645</b>		<b>50,885</b>	<b>(870,583)</b>	<b>52,890,086</b>
Bond Conversion (POC)	12,000,000						<b>12,000,000</b>
Allocation of previous year Net Result		81,807	1,554,338			(1,636,145)	-
Other movements			30,220		(50,885)		<b>(20,665)</b>
Net result						(301,026)	<b>(301,026)</b>
<b>Balance as of 31 dec 2021</b>	<b>63,655,159</b>	<b>88,788</b>	<b>3,632,203</b>		-	<b>(2,807,755)</b>	<b>64,568,395</b>
Bond Conversion (POC)	18,000,000	-	-	-	-	-	<b>18,000,000</b>
Bond Fees (POC)		-	(305,223)	-	-	-	<b>(305,223)</b>
Merger Linkem Retail	103,858,806	-		(77,085,242)	-	-	<b>26,773,564</b>
Fees on Merger Linkem Retail		-	(4,855,388)		-	-	<b>(4,855,388)</b>
Net result		-	-	-	-	(927,121)	<b>(927,121)</b>
<b>Balance as of 31 dec 2022</b>	<b>185,513,965</b>	<b>88,788</b>	<b>(1,528,408)</b>	<b>(77,085,242)</b>	-	<b>(3,734,877)</b>	<b>103,254,227</b>

## 7.5 Cash Flow Statement

<i>(Thousands of Euro)</i>	<i>Notes</i>	31 December 2022	of which related parties	31 December 2021
<b>OPERATING ACTIVITIES</b>				
Result from Operating activities		(927,121)		(301,026)
<i>Adjustments for:</i>				
Release of excess Intercompany bad debt provision	5	90,611		88,666
Provision for risks accrual	5	0		338,321
Release of provisions for risks	5	(13,429)		(205,277)
Income Taxes	7	(42)		94,146
Financial income ( transfer of dividends from a group entity)	6	(10,611)		0
Financial Expenses	6	1,419,694		898,817
Other changes	3-7	224,121		(1,978,623)
		<b>783,223</b>		<b>(1,064,977)</b>
<b>Cash flows from operating activities before changes in working capital</b>				
Changes in receivables	11	(90,611)		(158,000)
Changes in payables to suppliers	19	3,936,810	85,714	(42,658)
Net change in provisions for risks and charges	17	(338,321)		(214,240)
Changes in other liabilities	21	(1,116,830)	657,290	(3,797,420)
Changes in other assets	13	(4,554,282)		(631,262)
<i>Changes in working capital</i>		<b>(2,163,235)</b>	<b>743,004</b>	<b>(4,843,580)</b>
<b>AVAILABILITY CASH FLOWS GENERATED BY OPERATING ACTIVITIES</b>		<b>(1,380,012)</b>	<b>743,004</b>	<b>(5,908,556)</b>
<b>INVESTMENT ACTIVITIES</b>				
<b>AVAILABILITY OF CASH AND CASH EQUIVALENTS FOR INVESTMENT ACTIVITIES</b>		<b>0</b>		<b>(0)</b>
<b>FINANCIAL ACTIVITY</b>				
Changes in intercompany financial assets/liabilities intercompany	10-16	(13,078,378)		(8,279,578)
Changes in other financial liabilities	21	(6,672)		(1,844)
Changes in bond	18	11,460,000		5,730,000
Changes in Net Equity	15	(0)		11,460,000
<b>AVAILABILITY CASH ARISING FROM/ (USED IN) FINANCIAL ACTIVITIES</b>		<b>(1,625,050)</b>		<b>8,908,578</b>
<b>AVAILABILITY CASH ARISING FROM ASSETS SOLD/ HELD FOR SALE</b>		<b>0</b>		<b>0</b>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD</b>		<b>(3,005,062)</b>	<b>743,004</b>	<b>3,000,021</b>
<b>AVAILABILITY CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>3,184,705</b>		<b>184,684</b>
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>		<b>179,644</b>	<b>743,004</b>	<b>3,184,705</b>



## 7.6 Explanatory Notes

Tessellis S.p.A. (hereinafter also referred to as “Tessellis” or the “Company” and jointly with its subsidiaries the “Group” or the “Tessellis Group”) is a joint-stock company incorporated in Italy at the Cagliari Companies Registry Office. Tessellis is the parent company of the Tessellis Group, which offers integrated internet access, telephony and multimedia services, in particular by positioning itself in the segment of IP technology services that provide voice and internet through the same technology platform.

The Company changed its name from Tiscali S.p.A. to Tessellis S.p.A. during 2022.

These financial statements are expressed in EUR (€) as this is the currency in which most of the parent company’s operations are conducted.

The profit and loss account and balance sheet, the cash flow statement, and the statement of changes in Shareholders’ Equity are presented in EUR, while the values reported in the notes to the financial statements are presented in thousands of EUR (EUR 000).

### 7.6.1 Introduction and Declarations of Assurance

The following tables have been prepared on the basis of the Financial Statements as at 31 December 2022, to which reference should be made. The 2022 Financial Statements represent the separate financial statements of the Parent Company Tessellis S.p.A. and were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as with the provisions of Article No. 9 of the Law Decree No. 38/2005. IFRS also includes all revised International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

#### Financial and economic performance for the period

Tessellis S.p.A. closed the 2022 financial year with Shareholders’ Equity of EUR 103.3 million (EUR 64.6 million as at 31 December 2021) and a loss of EUR 0.9 million (compared to a loss of EUR 0.3 million as at 31 December 2021). As at 31 December 2022, net financial debt was negative EUR 52.5 million and mainly consisted of financial payables to Group companies (net of credit positions) in the amount of EUR 52.3 million (compared to negative EUR 79.5 million as at 31 December 2021, of which EUR 76.1 million were financial payables to Group companies, net of credit positions). These financial payables are recorded under non-current financial liabilities.

In addition, the Company’s assets mainly consist of the value of the investment in the subsidiary Tiscali Italia S.p.A. and intercompany financial assets.

Based on these considerations, therefore, and considering the Company’s predominant nature as a

holding company, the Directors believe that the considerations on the Company's going concern are closely related and inseparable from the considerations made on the Tessellis Group's going concern.

### Assessment of the Tessellis Group as a going concern

First of all, as previously indicated, it should be noted that the Tessellis Group was created as a result of the Transaction and therefore the present financial year represents the first financial year closed by the same group. However, as is well known, the Transaction consists of the corporate combination of two pre-existing businesses, specifically the business related to the former Tiscali Group and the retail business operated by Opnet S.p.A..

The two businesses have shown negative economic and financial results in the past, and therefore the assessment on the Group's ability to continue as a going concern was carried out by the Directors, also based on past experience, considering the results achieved in the 2022 financial year, analysed by the same also on the basis of certain Pro Forma data reported in the Report on Operations, and the results expected from the 2023-2012 Updated Business Plan.

In this context, the Directors point out that in the financial year 2022, and therefore in the 5-month period ended 31 December 2022, the Tessellis Group:

- Showed a negative result for the year, with a loss of EUR 34.7 million;
- Shown a decreasing broadband customer base, from 1,150 thousand users as of 1 August 2022, to 1,105 thousand users as at 31 December 2022 (-4%);
- Increased the amount of commercial overdue from EUR 13.3 million as of 1 August 2022 to EUR 15.7 million as at 31 December 2022.

Against the aforementioned economic, financial and management results, in the financial year 2022 and in the first months of 2023, the Group implemented the following actions aimed at improving its result performance and strengthening its capital and financial structure:

- Has maintained the net financial debt (including trade payables and other non-current payables) substantially unchanged, from EUR 120.7 million as at 1 August 2022 to EUR 121 million as at 31 December 2022. Please note that the amount as at 31 December 2022 includes EUR 3.5 million related to the posting of a put option on minority interests held by the current shareholders of 3P Italia S.p.A..
- Had a positive cash flow from operations before changes in working capital of EUR 14.6 million;
- Implemented actions aimed at the development of value-added businesses, such as media and advertising services, as well as those dedicated to the agri-tech segment and future communities, in particular through some commercial agreements and some direct investments in some young companies in the sector;

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- Laid the foundations for a capital strengthening, both thanks to the Shareholders' Meeting's approval of a proxy to the Board for a capital increase for a maximum of EUR 60 million, and thanks to the negotiation of some clauses related to the New POC, which will allow for a more flexible use of the same;
- Reduced the amount of other overdue payables from EUR 5.3 million as at 1 August 2022 to EUR 3.4 million at 31 December 2022;
- Repaid financial debts based on contractual maturities in the amount of EUR 2.6 million;
- Valued some assets not in use through the sale of some IP addresses exceeding the Group's needs for a consideration of about EUR 17.8 million;
- Approved, on 11 May 2023, the 2023-2026 Updated Business Plan.

Furthermore, as provided for in the 2023-2026 Updated Business Plan, already in the first months of 2023, certain operational efficiencies planned in the 2022 financial year following the post-Transaction integration will translate into an increase in profitability compared to what was achieved in 2022 and will lead to the achievement of a break-even at free cash flow level in the 2024 financial year. In order to be able to fully implement the actions set forth in the 2023-2026 Updated 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 June 2023-May 2024 identifying the resources required over the next 12 months. This cash plan estimates a total cash requirement over the period June 2023-May 2024 of EUR 60.5 million to enable the Tessellis Group to meet its obligations over the period indicated. It should be noted that this cash requirement includes, in addition to the fulfilment of ordinary and current obligations, the payment of agreed instalments with suppliers and other debtors, the repayment of financial debts on the due dates in the amount of EUR 10 million and a reduction in overdue trade payables of approximately EUR 4.6 million.

The financial resources identified by the Directors include:

1. The estimated available cash as at 31 May 2023, equal to EUR 11 million, already including the proceeds of the sale of some IP addresses carried out between April and May 2023, for a consideration net of direct costs of approximately EUR 15.8 million
2. The possibility to sell a further portion of IP addresses currently in the portfolio. It should be noted that as at 31 December 2022 there were about 1.3 million IP addresses in the portfolio;
3. The possibility to subscribe 12 tranches of the New POC for a total notional amount of EUR 60 million and a cash-in of EUR 57 million;
4. The possibility to obtain financial resources through the exercise of the proxy to execute capital increases already approved by the Shareholders' Meeting for a maximum amount of EUR 60 million.

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 bond).

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

1. 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, which, once implemented, would render the market value of such addresses substantially nil. Therefore, the financial resources potentially obtainable from such a sale could be lower than indicated if their sale were to take place in a technological context different from the current one;
2. 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 utilisation 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, if from 1 January 2024 the shares owned by Opnet should not be available for such use, the planned subscription of 12 tranches would be reduced to 6 tranches, for a nominal amount of EUR 30 million (28.5 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 out in Note 26 "Current and Non-Current Financial Liabilities".
3. With reference to the possibility of exercising the proxy for the capital increase, on 11 May 2023 the Board of Directors initiated a capital increase transaction for EUR 25 million, partially exercising the proxy granted by the Shareholders' Meeting for a capital increase for a maximum of EUR 60 million. The outcome of the capital increase approved on 11 May 2023, however, presents some uncertainties related to the lack of a guarantee consortium and the situation of the stock markets. Therefore, the possibility of raising financial resources through this instrument appears to be conditioned by the successful performance of the transaction, which is not fully under the Directors' control;
4. The Updated 2023-2026 Business Plan presents an estimate of the economic and financial

results that could be achieved if the management succeeds in implementing all the actions included therein and if the results of the same actions turn out as hypothesised. However, the possibility of implementing all the actions envisaged, 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 believe that:

1. The valuation of the IP addresses in the short term is not expected to change downwards and, therefore, they believe that the sale of these assets, although not assumed in the June 2023 – May 2024 cash plan, constitutes a financial leverage that can be used by the Tessellis Group in case of need;
2. Based on the current information in the possession of the Directors, they reasonably believe that the risks listed in point 2 above can be mitigated on the basis of the following considerations:
  - a. With regard to the securities loan in favour of Nice & Green, the Directors believe that, in the circumstances in which the current loan should fail, it would be possible to replace the current lender with other shareholders;
  - b. With regard to the dilution of Opnet, the Directors consider it reasonable to obtain a waiver from the Financial Institutions in the event of any dilution below 40%;
  - c. With regard to the default clauses, to date no events of potential default have been identified;
3. Based on the current information in the possession of the Directors, there have been expressions of interest - albeit not formalised and therefore not binding - from potential investors belonging to the Tessellis Group's chain of control to subscribe to the capital increase and, therefore, the Directors believe that the hypothesis in which the capital increase is not at least partially subscribed is remote;
4. The Updated 2023-2026 Business Plan presents numerous prudences and lower growth derived from more conservative scenarios and therefore they are confident that the results included therein will be achieved.

### Conclusions on going concern

In the circumstances illustrated, the Directors, consistent with what has been concluded at the Group level, believe, after analysing the uncertainties and results for the period, assuming compliance with the Updated 2023-2026 Business Plan, considering the actions indicated above, that Tessellis S.p.a. will be able to honour its obligations while maintaining a level of past due amounts substantially in line with the current one.

It is on this basis, therefore, that the Directors have a reasonable expectation that the company will be

able to continue as a going concern over the next 12 months and that the company 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 any further circumstance that may acquire significance), so as to be able to promptly take the necessary measures.

### **Drafting Standards**

The preparation of the financial statements requires the Directors to make certain estimates and, in certain cases, to make assumptions in applying the accounting policies. The areas of the financial statements that, in the circumstances, require the adoption of assumptions in applying the accounting policies and those that require the use of estimates are described in the note below *Main decisions taken in applying accounting policies and in using estimates*.

### **Financial Statements**

The financial statements consist of the financial statements (*Income Statement, Statement of Assets and Liabilities, Statement of Changes in Shareholders' Equity and Statement of Cash Flows*), accompanied by explanatory notes. The Income Statement has been prepared in line with the minimum content required by IAS 1 – Presentation of Financial Statements – with allocation of costs by nature; the Statement of Assets and Liabilities has been prepared according to the format showing the breakdown of “current/non-current” assets and liabilities; the Statement of Cash Flows has been prepared according to the indirect method.

### **Accounting Standards**

#### General Principles

The financial statements were prepared in compliance with the IAS/IFRS *International Financial Reporting Standards* (IFRS). The main accounting standards are detailed below. These standards were applied consistently to all periods presented. The preparation of financial statements requires management to make certain estimates and in certain cases, the adoption of assumptions in the

application of accounting standards by the Directors. The areas of the financial statements which, under the circumstances, presuppose the adoption of applicative assumptions and those more fully characterised by estimates made, are described in the subsequent note of this section.

#### Investments in subsidiaries and associates

Equity investments in subsidiaries and affiliated companies are recognised at cost, adjusted for any permanent impairment. In application of IAS 36, the value of equity investments recognised at cost is reduced if there is impairment or if circumstances emerge that indicate that said cost is not recoverable. If the impairment is discovered to no longer apply or is reduced, the book value is increased to the new estimated recoverable value, within the limits of the value recognised initially.

#### Impairment of Assets (Impairment)

The book value of Equity Investments, Other Intangible Assets and Properties, Plant and Machinery is tested for impairment whenever there is an indication that the asset may have suffered impairment. The assets in question are tested annually or more frequently if there is any indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the Cash Generating Unit (CGU) to which the asset belongs. The recoverable amount is the greater amount between fair value net of sales costs and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of money time value and the specific risks of the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its book value, the latter is written down to its recoverable amount. The loss of relevant impairment is recognised in the income statement under write-downs. In the event that a write-down in previous years, no longer has reason to exist, the carrying value of the asset (or cash-generating unit) is increased to the new value resulting from the estimate of its recoverable amount, but not over the net book value that the asset would have had if no impairment had been recognised for the asset loss. An impairment reversal is booked to the income statement.

#### Other financial assets

Other financial assets are valued, consistently with IAS 39 provisions for financial assets 'available for sale', at fair value or alternatively at cost whenever fair value cannot be reliably calculated. Gains and losses from changes in fair value are directly booked to equity until the security is disposed of or is impaired, at which time the cumulative gain or loss previously booked to equity is included in the income statement for the period. The original value is reinstated in the following periods if the reasons for the write-down are considered to no longer apply.



### Loans and receivables

Tessellis S.p.A.'s loans are stated under the *Other Non-Current Financial Assets, Receivables from Customers, Other Current Receivables and Assets* and *Other Current Financial Assets* items and are valued, if they have a fixed maturity, at amortised cost, using the effective interest rate method. When financial assets have no fixed maturity, they are valued at acquisition cost. Valuations are frequently carried out to find objective evidence of impairment of a financial asset or group of assets. If there is objective evidence, the impairment must be recorded as a cost in the income statement for the period.

### Cash and cash equivalents

*Cash and cash equivalents* include cash on hand, sight and short-term deposits, in the latter case with an original maturity of no more than three months.

### Debts and Financial Liabilities

The debts and financial liabilities of the Tessellis S.p.A. are disclosed in the *Payables to banks and other lenders, Other non-current liabilities, Payables to suppliers items*, and are recorded at nominal value. Financial liabilities are initially recognised at cost, equal to the fair value of the consideration received, net of transaction costs. Subsequently, the loans are valued at amortised cost using the effective interest method, calculated considering the issue costs and any other premium or discount applicable to the regulation.

### Remuneration plans in the form of equity participation

There are no stock option plans at the date of this Report

### Provisions for liabilities and charges

*Provisions for liabilities and charges* relating to potential legal and tax liabilities, are made in respect of the predictions made by the Directors, on the basis of judgments developed by the Group legal and tax advisors, about the likely burden believed reasonable will be taken for the fulfilment of the obligation. In the event that the Group is called, in relation to the final result of such judgments, to fulfil an obligation for a sum other than that estimated, the related effects would be reflected in the income statement.

### Treasury shares

*Treasury shares* are recorded as a reduction of Shareholders 'Equity.

### Recognition of income

Revenues are recognized to the extent that it is probable that financial profits will flow to Tiscali S.p.A. and their amount can be reasonably estimated; they are represented net of discounts, allowances and returns.



Revenues from services rendered are recognised in the income statement using the percentage of completion of the service and only when the result of the service can be reliably estimated.

#### Financial income and expense

Receivable and payable interest is recognised using the effective interest rate method.

#### Taxes

Current income tax expense for the year includes current and deferred tax. *Current tax* is determined on the taxable income. The taxable income for tax purposes differs from the result before taxes reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years; it further excludes items that are not taxable or deductible at all. The liability for current tax is calculated using tax rates enacted at the balance sheet date.

#### Use of estimates

##### *Provisions for liabilities and charges*

Provisions for risks and charges relative to contingent liabilities of a legal and tax nature are made against the forecasts made by the Directors, based on the evaluations expressed by the Group's legal and tax advisors, as to the probable charge that it is considered reasonable will be incurred to fulfil the obligation. In the event that the Group were to be called upon, depending on the final outcome of the legal proceedings, to fulfil an obligation to an extent different from that forecast, the related effects would subsequently be reflected in the income statement.

##### *Equity investments, intangible and tangible assets*

The impairment test, particularly with regard to equity investments, is performed if there are indications that the assets may be impaired as indicated above under "Impairment of Assets". The ability of each unit (equity investment) to produce cash flows sufficient to recover the value recorded in the financial statements is determined on the basis of the prospective, economic and financial data of the investee companies themselves or of any subsidiaries. The preparation of such prospective data, as well as the determination of an appropriate discount rate, require, to a significant extent, the making of estimates, the change of which is in some cases beyond management's control.

At 31 December 2022, the impairment test was performed on the value of the subsidiaries of Tessellis S.p.A., as well as on the value of the Group's CIN and goodwill recorded in the financial statements.

##### *Determination of Fair Value*

Depending on the instrument or balance sheet item to be valued, the Directors identify the most appropriate method, making reference to objective market data as far as possible. In the absence of

market values, i.e. quotations, valuation techniques are used with reference to those most commonly used in practice.

### **ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED AS OF 1 JANUARY 2022**

For information on the IFRS accounting standards, amendments and interpretations applied from 1 January 2022, please refer to Section 6.12 *Major decisions made in the application of accounting standards and the use of estimates* in the Consolidated Explanatory Notes.

### **Revenues and Other Income (Note 1)**

Revenues are broken down as follows:

<b>Revenues</b>	<b>2022</b>	<b>2021</b>
<i>(EUR 000)</i>		
Revenues from services provided to Group companies	3,102	2,944
Revenues from services to third parties	18	36
<b>Revenue</b>	<b>3,120</b>	<b>2,980</b>
Other income	0	1,895
<b>Other income</b>	<b>0</b>	<b>1,895</b>
<b>Total</b>	<b>3,120</b>	<b>4,875</b>

Revenues from services rendered to Group companies mainly refer to the invoicing of services rendered by the Company in favour of the operating subsidiary Tiscali Italia S.p.A., including charges for the licence to use the Tiscali brand determined as a percentage of the user company's turnover. Revenues from services rendered to foreign third parties refer to licences for the use of domains.

<b>Revenues by geographical area</b>	<b>2022</b>	<b>2021</b>
<i>(EUR 000)</i>		
Revenues from services provided to Group companies	<b>3,102</b>	<b>2,944</b>
- <i>Italy</i>	3,102	2,944
Revenues from services to third parties	<b>18</b>	<b>36</b>
- <i>South Africa</i>	0	0
- <i>The Netherlands</i>	18	18
- <i>Italy</i>	0	18
<b>Total</b>	<b>3,120</b>	<b>2,980</b>

### **Purchases of external materials and services (Note 2)**

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	2022	2021
<i>EUR 000</i>		
Purchase of materials and outsourced services	2311	3311
<b>Total</b>	<b>2,311</b>	<b>3,311</b>

Costs for the purchase of materials and external services, shown net of the benefits of renegotiating contracts with suppliers, include professional fees of EUR 0.8 million, remuneration for the Board of Directors and the Board of Statutory Auditors of EUR 0.7 million, surcharges for late repayment of EUR 0.1 million, and other general and external service costs of EUR 0.7 million.

**Personnel costs (Note 3)**

Personnel costs refer in detail to:

	2022	2021
<i>(EUR 000)</i>		
Wages and Salaries	96	216
Other Payroll costs	130	175
<b>Total</b>	<b>227</b>	<b>391</b>

The EUR 0.1 million reduction in personnel costs compared to the previous year is mainly attributable to the transfer of an executive from Tessellis S.p.A. to Tiscali Italia S.p.A., as shown in the table below.

As of 31 December 2022, there were no employees.

	2022	2021
Managers	0	1
<b>Total</b>	<b>-</b>	<b>1</b>

**Other operating (costs)/income (Note 4)**

Other operating (costs)/income is not significant.

	2022	2021
<i>(EUR 000)</i>		
Other operating income (costs)	9	1
	<b>9</b>	<b>1</b>

**Impairment of receivables, restructuring costs and other write-downs (Note 5)**

<b>Write-down of trade receivables</b>	2022	2021
<i>(EUR 000)</i>		
Write-down of receivables	91	147

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Restructuring costs and other write-downs	-	200
Provisions for risks and charges	1	133
<b>Total</b>	<b>92</b>	<b>480</b>

The item Allowance for bad debts mainly refers to the alignment of the allowance for bad debts to the value of the total receivable from the foreign affiliate.

**Financial income (expenses) (Note 6)**

	2022	2021
<i>(EUR 000)</i>		
<b>Financial Income</b>		
Interests on bank deposits	-	-
Income from transfer of dividends	-	-
Other financial income	11	-
<b>Total Financial Income</b>	<b>11</b>	-
<b>Financial Charges</b>		
Interests and other charges due to banks	547	812
Other financial charges	873	87
<b>Total Financial Charges</b>	<b>1,420</b>	899
<b>Net financial income (charges)</b>	<b>(1,409)</b>	<b>(899)</b>

Net financial expenses of EUR 1.4 million consisted:

- Of EUR 0.5 million from financial charges related to the bond loan converted and converted into Tiscali ordinary shares, subscribed by Nice & Green for no. 4 tranches (each composed of no. 30 bonds converted into Tiscali shares with a unit value of EUR 100,000 each), for a total nominal amount of EUR 12,000,000;
- of EUR 0.9 million relating to the waiver fee in favour of Nice & Green paid following the amendments to the investment agreement (POC).

**Income Taxes (Note 7)**

	2022	2021
<i>(EUR 000)</i>		
Current tax	(0)	94
Tax (income from tax consolidation)	0	0
<b>Net tax for the FY</b>	<b>(0)</b>	<b>94</b>

The balance of current taxes is nil.

With reference to IRES (corporate income tax) and IRAP (regional business tax) for the period recognised under income tax, the reconciliation between the theoretical and effective tax rates is shown below.

*Reconciliation of current tax liability and theoretical tax liability (IRES)*

<i>(EUR/000)</i>		
(a)	Result before the taxes	(927)
(b)	Theoretical tax burden (24%)	-
(c)	temporary taxable differences in subsequent years	-
(d) = (a) + (c)	<b>Total</b>	<b>(927)</b>
	<i>temporary differences deductible in subsequent years</i>	
(e)	Write-downs of fixed assets	-
(f)	Provisions for risk	-
(g)	Costs deductible in subsequent years	311
(h) = (d) + (e) + (f)	<b>Total</b>	<b>(616)</b>
(i)	Reversal of temporary differences from previous years	(411)
(j) = (h) + (i)	<b>Total</b>	<b>(1,027)</b>
	<i>Differences that will not be reversed in subsequent years</i>	
(k)	Dividends cash in	-
(l)	Non deductible costs	250
(m)	Deduction for aid to economic growth	-
(n) = (j) + (k) + (l)	<b>Total</b>	<b>(777)</b>
(o)	Losses from previous years	-
(p) = (n) + (o)	<b>Taxable income</b>	<b>(777)</b>
(q) = (p) * 24%	<b>Current income taxes for the year</b>	<b>0</b>

**Annual Financial Report as at 31 December 2022**
**Reconciliation of current tax liability and theoretical tax liability (IRAP)**

EUR/000

(a)	Difference between value and production costs	475
(b)	Margin of interest	(1,346)
(c)	Irrelevant items of the IRAP tax base	305
(d)= [(a) + (b) + (c)] * 5,57%	<b>Theoretical tax burden (5.57%)</b>	-
(e)	temporary taxable differences in subsequent years	(1,049)
(f)= (a) + (b) + (c)	<b>Total</b>	<b>(1,614)</b>
(g)	temporary differences deductible in subsequent years	
(h) = (f) + (g)	<b>Total</b>	<b>(1,614)</b>
(i)	Reversal of temporary differences from previous years	-
(j)= (h) + (i)	<b>Total</b>	<b>(1,614)</b>
(k)	Differences that will not be reversed in subsequent years	-
(l)	Non deductible costs	665
(m)	Deduction of permanent staff costs	-
(n)=(j) + (l) + (m)	<b>Total</b>	<b>(949)</b>
(o)= (n)	<b>Taxable income</b>	-
<b>taxes for the year</b>		<b>0</b>

With reference to prior tax losses, on which no deferred tax assets were recognised at 31 December 2022, it should be noted that, as at 31 December 2022, the amount of such losses was EUR 425.6 million. In the year 2022, the amount of the tax benefit attributable to prior tax losses in the financial statements and not recognised as deferred tax assets but used to offset taxable income for the period is nil.

**Profit (loss) from assets sold and/or held for sale (Note 8)**

The net result of discontinued operations is nil.

**Equity investments (Note 9)**

As at 31 December 2022, this item included equity investments in subsidiaries, amounting to EUR 157.3 million. This value refers exclusively to the investment in Tiscali Italia S.p.A.. The change for the period is EUR 26.8 million, and it is related to the accounting effects deriving from the Merger Transaction by incorporation of Linkem Retail S.r.l., whose Retail Branch was conferred at the same time, on 1 August 2022, in favour of the parent company Tiscali Italia S.p.A., generating an increase in the value of the investment in question.

The following table shows the changes during the year:

SUBSIDIARIES	31 december 2022			31 december 2021		
	Cost	Reval / (Deval)	Boook value	Cost	Reval / (Deval)	Boook value
(EUR 000)						
Tiscali Italia S.p.A.	130,563	26,774	157,336	130,563	0	130,563
	<b>130,563</b>	<b>26,774</b>	<b>157,336</b>	<b>130,563</b>	<b>0</b>	<b>130,563</b>

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

SUBSIDIARIES	Registered Offices	Share Capital	Shareholders' equity	Result	% Held	Book value	Difference between book value and net equity
<i>EUR/000</i>							
Tiscali Italia S.p.A.	Cagliari	36,994	94,702	(55,696)	100%	157,336	62,635
Tint Holding N.V.	Rotterdam	115,519			100%		
		<b>152,513</b>	<b>94,702</b>	<b>(55,696)</b>		<b>157,336</b>	<b>62,635</b>

### Impairment Test

The impairment test was performed on the investment in Tiscali Italia S.p.A., recorded in Tessellis S.p.A. at a value of EUR 157.3 million.

The impairment test was carried out by comparing the equity value of Tiscali Italia S.p.A. with the book value of the investment itself recorded in the books of Tessellis S.p.A.. With reference to the criteria used to perform the impairment test, as well as the main parameters used, please refer to Note 11 "Impairment test" in the Explanatory Notes to the Consolidated Financial Statements.

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

The sensitivity analysis carried out on the WACC and the long-term growth rate (+/- 1% compared to the reference parameters) also showed no need for impairment.

### Other financial assets ( Note 10)

Other non-current financial assets include financial receivables from Group companies of EUR 1.6 million.

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Receivables from other companies of the Group	1,605	127,171
<b>Total</b>	<b>1,605</b>	<b>127,171</b>

Details of financial receivables from Group companies are as follows:

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Tiscali International BV	1,605	1,605
Tiscali Italia S.p.A.	-	125,566
<b>Total</b>	<b>1,605</b>	<b>127,171</b>

It should be noted that the decrease towards the subsidiary Tiscali Italia S.p.A., amounting to EUR 125.6 million, is attributable to the transfer of funds from Tessellis S.p.A. to Tiscali Italia S.p.A. for cash needs, related to the centralised treasury contract, as well as to offsetting transactions of the respective credit and debit positions.

**Trade receivables (Note 11)**

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Receivables from Customers	5,972	16,648
of which:		
<i>towards Group companies</i>	5,954	16,630
<i>towards third parties</i>	18	18
Allowance for doubtful accounts	0	0
<b>Total</b>	<b>5,972</b>	<b>16,648</b>

The allowance for bad debts is nil.

Trade receivables related to intercompany positions are summarised in detail in the table below:

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Tiscali Italia S.p.A.	5,954	16,630
<b>Total</b>	<b>5,954</b>	<b>16,630</b>

The breakdown of Trade Receivables by due date is as follows:

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Within 12 months	5,972	16,648
Between 1 – 5 years	-	-
Beyond 5 years	-	-
<b>Total</b>	<b>5,972</b>	<b>16,648</b>

The carrying value of trade receivables, including the allowance for bad debts, approximates their fair value.

**Tax receivables (Note 12)**

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Tax Receivables	97	3
<b>Total</b>	<b>97</b>	<b>3</b>

This item mainly includes the IRAP credit claimed by the Company.



**Other current receivables and sundry assets (Note 13)**

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Other Receivables	34	787
Prepaid Expenses	25	271
<b>Total</b>	<b>59</b>	<b>1,058</b>

The item Other receivables mainly includes tax receivables relating to the VAT position.

**Cash and cash equivalents (Note 14)**

Cash and cash equivalents at the end of the 2022 financial year amounted to EUR 0.2 million and included the company's liquidity held mainly in bank accounts. For an overall analysis of the financial position, see the section on the Report on Operations, as well as the Statement of Cash Flows.

**Shareholders' Equity (Note 15)**

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Share capital	185,514	63,655
Legal reserve	89	89
Other reserves	(78,614)	3,632
Result from previous fiscal years	(2,808)	(2,507)
Result for the fiscal year	(927)	(301)
<b>Total</b>	<b>103,254</b>	<b>64,568</b>

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

At the end of the year, Tessellis S.p.A. showed a negative result of EUR 0.9 million, compared to the negative result of EUR 0.3 million realised in 2021.

The number of shares, representing the Parent Company's share capital is 177,509,104, with no par value, compared to 57,517,673 shares last year. The increase for the period amounted to 119,991,431 shares and is attributable to:

- No. 15,965,934 new ordinary shares, by virtue of the conversion requested by Nice&Green S.A. of the 6 tranches consisting of No. 30 bonds each of the loan subscribed by N&G respectively on 7 January 2022, 16 March 2022, 13 April 2022, 4 May 2022 and 29 July 2022
- No. 104,025,497 new ordinary shares to service the merger by incorporation of Linkem Retail S.r.l., effective 1 August 2022.

The increase in share capital of EUR 121.9 million is attributable to:

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- EUR 18 million as a result of the conversion of the six tranches of the bond loan subscribed by Nice & Green SA, which took place on 7 January 2022, 16 March 2022, 13 April 2022, 4 May 2022 and 29 July 2022, respectively
- EUR 103.9 million, following the merger deed of incorporation of Linkem Retail S.r.l..

**Other non-current liabilities (Note 16)**

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Payables to Group companies	53,859	203,324
Other Payables	377	565
<b>Total</b>	<b>54,236</b>	<b>203,889</b>

The item Other payables of EUR 0.3 million includes tax payables for tax bills to be settled in the long term.

Financial payables to group companies of EUR 53.9 million and the change from the previous year is attributable to offsetting credit and debit positions with the subsidiary Tiscali Italia S.p.A.. Details are shown in the table below:

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Tiscali Italia S.p.A.	52,254	201,719
Tiscali International BV	1,605	1,605
<b>Total</b>	<b>53,859</b>	<b>203,324</b>

The breakdown of Other non-current liabilities by maturity is as follows:

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Within 12 months	-	-
Between 1 and 5 years	53,859	203,324
Beyond 5 years	-	-
<b>Total</b>	<b>53,859</b>	<b>203,324</b>

**Provisions for risks and charges (Note 17)**

The following table shows the changes during the year:

	31 December 2021	Increases in provision	Utilization Cash out	Utilization Release to PL	Other variation (Reclass)	31 December 2022
<i>(EUR 000)</i>						
Other Provisions for Risks and Charges	352	0	(338)	(13)	0	0
<b>Total</b>	<b>352</b>	<b>-</b>	<b>(338)</b>	<b>(13)</b>	<b>-</b>	<b>0</b>

The provision for risks and charges as at 31 December 2022 was nil.

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Monetary uses in the period, amounting to EUR 0.3 million, mainly related to the payment of penalties and interest on the 2019 VAT credit unduly offset.

In addition, EUR 13,000 was released to the income statement related to past allocations for outstanding disputes following the settlement of the related cases.

**Bonds and Payables to Banks and Other Lenders (Note 18)**

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Bond Issued	-	6,000
<b>Totale</b>	<b>-</b>	<b>6,000</b>

The change in the item Bond Loan, amounting to EUR 6 million, is attributable to the subscription in 2021 of the fifth and sixth tranches, related to the bond loan subscribed by Nice & Green in 2021. These debts were converted into capital in the following month of January 2022.

During the financial year 2022, a further four tranches were subscribed for a total of EUR 12 million, all of which were converted to capital by 31 December 2022.

**Trade Payables (Note 19)**

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Trade Payables to Third Parties	6,413	1,603
Trade Payables to Group companies for material	358	225
<b>Total</b>	<b>6,771</b>	<b>1,829</b>

Trade payables to third-party suppliers mainly refer to payables for the provision of professional consulting services.

Trade payables are due within one year and their carrying value at the balance sheet date is deemed to approximate their fair value.

Trade payables to Group companies are detailed below:

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Tiscali Italia S.p.A.	358	225
	-	-
<b>Total</b>	<b>358</b>	<b>225</b>

**Tax Payables (Note 20)**

	31 December 2022	31 December 2021
<i>(EUR 000)</i>		
Tax payables	- 0	24
<b>Total</b>	<b>0</b>	<b>24</b>

This item is nil as at 31 December 2022.

**Other current liabilities (Note 21)**

	0	31 December 2022	31 December 2021
<i>(EUR 000)</i>			
Deferred Income		18	18
Other Payables		969	1,948
<b>Total</b>		<b>987</b>	<b>1,966</b>

The item Other payables is mainly comprised of payables to tax authorities and social security institutions of EUR 0.5 million, payables to directors of EUR 0.1 million, and payables for penalties and interest on unpaid tax payables of EUR 0.3 million.

**Guarantees Pledged and Commitments**

Guarantees pledged are detailed as follows:

	31 december 2022	31 december 2021
<i>(EUR 000)</i>		
Guarantees (Sureties) Pledged to Third Parties	84,669	81,867
Commitments	1,600	1,600
<b>Total</b>	<b>86,269</b>	<b>83,467</b>

Guarantees pledged refer for EUR 73.3 million to the guarantee provided by the parent company against loans granted by financing institutions in the context of the rescheduling of the Senior Loan.

The remaining EUR 11.4 million refers to sureties granted for credit lines and leases to the subsidiary Tiscali Italia S.p.A. for EUR 5.8 million, sureties granted in favour of the tax authorities for the Group's VAT surplus for the year 2018 for EUR 5.4 million, as well as EUR 0.2 million of guarantees provided to third parties.

The item commitments refers for the entire amount to the maintenance of credit lines granted to the subsidiary Tiscali Italia S.p.A.

## Net Financial Indebtedness

In accordance with CONSOB Attention Notice No. 5/21 of 29 April 2021, net financial debt at 31 December 2022 and 2021 is summarised in the following table:

<b>Net Financial Indebtedness</b>	<b>31 december 2022</b>	<b>31 december 2021</b>
<i>(Thousands of Euro)</i>		
A. Cash and Bank deposits	180	3,185
B. Other cash equivalents	-	-
C. Securities held for trading	-	-
<b>D. Liquidity (A) + (B) + (C)</b>	<b>180</b>	<b>3,185</b>
<b>E. Current loan receivables</b>		<b>6,000</b>
<b>F. Current portion of non-current financial debt</b>	-	-
<b>G. Current financial Indebtedness (E + F)</b>		<b>6,000</b>
<b>H. Net current financial Indebtedness (G - D)</b>	<b>(180)</b>	<b>2,815</b>
I. Non current financial debt (Intercompany)	52,254	76,153
J. Debt instrument	-	-
K. Trade and other non-current payables	377	565
<b>L. Non-current financial Indebtedness (I + J + K)</b>	<b>52,631</b>	<b>76,718</b>
<b>M. Net financial Indebtedness (H + L)</b>	<b>52,452</b>	<b>79,533</b>

It should be noted that there are no severance pay liabilities for the company.

## Related Party Transactions

During 2022, Tessellis S.p.A. had a number of dealings with related parties which, mainly, refer to intergroup relationships and towards Directors.

These were transactions regulated by market conditions; the table below summarises the balance sheet and income statement values recorded in the Parent Company's financial statements as at 31 December 2022, arising from transactions with related parties.

The most significant values, at 31 December 2022, summarised by counterparty, are as follows:

INCOME STATEMENT VALUES	31 december 2022				31 december 2021			
	Cost	Devaluation	Interest income (expense)	Revenues	Cost	Devaluation	Interest income (expense)	Revenues
<i>EUR/000</i>								
Tiscali Italia S.p.A.	1	(353)	-	3,102	(220)	-	-	2,944
Tiscali International BV		-	-	11	-	-	-	-
Total Group companies		<b>(353)</b>	-	<b>3,113</b>	<b>(220)</b>	-	-	<b>2,944</b>
<b>Other Related Parties</b>		-	-	-	-	-	-	-
Board of Directors' Remuneration		(512)	-	-	(1,075)	-	-	-
Strategic Executives' Remuneration		(145)	-	-	(303)	-	-	-
CC & Soci		(86)	-	-	(275)	-	-	-
Other Related Parties		<b>(743)</b>	-	-	<b>(1,653)</b>	-	-	-
<b>Total Group Companies and other Related Parties</b>		<b>(1,096)</b>	-	<b>3,113</b>	<b>(1,874)</b>	-	-	<b>2,944</b>

## Annual Financial Report as at 31 December 2022

BALANCE SHEET VALUES		31 december 2022								
EUR 000		Note								
			Trade Receivables	Financial receivables	Trade payables	Financial payables (within 12 months)	Financial payables (beyond 12 months)	Payables to personnel	Other Current Liabilities	Stock Option Reserve
Tiscali International BV	1	-	-	1,605	-	-	1,605	-	-	-
Tiscali Italia S.p.A.	1	5,954	-	-	358	-	52,254	-	-	-
<b>Total Group Companies</b>			<b>5,954</b>	<b>1,605</b>	<b>358</b>	<b>-</b>	<b>53,859</b>	<b>-</b>	<b>-</b>	<b>-</b>
Receivables from the sale of Istella		-	-	11	-	-	-	-	-	-
Board of Directors' Remuneration		-	-	-	-	-	-	-	129	-
CC & Soci		-	-	-	-	-	-	-	2,347	-
<b>Other Related Parties</b>		-	-	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,476</b>	<b>-</b>
<b>Total Group Companies and other Related Parties</b>			<b>5,954</b>	<b>1,616</b>	<b>358</b>	<b>-</b>	<b>53,859</b>	<b>-</b>	<b>2,476</b>	<b>-</b>

(1) Group companies

BALANCE SHEET VALUES		31 december 2021								
EUR 000		Note								
			Trade Receivables	Financial receivables	Trade payables	Financial payables (within 12 months)	Financial payables (beyond 12 months)	Payables to personnel	Other Current Liabilities	Stock Option Reserve
Tiscali International BV	1	-	-	1,605	-	-	1,605	-	-	-
Tiscali Italia S.p.A.	1	16,630	-	125,566	225	-	201,719	-	-	-
<b>Total Group Companies</b>			<b>16,630</b>	<b>127,171</b>	<b>225</b>	<b>-</b>	<b>203,324</b>	<b>-</b>	<b>-</b>	<b>-</b>
Receivables deriving from the sale of Istella		-	-	11	-	-	-	-	-	-
Board of Directors' Remuneration		-	-	-	-	-	-	-	479	-
Stock Option		-	-	-	-	-	-	-	122	-
<b>Other Related Parties</b>		-	-	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>601</b>	<b>-</b>
<b>Total Group Companies and other Related Parties</b>			<b>16,630</b>	<b>127,182</b>	<b>225</b>	<b>-</b>	<b>203,324</b>	<b>19</b>	<b>601</b>	<b>-</b>

(1) Group companies

### Litigation, contingent liabilities and commitments

There were no litigations or contingent liabilities outstanding at the date of this Financial Report as at 31 December 2022. For further information on the Group's disputes, contingent liabilities and commitments, please refer to Section 4.11

### Remuneration of Directors, Statutory Auditors and Executives with Strategic Responsibility

Pursuant to Article No. 78 of the implementing regulation of the Law Decree No. 58/1998, issued by CONSOB under Resolution No. 11971/99, the fees paid to Directors and Statutory Auditors follow:

## Annual Financial Report as at 31 December 2022

### Board of Directors:

#### Board of Directors in office from 1 January 2022 to 16 May 2022

Name and Surname	Position	Term of Office	Remuneration for the Position	Remuneration for the committees	Non-monetary benefits	Other forms of Remuneration	Total EUR
<b>Board of Directors</b>							
Alberto Trondoli	Chairman	In office from 27 Jun 2019 to 16 May 2022	42,060	-	4,725	1,200	47,986
Renato Soru	CEO	In office from 27 Jun 2019 to 16 May 2022	101,252	-	4,725	-	105,977
Paolo Fundarò	Director	In office from 27 Jun 2019 to 16 May 2022	8,763	1,863	-	-	10,626
Anna Belova	Director	In office from 27 Jun 2019 to 16 May 2022	8,763	1,863	-	-	10,626
Cristiana Procopio	Director	In office from 27 Jun 2019 to 16 May 2022	8,742	1,863	-	-	10,605
Federica Celoria	Director	In office from 27 Jun 2019 to 16 May 2022	8,763	5,589	-	-	14,352
Patrizia Rutigliano	Director	In office from 27 Jun 2019 to 16 May 2022	8,763	5,589	-	-	14,352
<b>Total</b>							<b>214,522</b>

#### Board of Directors in office from 16 May 2022 to the approval of the financial statements as at 31 December 2022:

Name and Surname	Position	Term of Office	Remuneration for the Position	Remuneration for the committees	Non-monetary benefits	Other forms of Remuneration	Total EUR
<b>Board of Directors</b>							
Renato Soru	Chairman	In office from 16 May 2022 to the approval of the financial statements as of 31 Dec 2024	187,329	-	-	-	187,329
Davide Rota	CEO	In office from 16 May 2022 to the approval of the financial statements as of 31 Dec 2024	62,717	-	-	-	62,717
Alberto Trondoli	Director	In office from 16 May 2022 to the approval of the financial statements as of 31 Dec 2024	15,611	-	-	-	15,611
Serena Maria Torielli	Director	In office from 16 May 2022 to the approval of the financial statements as of 31 Dec 2024	15,679	9,408	-	-	25,087
Maurizia Squinzi Pero	Director	In office from 16 May 2022 to the approval of the financial statements as of 31 Dec 2024	16,306	9,784	-	-	26,090
Sarà Testino Galatino	Director	In office from 16 May 2022 to the approval of the financial statements as of 31 Dec 2024	15,679	6,272	-	-	21,951
Cristiana Procopio	Director	In office from 16 May 2022 to the approval of the financial statements as of 31 Dec 2024	15,591	-	-	-	15,591
<b>Totale</b>							<b>354,376</b>

#### Board of Statutory Auditors in office from 1 January 2022 to 16 May 2022

Name and Surname	Position	Term of Office	Remuneration for the Position	Non-monetary benefits	Other forms of Remuneration	Total EUR
<b>Statutory Auditors</b>						
Riccardo Francesco Rodolfo Zingales	Chairman	In office from 27 Jun 2021 to 16 May 2022	17,438	-	-	17,438
Gaetano Rebecchini	Standing Statutory Auditor	In office from 27 Jun 2021 to 16 May 2022	13,563	-	-	13,563
Rita Casu	Standing Statutory Auditor	In office from 27 Jun 2021 to 16 May 2022	13,563	-	-	13,563
<b>Total</b>						<b>44,563</b>

#### Board of Statutory Auditors in office from 16 May 2022 to the approval of the financial statements as at 31 December 2022

## Annual Financial Report as at 31 December 2022

Name and Surname	Position	Term of Office	Remuneration for the Position	Non-monetary benefits	Other forms of Remuneration	Total EUR
<b>Statutory Auditors</b>						
Riccardo Francesco Rodolfo Zingales	Chairman	In office from 16 May 2022 to the approval of the financial statements as of 31 Dec 2024	29,362	-	272	29,634
Gaetano Rebecchini	Standing Statutory Auditor	In office from 16 May 2022 to the approval of the financial statements as of 31 Dec 2024	22,837	-	-	22,837
Rita Casu	Standing Statutory Auditor	In office from 16 May 2022 to the approval of the financial statements as of 31 Dec 2024	22,837	-	-	22,837
<b>Totale</b>						<b>75,308</b>

\*

It should also be noted that the total value of the cost incurred in 2022 for the remuneration of key management personnel amounts to approximately EUR 0.1 million.

### Annex – Information pursuant to Article No. 149-*duodecies* of the Issuers' Regulation

The following table, prepared pursuant to Article No. 149-*duodecies* of the CONSOB Issuers' Regulations, shows the fees for the financial year 2022 for audit and non-audit services rendered by the independent Auditing Firm.

	Provider of the service	Service recipient	Fees (*)
<i>EUR/000</i>			
Statutory audit	Deloitte & Touche S.p.A.	Holding - Tessellis S.p.A.	346
Certification required by law	Deloitte & Touche S.p.A.	Holding - Tessellis S.p.A.	55
Other professional services	Deloitte & Touche S.p.A.	Holding - Tessellis S.p.A.	210
<b>Total</b>		-	<b>611</b>

(\*) Audit fees include the supervisory fee.



**Proposed allocation of the annual result**

Dear Shareholders, the financial statements as at 31 December 2022 that we submit for your approval closed with a negative result of EUR 927,121.43.

We propose that you approve the financial statements for the year, consisting of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and these Notes to the Financial Statements as prepared, and cover the loss for the year with the available reserves of Shareholders' Equity.

Cagliari, 11 May 2023

**Financial Statements certification in compliance with Article No. 81-ter of the CONSOB Regulation No. 11971 dated 14 May 1999 and subsequent amendments and additions**

The undersigned, Davide Rota in his capacity of Chief Executive Officer, and Fabio Bartoloni, in his capacity of the Officer 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 formation of the Financial Statements in FY 2022.

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 Organizations of the Treadway Commission* which represents a body of general principles of reference for the internal control system generally accepted at international level.

It is also hereby certified that the financial statements as at 31 December 2022:

- Are consistent with the results of accounting books and entries;
- Have been drafted were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union, as well as with the legislative and regulatory provisions in force in Italy;
- Are suitable for providing a true and fair view of the equity, economic and financial situation of the issuer and all the companies included in the consolidation area.

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

Cagliari, 11 May 2023

**The Chief Executive Officer**

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

**Davide Rota**

**Fabio Bartoloni**

**8 Glossary**

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<b>Shared access</b>	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.
<b>ADSL</b>	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.
<b>ADSL2+</b>	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.
<b>Areas not covered</b>	Also called "indirect access areas", they identify geographical areas that are not directly served by the Tiscali network (see also Bitstream and Wholesale).
<b>ARPU</b>	Average revenue from fixed and mobile telephony services by user calculated over a determined period for an average number clients of the Tiscali Group or active clients (for other operators) in the same period.
<b>Bitstream</b>	<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.
<b>Broadband</b>	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.

<b>Broadcast</b>	Simultaneous transmission of information to all nodes of a network.
<b>Unique browsers</b>	The number of different browsers that, in a determined period of time, access a site one or more times.
<b>Access fee</b>	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”.
<b>Capex</b>	Acronym for Capital Expenditure. Identifies outgoing cash flows generated by investments in the operating structure.
<b>Carrier</b>	Company that makes the telecommunication network physically available.
<b>Co-location</b>	Dedicated spaces in the machine rooms of an incumbent operator for the installation by Tiscali of its own network devices.
<b>CPS</b>	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.
<b>CS</b>	Acronym for Carrier Selection, a system for selecting an operator: enables a client to select, by entering a special code, a long distance national or international operator other than that with whom he/she has a network access subscription.
<b>Business customers</b>	SoHos, small medium and large businesses.
<b>Consumer customers</b>	Customers who subscribe to an offer intended for households.
<b>Dial Up</b>	Narrowband internet connection by means of a normal telephone call, usually charged on a time basis.

**Digital**

This is the way of representing a physical variable in a language that uses only the figures 0 and 1. The figures are transmitted in binary code as a series of impulses. Digital networks, which are rapidly replacing the old analogue networks, allow greater capacities and greater flexibility by using computerized technologies for the transmission and handling of calls. Digital systems offer less noise interference and can include encryption as protection from outside interference.

**Double Play**

Combined offer of access to the Internet and fixed telephony.

**DSL Network**

Acronym for Digital Subscriber Line Network, which is a network built from existing telephone lines using DSL technology instruments that, by using sophisticated modulation mechanisms, enable data packets to be sent along copper wires and thus the linking of a telephone handset to a modem at a home or in an office.

**DSLAM**

Acronym for Digital Subscriber Line Access Multiplexer, a device used in DLS technologies, to multiply the transmission of data at high capacities on telephone wires, where a multiplexer means a device that enables the transmission of information (voice, data, videos) in flows by means of direct and continuous connections between two different points on a network.

**Fiber Optic**

Thin fibers of glass, silicon or plastic that form the basis of a data transmission infrastructure. A fiber optic cable contains various individual fibers, each capable of carrying a signal (light impulses) over a virtually limitless band length. They are usually used for long distance transmissions, for the transmission of "heavy data" so that the signal arrives protected from interference, which it might encounter along its own path. A fiber optic cable's carrying capacity is considerably greater than that of traditional cables and copper wire twisted pairs.

<b><i>GigaEthernet</i></b>		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.
<b><i>Home Network</i></b>		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.
<b><i>Hosting</i></b>		Service that consists of allocating on a web server the pages of a website, thus making it accessible from the internet network.
<b><i>Incumbent</i></b>		Former monopoly operator active in the telecommunications field.
<b><i>IP</i></b>		Acronym for Internet Protocol, a protocol for interconnecting networks (Inter-Networking Protocol), created for interconnecting ungrouped networks by technology, services and handling.
<b><i>IPTV</i></b>		Acronym for Internet Protocol Television, a technology suited for using the IP transport technology to carry television content in digital form, using internet connections.
<b><i>IRU</i></b>		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.
<b><i>ISDN</i></b>		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.
<b><i>Internet Service Provider or ISP</i></b>		Company that provides Internet access to single users or organizations.
<b><i>Leased lines</i></b>		Lines whose transmission capacity is made available through leasing contracts for the transmission capacity.

<b><i>LTE-TDD</i></b>	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.
<b><i>MAN</i></b>	Acronym for Metropolitan Area Network, a fiber optic network that extends across a metropolitan area and links a Core Network to an Access Network.
<b><i>Mbps</i></b>	Acronym for megabit per second, a unit of measurement that states the capacity (and thus the speed) of data transmission along a computer network.
<b><i>Modem</i></b>	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.
<b><i>MNO</i></b>	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).
<b><i>MPF</i></b>	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.

<b>MSAN</b>	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.
<b>MVNO</b>	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.
<b>Narrowband</b>	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.
<b>OLO</b>	Acronym for Other Licensed Operators, operators other than the dominant one that operate in a national telecommunications services market.
<b>Opex</b>	Acronym for Operating Expenses, which are direct and indirect costs that are recoded in the income statement.
<b>Pay-Per-View</b>	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.



<b>Pay TV</b>	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.
<b>Platform</b>	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).
<b>POP</b>	Acronym for Point of Presence, a site at which telecommunications apparatus is installed and that forms a node on the network.
<b>Portal</b>	Website that forms a point of departure or an entry point for a major group of Internet resources or an Intranet.
<b>Router</b>	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.
<b>Service Provider</b>	Party that provides end users and content providers with a range of service, including that of an owned, leased or third party service centre.
<b>Server</b>	Computer component that provides services to other components (typically client calls) via a network.
<b>Set-top-box o STB</b>	Device able to handle and route data, voice and television connections, installed at the end user's premises.
<b>Syndication</b>	The sale of radio and TV transmissions wholesale by a media company that owns the rights and usually the delivery platform also.
<b>SoHo</b>	Acronym for Small Office Home office, for small offices, mostly professional offices or small firms.
<b>SHDSL</b>	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).

<b><i>Single Play</i></b>	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.
<b><i>Single Play voice</i></b>	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.
<b><i>SMPF</i></b>	Acronym for Shared Metallic Path Facilities, which is synonymous with Shared Access (ungrouped access).
<b><i>Triple Play</i></b>	A combined offering of fixed and/or mobile telephony, Internet and/or TV made by a single operator.
<b><i>Local loop unbundling or LLU</i></b>	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.

<b>VAS</b>	<p>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 centres 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.</p>
<b>VISP</b>	<p>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.</p>
<b>VoD</b>	<p>Acronym for Video On Demand. It is the supply of television programs on request by a user for payment of a subscription or of a sum for each programme (a film, or a football match) purchased. Broadcast in a special way by satellite TV and for cable TV.</p>
<b>VoIP</b>	<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>

<b>VPN</b>	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.
<b>Virtual local loop unbundling or VLLU</b>	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.
<b>xDSL</b>	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.
<b>WI-FI</b>	Service for connection to the internet at high speed wirelessly.
<b>Wi-Max</b>	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.
<b>WLR</b>	Acronym for Wholesale Line Rental, the resale by a telecommunications operator of the service of lines leased from the incumbent.

**9 Reports**

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