

Board approves half-year financial report as of June 30, 2024

Stable results confirm the effectiveness of the mix of actions implemented to pursue the goals of the 2024-2027 plan

- Revenues and other income 110.2 million euros, compared with 119 million euros in 1H2023, with a growth in the share of business services of 79.1% compared with the previous period;
- Consolidated net loss of 26.1 million euros, an improvement from 26.7 million euros in 1H2023;
- EBITDA 14.8 million euros compared to 18.7 million euros in 1H2023;
- Net financial debt as of June 30, 2024 amounted to 84.3 million euros, an improvement of about 1 million euros compared to 1H2023, consolidating relations with financial institutions;
- Reduction of fixed costs by 6% compared with 1H2023;
- Completed the acquisition of Go Internet - Xstream and subsequent strengthening of the B2B segment;
- Formalized the start of the Villanova IPCEI-CIS project, with a direct grant for R&D and first industrial application (fin. European Union - NextGenerationEU and PNRR).

Cagliari, October 8, 2024

The Board of Directors of Tessellis S.p.A. ("Tessellis" or the "Company") met today and reviewed and approved the Consolidated Half-Year Financial Report as of June 30, 2024.

"This half-yearly report is the result of a challenging journey whose outcomes, which are already partially visible, will be reflected in our financial results as early as the end of 2024. Our refocusing on the B2B market and on higher-margin services in general has materialized thanks to the strategies put in place and the acquisitions made during the first half of the year. B2B activities have already shown margin improvement, while the full consolidation of XStream can be appreciated in the second half of 2024. We expect significant growth in revenues and B2B margin by the end of the year and a consequent reduction in operating losses. We are also very satisfied with the mobile segment, whose customers have increased by 14% compared to the first half of 2023," commented **Davide**

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Rota, CEO of Tessellis. *"Activities aimed at supporting the national and European digital transition continue. In particular, the formalization of the strategic and transnational Villanova project will see Tessellis engaged in the development of advanced Multimodal Generative Artificial Intelligence solutions at the European level. In synergy with important European players, we will create a multi-provider cloud-to-edge infrastructure for collaboration with industrial and research partners,"* Davide Rota added.

The main consolidated economic and financial data with reference to the first half of 2024 are shown below:

Income statement	1° semester 2024	1° semester 2023
(EUR mln)		
Revenue	109,0	117,7
Other income	1,2	1,3
Adjusted Gross Operating Result (EBITDA)	14,8	18,6
Operating Result (EBIT)	(21,0)	(23,4)
Result from held for sale and discontinued operations	-	-
Net Result	(26,1)	(26,7)
Statement of financial position	30 June 2024	31 December 2023
(EUR mln)		
Total assets	307,7	303,3
Net Financial Debt	84,3	85,1
Net Financial Debt as per Consob	99,1	101,4
Shareholders' equity	(0,8)	25,4
Investments	17,3	50,7

In the first half of 2024 the Group continued its path of focus in activities dedicated to the B2B segment - with the acquisition of the Go Internet Group - Xstream - and mobile, as well as innovative projects, which present better margins and lower churn than services dedicated to the consumer market. In this important phase of business reorientation, in order to improve the ability to generate new revenue streams and margins and, at the same time, compensate for the progressive reduction of the consumer telco business, a significant reduction in fixed costs del 6% compared to 1H2023 and a policy of efficiency gains in the acquisition of B2C customers has been carried out. The outcome of the mix of corrective and mitigating actions implemented resulted in a ratio of net EBITDA minus capital expenditures of approximately -2.5 million euros in the period, a value that is expected to break even by the end of the fiscal year.

Further driving force is the formalization of the granting of state aid within the Villanova Project, selected by the European Commission as a Joint Project of European Interest (IPCEI-CIS), dedicated to the Cloud sector. In fact, Tiscali Italia's Villanova Project envisages the recognition of a contribution (European Union - NextGenerationEU and PNRR) which will be allocated to the realization of a path of research and development and industrial application in the field of Multimodal Generative Artificial Intelligence (GenAI).

In this operating environment, the Group's results were essentially stable, with revenues and other income of 110.2 million euros and EBITDA of 14.8 million euros. The consolidated net result is a loss of 26.1 million euros. Net Financial Indebtedness as of June 30, 2024 was 84.3 million euros, compared to 85.1 million euros as of June 31, 2023, this value on the one hand, reflects the repayment of 7 million euros of senior lenders' debt (14 million euros as of the date of this press release), but also partially offset by the effects of the Go Internet Group.

Profit and Loss Statement of the Group	1° semester 2024	1° semester 2023
<i>(EUR mln)</i>		
Revenue & Other Income	110,2	119,0
Telco revenues	96,9	104,9
of which fixed Broadband	40,4	42,5
of which Broadband FWA	45,1	52,6
of which MVNO	11,4	9,8
Business service, PA and Media revenues	10,5	11,5
of which Wholesale	0,5	0,5
of which Business service	6,4	3,5
of which Innovation Lab revenues	2,6	1,8
of which Media revenues	1,1	0,8
Other revenues	1,7	1,3
Other Income	1,2	1,3
Gross operating margin	47,9	54,8
Indirect operating costs	31,4	33,3
Marketing and sales	1,1	1,5
Personnel costs	16,2	19,4
IT and infrastructure costs	8,5	8,2
Other general costs	5,5	4,1
Write-down of receivables	1,8	2,9
Gross Operating Result (EBITDA)	14,8	18,6
Restructuring costs and other provisions	0,3	0,1
Depreciations & amortizations	35,5	41,9
Operating result (EBIT)	(21,0)	(23,4)
Net Result	(26,1)	(26,7)

Analysis of Revenues and Other Income

Revenues and other income as of June 30, 2024 amounted to 110.2 million euros.

Revenues from Telco

The largest revenue business line remains Telco, with approximately 96.9 million euros and includes Fixed Broadband revenues (40.4 million euros), Broadband FWA revenues (€45.1 million) and MVNO revenues, which saw the largest growth (11.4 million euros).

Revenues from Business Services and Value-Added Services and Media amounted to 10.5 million euros, with a higher incidence of the value of business services. Revenues from business services alone increased by 79.1% during the period, from 3.5 million euros to 6.9 million euros in the first half of 2024, considering that the YOY value of 11.5 million euros in the first half of 2023 included 4.9 million euros in revenues from the sale of IP addresses.

Revenues from VAS and Innovative Services amounted to 2.6 million euros in the first half of 2024, compared with 1.8 million euros in the first half of 2023, an increase of 0.8 million euros, mainly due to the initiatives undertaken by the company to develop services for businesses and public administration.

Revenues from the media segment (mainly related to the sale of advertising space) amounted to approximately 1.1 million euros as of June 30, 2024, an increase of 38% compared to the first half of 2023.

The **customer base of Fixed Broadband** stood at 287.4 thousand users as of June 30, 2024, while the customer base of Wireless FWA Access stood at 374.7 thousand users.

The customer base of the MVNO segment stood at about 348.5 thousand users as of June 30, 2024, up 14% from June 31, 2023.

Other revenue and other income

Other revenues and other income as of June 30, 2024 amounted to approximately 2.6 million euros compared with 2.8 million euros in the first half of 2023.

Gross operating margin (the "Gross Margin") stood at 47.9 million euros as of June 30, 2024 and was 43.5% of revenues and other income.

Indirect operating costs show a balance of 31.4 million euros as of June 30, 2024, down slightly from 33.3 in the first half of 2023. Operating costs consist of marketing costs of about 1.1 million euros and personnel costs of 16.2 million euros; both items are lower than costs in the first half of 2023. Other operating costs are network and IT costs of 8.5 million euros, and other overhead costs of about 5.5 million euros.

Other items

The provision for bad debt as of June 30, 2024 is 1.8 million euros. The ratio of this item to revenues is 1.6% of revenues, compared to a ratio of 2.% in 2023.

Depreciation and amortization as of June 30, 2024 amounted to 35.5 million euros.

Net **financial expenses** as of June 30, 2024 amounted to 4.6 million euros.

HIGHLIGHTS OF THE FIRST HALF OF 2023

Business TELCO

In terms of strategy, in the first half of 2024, the Tessellis Group, and in particular the subsidiary Tiscali Italia S.p.A., focused on pursuing the development of the Ultrabroadband market, whose coverage over the national territory is constantly expanding, with a particular focus on the B2B segment, and on the mobile market. Partially offsetting the decline in consumer revenues, marked by lower margins, mobile revenues grew by 16% due to the combined effect of the increase in the customer base and ARPU.

The Group continues to serve local households and businesses through FTTH fiber (about 13 million), FTTC (about 28 million) and FWA (about 24 million).

In the residential market for fixed-line services, The Group continues to innovate in terms of services and offerings. In January 2024, Tiscali, in partnership with insurance leader AXA, launched the "Linkem Protezione Casa" bundle, a new offer that combines connectivity services with an insurance package.

During the first half of the year, mobile network services also saw a major change with the launch of 5G technology offerings for the residential market, with speeds up to 1 Gbps, and for the business market, with speeds up to 2 Gbps.

With a view to continuous improvement of services and offerings, at the same time as 5G, present in 4,143 municipalities, 4G+ coverage with performance up to 700 mbps present in 6,174 municipalities was also introduced.

The rationalization of the Tessellis network continues, including with respect to agreements with major wholesale suppliers, which is achieving significant efficiencies in network infrastructure and related costs.

Business SERVICES TO BUSINESS AND VALUE ADDED AND MEDIA.

In the first half of 2024, the domestic online advertising market grew by 5.4% to a total value of approximately 260 million euros. In the same period, the Media Division of the Tessellis Group generated revenues of about 1.1 million and further consolidated the *open, multimedia and multi-access Ecosystem* model, aimed at multiplying and qualifying the portfolio of contacts, interactions and multichannel engagement, as well as increasing advertising revenues and value generation.

Overall, the Tiscali Network, with all its components, reached more than 42 million Unique Browsers in the first half of 2024, up 3.5% from the first half of 2023. Such users "viewed" over 1.250 billion pages.

In the first half of 2024, Vevisible optimized the technological infrastructure to maximize RTB (Real Time Bidding) advertising revenues and entered into agreements with leading digital advertising operators in Italy.

During the first half of 2024, Tessellis Group continued to implement the plan Scuola 4.0 (School 4.0) in order to support Italian schools with solutions for new learning environments and accelerate digital transformation. The project will be completed by October 2024, with total revenues for the year 2024 amounting to 2.1 million euros.

Total revenues in the Innovation segment amounted to 2.4 million euros as of June 30, 2024, up from 1.8 million euros as of June 30, 2023.

Within Tessellis' Innovation program, Future Communities, dedicated to the development of new business models to promote the digital growth of companies and territories, initiatives based on an Open Innovation model, integrating ideas from inside and outside the company, have been implemented. This approach has created a collaborative and inclusive system with startups, research centers and industrial partners, with the aim of developing solutions that respond to current needs and anticipate future ones.

In the first half of 2024, technical activities were started for the establishment of the Villanova laboratory, which will serve as a central platform for the Research and Development (RDI) and testing (FDI) phases of technological solutions. In parallel, the technical architecture required for crawling activities has been designed, with the aim of feeding the data lake. The latter will constitute a scalable and versatile infrastructure capable of storing and managing large volumes of heterogeneous data, preserving its integrity and ensuring its flexibility. Such data will be crucial to power the analytics processes and Artificial Intelligence applications, which will underpin the project.

ESG Framework

The Tessellis Group continues its commitment to the "Prison Labor" Program and together with the contribution of other telephony and digital companies, continues to devote itself to the laboratory at the Uta Prison (Cagliari), aimed at the regeneration of network terminal equipment with the intention of enhancing prison labor in the telecommunications and ICT sector. In the Rebibbia remanufacturing laboratory, equipment is remanufactured on behalf of a telecommunications provider generating revenue. As of June 30, 2024, the revenue from the sale of such equipment amounted to approximately 39 thousand euros. Also during the first half of the year, 8 thousand modems were remanufactured at the Lecce Rework Laboratory, 11 thousand at the Rebibbia Laboratory, and 5 thousand at the Uta Laboratory.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Finalization of Go Internet Acquisition Transaction

Tessellis S.p.A. completed on August 5, 2024 the Go Internet-XStream Group Acquisition Transaction, which was initiated in November 2023, resulting in the Company holding a 97.23% stake in the capital of Go Internet Group. The strong commercial potential expressed by the investee XStream, will enable the Tessellis Group to expand its service portfolio, sales network and B2BX customer base, accelerating the Group's refocusing path on business services.

Issue No. 80 POC bonds 2023

As of July 2024 and up to the date of this Report, the Company has issued 80 bonds of the Nice & Green Reserved Convertible and Convertible Bond Loan (POC 2023), amounting to 8 million euros of which 6,3 million euros converted as at the day of this press release.

Research and development

In the first half of 2024, software development activities were carried out aimed at the evolution of the fixed and mobile network towards the new market standards (5G, ultra-wideband) that allow to provide, to the Group's customers, increasingly high-performance services, as well as the evolution of IT systems aimed at a more effective and efficient business management (ERP/CRM), and research activities preparatory to the implementation of the Villanova Project - IPCEI CIS.

Shareholder financing

On October 8, 2024, the Board of Directors reviewed and approved a proposed shareholder loan agreement in the amount of 15 million euros from shareholder Shellnet S.p.A. (formerly OpNet S.p.A.). This loan is part of the broader context of the financial support guaranteed by Shellnet to the Tessellis Group. This loan is part of the broader context of the financial support guaranteed by Shellnet to the Tessellis Group, which also includes the rescheduling of trade receivables, amounting to 30 million euros, the payment of which has been postponed to October 2025 without accruing any interest.

Foreseeable development of management

During the first half of 2024, the Tessellis Group operated within the framework of the provisions of the 2024-27 Updated Business Plan, which, as a reminder, was approved by the Board of Directors last May 7, 2024. The Group is pursuing the ambitious process of rationalization, transformation and innovation initiated during the year, while continuing to work on improving the margins of prevailing services and reducing costs. In this context, the Villanova Project, with its path of research and development in the field of generative Artificial Intelligence, which will make it possible to expand the portfolio of offerings with services of high technological and innovative value, assumes strategic importance.

Other resolutions of the Board of Directors

The Board of Directors today has:

- positively evaluated the organizational, administrative and accounting structure and the internal control and risk management system of the Tessellis Group.
- approved, with the favorable opinion of the Related Parties Committee, two transactions with the shareholder ShellNet S.p.A., which are the subject of a separate press release to which reference should be made.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Consolidated income Statement	1° semester 2024	1° semester 2023
<i>(Thousands of Euros)</i>		
Revenues	109.012	117.737
Other incomes	1.195	1.301
Purchase of materials and external services	77.435	78.020
Personnel cost	16.229	19.428
Other operating charges (incomes)	25	100
Write-downs of receivables from customers	1.759	2.869
Restructuring costs and other provisions	279	105
Depreciations & amortizations	35.491	41.907
Operating result	(21.011)	(23.391)
Result from the investments evaluated at equity method	(451)	(108)
Financial Income	6	80
Financial Expenses	4.610	3.257
Income (loss) before tax	(26.066)	(26.676)
Taxation	13	-
Net result from operating activities (ongoing)	(26.079)	(26.676)
Result from held for sale and discontinued operations	-	-
Net result	(26.079)	(26.676)
To be attributed to:		
- Result pertaining the Parent Company	(26.007)	(26.810)
- Result pertaining Third Parties	(72)	134
Profit (loss) per share		
Profit per share from current and transferred activities:		
- Base	(0,111)	(0,148)
- Diluted	(0,111)	(0,148)
Profit per share from current activities:		
- Base	(0,111)	(0,148)
- Diluted	(0,111)	(0,148)

COMPREHENSIVE INCOME STATEMENT

Comprehensive Income Statement	1° semester 2024	1° semester 2023
<i>(Thousands of Euros)</i>		
Result for the period	(26.079)	(26.676)
Other elements for the comprehensive Income Statement:		
Other elements of the comprehensive income statement that later will be reclassified in the profit/(loss) for the fiscal year	0	0
Other elements of the comprehensive income statement that later will not be reclassified in the profit/(loss) for the fiscal year	0	0
<i>(Loss)/profit from revaluation on plans with defined benefits</i>	0	0
Total of other elements for the comprehensive Income Statement:	0	0
Total result of the comprehensive Income Statement	(26.079)	(26.676)
To be attributed to:		
<i>Shareholders of the Parent Company</i>	(26.007)	(26.676)
<i>Minority Shareholders</i>	(72)	0
Total	(26.079)	(26.676)

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

Consolidated Statement of Equity and Liabilities	30 June 2023	31 December 2023
<i>(EUR mln)</i>		
Non-current assets	256,5	263,9
Current assets	51,2	39,5
Total Assets	307,7	303,3
Net equity of the Group	(3,2)	24,4
Net equity attributable to minority interests	2,4	1,0
Total net equity	(0,8)	25,4
Non-current liabilities	109,2	115,7
Current liabilities	199,2	162,3
Total Net equity and Liabilities	307,7	303,3

NET FINANCIAL DEBT

Net Financial Position	Note	30 June 2023	31 December 2023
<i>(EUR mln)</i>			
A. Cash and bank deposits		9,7	7,7
B. Cash equivalents			
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)		9,7	7,7
E. Current financial receivables			
F. Non-current financial receivables		0,8	0,8
G. Current bank payables		6,6	3,1
H. Current portion of bonds issued	(1)	-	-
I. Current part of long-term loans	(2)	15,8	14,3
J. Other current financial payables	(3)	8,4	7,0
K. Current financial indebtedness (G) + (H) + (I) + (J)		30,8	24,4
L. Net current financial indebtedness (K)-(D)-(E)-(F)		20,4	15,9
M. Non-current bank loans	(4)	50,0	53,0
N. Bonds issued			
O. Other non-current financial payables	(5)	13,9	16,3
P. Non-current financial indebtedness (M)+(N)+(O)		64,0	69,3
Q. Net financial indebtedness (L)+(P)		84,3	85,1

(1) Includes the current portion of debt to Senior Lenders (including former Cr Umbria Loan) for 13 million euros and the current portion of long-term debt of subsidiaries for 2.8 million euros.

(2) Includes the current portion of financial lease payables related to network infrastructure investments and leases capitalized in application of IFRS 16 for 8 million euros and other current financial payables of subsidiaries for 0.4 million euros.

(3) Includes the long-term portion of debt to Senior Lenders (including Loan ex Cr Umbria) for 47.4 million euros and the long-term component of other bank loans for 2.6 million euros.

(4) This item includes the long-term portion of financial lease payables related to network infrastructure investments and leases capitalized in application of IFRS 16 for 9.7 million euros, other financial payables for 0.4 million euros, as well as financial payables recorded in connection with the put option held by the subsidiaries 3P Italia S.p.A. and Aetherna for 3.9 million euros.

This document may contain forward-looking statements ("forward-looking statements") regarding future events and operating, economic, and financial results of the Tessellis Group. Such forward-looking statements inherently have an element of risk and uncertainty, as they depend on the occurrence of future events and developments. Actual results may deviate even significantly from those announced, due to a variety of factors.

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About Tessellis

***Tessellis S.p.A.** (Italian Stock Exchange. Milan: TSL) is the holding company of the Group born from the merger between Linkem Retail and Tiscali S.p.A. and includes among its business areas that of Tiscali Italia S.p.A., national operator among the first in the ultrabroadband segment (FWA - Fixed Wireless Access and FTTH - Fiber To The Home), the portal www.tiscali.it, one of the main Italian news portals, with about 8 million visitors per month to its credit, as well as the advertising concessionaire Vevisible s.r.l.*