

TESSELLIS S.P.A.

Registered Office Località Sa Illetta SS 195 km 2,300, 09123 Cagliari, Italy

Share Capital Euro 187,513,965.37 fully paid-up

VAT No. and Cagliari Chamber of Commerce registration No. 02375280928

EXPLANATORY REPORT OF THE DIRECTORS OF TESSELLIS S.P.A. ON THE SHARE CAPITAL INCREASE TRANSACTION AGAINST PAYMENT, DIVISIBLE, TO BE OFFERED UNDER OPTION TO THE SHAREHOLDERS OF THE COMPANY, PURSUANT TO ART. 2441, FIRST PARAGRAPH, OF THE ITALIAN CIVIL CODE, AS WELL AS TO HOLDERS OF CONVERTIBLE BONDS, PURSUANT TO ART. 2441, FIRST PARAGRAPH, SECOND SENTENCE, OF THE ITALIAN CIVIL CODE, TO BE RESOLVED IN PARTIAL EXERCISE OF THE PROXY CONFERRED PURSUANT TO ARTICLE 2443 OF THE ITALIAN CIVIL CODE, DRAFTED PURSUANT TO ARTICLE 72 AND ACCORDING TO SCHEDULE NO. 2 OF ANNEX 3A OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS.

Dear Shareholders,

please note that this Report is issued by the Board of Directors of Tessellis S.p.A. (hereinafter referred to as the “**Company**” or “**Tessellis**”) pursuant to Article 72 of the Regulations adopted by resolution of the Commissione Nazionale per le Società e la Borsa (CONSOB) no. 11971 of 14 May 1999, as subsequently amended (hereinafter referred to as the “**Report**” and the “**Issuers’ Regulations**”), in accordance with the indications contained in Schedule no. 2 of Annex 3A to the Issuers’ Regulations, in order to illustrate the share capital increase to be offered as an option to shareholders pursuant to Article 2441, paragraph 2 of the Italian Civil Code, as well as to holders of convertible bonds, pursuant to Article 2441, paragraph 1, second sentence, of the Italian Civil Code, subject to the partial exercise of the proxy pursuant to Article 2443 of the Italian Civil Code conferred on the Board by the Extraordinary Shareholders’ Meeting of Tessellis held on 10 January 2023.

Foreword

On 10 January 2023, the Extraordinary Shareholders’ Meeting of Tessellis resolved, inter alia, *“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 against payment, in divisible form, pursuant to Article 2443 of the Italian Civil Code, also with the exclusion or limitation of option rights pursuant to Article 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 2420-ter of the Italian Civil Code, together with the power to resolve on the relative capital increase to service the conversion, also with the exclusion or limitation of the option right pursuant to Article 2441, paragraph 5, of the Italian Civil Code,”* (hereinafter referred to as the “**Proxy**”), as well as to consequently amend Article 5 of the Articles of Association.

With reference to the foregoing, the Board of Directors intends to partially exercise the Proxy for the purpose of resolving a share capital increase of Tessellis, against payment, in divisible form, structured according to the terms and conditions set forth below.

Share Capital Increase

In the context of the foregoing, the Board of Directors of Tessellis has decided to partially exercise the Proxy, resolving a share capital increase, against payment and in divisible form, for a maximum amount equal to EUR 25,116,540.00 (*twenty-five million one hundred sixteen thousand five hundred and forty/00*), inclusive of share premium, to be fully

subscribed in cash through the issue of a maximum of 50,233,080 ordinary shares (hereinafter referred to as the **“Offered Shares”**), with no par value, having the same characteristics as the outstanding shares (to be issued with regular dividend entitlement), at an issue price per share equal to EUR 0.50, to be fully allocated to share capital (hereinafter referred to as the **“Offer Price”**), to be offered as an option to the shareholders pursuant to Article 2441, paragraph 1 of the Italian Civil Code, as well as to the holders of convertible bonds, pursuant to Article 2441, first paragraph, second sentence, of the Italian Civil Code (hereinafter referred to as the **“Capital Increase by Option”**).

Since this is a capital increase to be carried out on a divisible basis, pursuant to Article 2439, second paragraph, of the Italian Civil Code, the share capital shall be deemed to be increased by amounts equal to the individual subscriptions collected as of the date thereof, with express authorisation for the Company’s Directors to issue the newly issued shares subscribed and upon the expiration of the term of 31 July 2023 the share capital shall be increased, pursuant to Article 2439 of the Italian Civil Code, by an amount equal to the subscriptions collected as of such date.

1. Reasons for and allocation of the capital increase in relation also to the Company’s operating performance

The purpose of the Capital Increase is to provide the Company with a suitable instrument to quickly and efficiently raise risk capital and financial resources to be used to support, as an alternative to the resources currently available, in a less onerous manner and with less impact on the share price, the implementation of its Business Plan. Specifically, the execution of this transaction is aimed at providing the Company with a different and additional source of financing with respect to the mandatory convertible bond loan outstanding with Nice&Green S.A. for a total maximum amount of EUR 90,000,000.00 (hereinafter referred to as the **“POC”**). Currently, in fact, the Group’s prospect of continuing as a going concern is strictly linked, as regards both the coverage of the consolidated net financial requirements and the implementation of the industrial plan, to the resources deriving from the aforesaid POC, the Group’s main source of financing. Alternative and partial sources of financing are the expected cash flows from the Group’s operations, as well as the proceeds from the possible sale of IPv4 addresses. In this context, the Capital Increase under option fits in as an alternative source, albeit also partial to those indicated above, in line with the guidelines approved by the Extraordinary Shareholders’ Meeting of 10 January 2023. Moreover, since it is a transaction reserved for the current Shareholders, it allows them, if they subscribe to their respective option rights, to finance the Company without being diluted in terms of their participation in its Share Capital.

As to the allocation of the proceeds deriving from the Capital Increase in Option, these will amount, in the event of its full subscription and net of the charges related to the realisation of the transaction (estimated at about EUR 115k), to about EUR 25 million. As set forth in the Business Plan updated by the Board of Directors on 11 May 2023, containing economic, equity and financial projections of the Company and the Group for the prospective period between 2023 and 2026 (hereinafter referred to as the **“Business Plan”**), the Company will use the proceeds from the Capital Increase in Option as a source of financing for its financial requirements or for the implementation of the investments envisaged for the achievement of the Business Plan targets.

For further information on the Company’s operating performance and outlook, please refer to the press release issued

by the Company on 11 May 2023, on the occasion of the meeting of the Board of Directors called to approve, *inter alia*, the draft financial statements as at 31 December 2022 and the consolidated financial statements, made available to the public on the website www.tessellis.it/.

2. Existence of guarantee and/or placement syndicate, their composition and the terms and conditions of their intervention

It should be noted that as at the date of this Report there are no plans to set up a guarantee and/or placement syndicate.

3. Any other forms of placement provided

Since this is a Share Capital Increase to be offered under option pursuant to Article 2441 paragraph 1 of the Italian Civil Code, the shares will be offered directly by the Company and no further form of placement is provided for.

4. Criteria for determining the issue price of the new shares and allocation ratio

It should be noted that the issue price of the new shares was determined by the Board of Directors, in accordance with market practices for similar transactions, 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.

Applying this criterion, the Board of Directors set the Offer Price at EUR 0.50 per share.

With reference to the allotment ratio of the Offered Shares, it should be noted that the Offering in Option is addressed, indiscriminately and on equal terms, to all holders of shares, without any limitation or exclusion of option rights, in proportion to the shareholding held by each, with a subscription ratio of no. 5 new Offered Shares for every no. 18 shares held and/or Tessellis convertible bonds held.

Indeed, the Company has issued convertible bonds currently in circulation, which are the subject of the convertible and converting bond loan underwritten by Nice & Green S.A. and, therefore, the shares deriving from the Capital Increase shall also be offered under option to the holders of convertible bonds issued pursuant to art. 2441, first paragraph, second sentence of the Italian Civil Code. The convertible bonds currently outstanding and unconverted, equal to No. 20, are held by Nice & Green S.A..

5. Shareholders who have expressed their willingness to subscribe to the newly issued shares as well as any unexercised subscription rights

As of the date of this Report, to the Company's knowledge, no shareholder, nor the members of the Board of Directors and the Board of Statutory Auditors, nor the Senior Executives, have expressed any determination as to the subscription of the Offered Shares to which they are entitled under option in relation to the shares they may hold, nor have any other persons expressed any intention to subscribe for Offered Shares.

Any further subscription commitments that may be undertaken by shareholders will be disclosed in accordance with

the terms and procedures provided for by applicable regulations.

6. Period scheduled for the implementation of the operation

It is expected that the Capital Increase may be executed as soon as the CONSOB's authorisation is obtained for the publication of the prospectus required by the applicable regulations for the execution of the offer and the admission to trading of the Offered Shares (hereinafter referred to as the "**Prospectus**") and, therefore, by the end of June 2023 (hereinafter referred to as the "**Offer Period**").

The following table summarises the indicative timetable set out for the Rights Offer of the Offer Shares (hereinafter referred to as the "**Rights Offer**").

Start of the Offer Period and first day of option rights trading	5 June 2023
Last day of option rights trading	6 June 2022
End of the Offer Period and Deadline for Subscription of Offer Shares	19 June 2023
Notification of the results of the Offer at the end of the Offer Period	Within 5 Business Days after the end of the Offer Period

It should be noted that the timetable of the Offer Period is indicative and may be subject to change in the event of the occurrence of events and circumstances beyond the Company's control, including particular conditions of volatility of the financial markets which could prejudice the successful outcome of the Offer. Any changes to the Offer Period will be communicated to the public by means of a specific notice to be published in the same manner as the Prospectus.

7. Dividend date of the newly issued shares

The Offer Shares will have regular dividend entitlement and the same characteristics as the Tessellis ordinary shares outstanding at the time of their issue and will be fungible with the same.

8. Effects on the unit value of the shares and dilution

The execution of the Capital Increase will not result in any dilutive effects in terms of participation in the Company' Share Capital for those shareholders who fully exercise their option rights. Conversely, the failure to exercise their option rights will result in a dilution of their shareholding in terms of percentage of the share capital, in the event of the Capital Increase being fully subscribed to, up to a maximum of 21.74%.

9. Amendments to the Articles of Association

The current text of Article 5 of the Articles of Association is reproduced below, together with the comparison column for the proposed amendments, shown in bold.

CURRENT TEXT	PROPOSED TEXT
The Share Capital is EUR 187,513,965.37 (one hundred eighty-seven million five hundred thirteen thousand nine hundred sixty-five point thirty-seven). The shareholdings are	Unchanged

represented by 180,839,104 (one hundred and eighty million eight hundred thirty-nine thousand one hundred and four shares with no par value. The fully paid-up shares are indivisible and freely transferable. The Shareholders' Meeting of 24 (twenty-four) June 2021 (two thousand and one), recorded in a deed drawn up by Federico Pavan, Notary Public in Iglesias, on 24 June 2021, repertory no. 2,140, collection no. 1,666, resolved to approve the issue of the remaining tranches of the convertible and convertible bond in the amount of EUR 3,000,000 (three million) each, consisting of convertible bonds in the nominal amount of EUR 100,000,000) each, for a maximum total amount equal to EUR 36,000,000 (thirty-six million), divided, in accordance with the provisions of the Investment Agreement, into EUR 15,000,000 (fifteen million) and any additional EUR 21,000,000.00 (twenty-one million), to be offered in full for subscription to Nice&Green S.A. as part of a private placement intended for qualified investors pursuant to Article 34-ter, paragraph 1, letter b) of the Regulation adopted by CONSOB resolution No. 11971/1999 and subsequent amendments and additions. The Bonds will have a duration of 21 months from the issue date of the first tranche and will be irrevocably converted at maturity. The subscription price of the convertible bonds is 95.5% of the nominal amount of the same tranche. Consequently, the Share Capital of TESSELLIS S.p.A. was approved for a paid capital increase, in one or more tranches and in divisible form, with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code for a total amount, including any share premium, of up to a maximum of EUR 36,000,000 (thirty-six million), for the exclusive and irrevocable service of the conversion of the convertible and convertible bond loan, through the issue of TESSELLIS ordinary shares, with no par value, regular dividend rights and the same characteristics as the TESSELLIS ordinary shares outstanding at the issue date. The subscription price of the shares to service the conversion of the remaining tranches of the convertible and convertible bonds is equal to 95% of the second lowest volume weighted average daily price (VWAP, i.e., volume weighted average price) of the TESSELLIS S.p.A. shares recorded in the 6 open market days preceding the request for conversion of the convertible bonds. The Shareholders' Meeting has granted the Chairman and the Chief Executive Officer, severally, with all the widest powers so that they may do whatever is necessary or even appropriate to implement the resolutions passed, also through special attorneys, including the power (i) To set the issue date of the convertible bonds, (ii) To prepare and submit any document required for the purpose of implementing the above resolutions as well as to fulfil the formalities necessary to proceed with the admission to listing on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. of the newly issued shares deriving from the conversion of the convertible bonds, including the power to arrange for the preparation and submission to the competent authorities of any application, petition, document or prospectus necessary or appropriate for this purpose, as well as to decide on the possible renewal of the Investment Agreement and the consequent issue of the convertible bonds and capital increase to service the conversion of the convertible bonds for EUR 21,000,000 (twenty-one million). The Shareholders' Meeting of 16 April 2022 has deliberated the approval of the issue of the

convertible and converting bond loan for a total amount equal to EUR 90,000,000 constituted by 18 tranches of amount equal to EUR 5,000,000, through the issue of convertible bonds with a nominal amount equal to EUR 100,000 each, to be offered, subject to the execution of the merger by incorporation of Linkem Retail in TESSELLIS S.p.A., entirely in subscription to Nice&Green S.A. within a private placement intended for qualified investors according to Art. 34-ter, comma 1, letter b) of the Regulation adopted with CONSOB deliberation n. 11971/1999 and subsequent amendments. The Bonds will have a duration of 24 months from the issue date of the first tranche and will be irrevocably converted at maturity. The subscription price of the convertible bonds is 95.5% of the nominal amount of the same tranche. Consequently, the Share Capital of TESSELLIS S.p.A. was approved to be increased by payment, in one or more tranches and in divisible form, with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for a total amount, including any share premium, of a maximum of EUR 90,000.000, to exclusively and irrevocably service the conversion of the convertible and convertible bond loan, through the issue of TESSELLIS ordinary shares, with no par value, regular dividend rights and the same characteristics as the TESSELLIS ordinary shares in circulation at the issue date. The subscription price of the shares servicing the conversion of the remaining tranches of the convertible and converting bonds is 95% at the second lowest daily volume weighted average price (VWAP, i.e., volume weighted average price) of TESSELLIS S.p.A. shares recorded in the 6 open market days preceding the request for conversion of the convertible bonds. The Shareholders' Meeting empowered the Chairman and the Chief Executive Officer, severally, with all the broadest powers for them to do whatever is necessary or even appropriate to implement the resolutions passed, including through special attorneys, including the power (i) To set the issue date of the convertible bonds, (ii) To prepare and submit any document required for the purpose of implementing the above resolutions as well as to carry out the necessary formalities to proceed with the admission to listing on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. of the newly issued shares resulting from the conversion of the convertible bonds, including the power to arrange for the preparation and submission to the competent authorities of any application, petition, document or prospectus for the purpose necessary or appropriate, as well as to decide on the possible renewal of the Investment Agreement and consequent issuance of the convertible bonds and capital increase to service the conversion of the convertible bonds. Cash payments made by shareholders to the Company by way of financing may be made within the limits of the law: - in the form of capital contribution without right to repayment; - in the form of interest-bearing or non-interest-bearing financing with natural right to repayment. The share capital is prearranged for the achievement of the corporate purpose and may also be increased by contribution in kind and/or receivables pursuant to the combined provisions of Articles 2342, 2343-*et seq.* of the Civil Code. The Shareholders' Meeting may resolve to reduce the Share Capital, also by assigning to individual shareholders or groups of shareholders certain corporate assets or shares or quotas of other companies, in which the Company has a shareholding. The Shareholders' Meeting may resolve to

<p>increase the share capital pursuant to and within the limits set forth in Article 2441(4), second sentence of the Italian Civil Code, and grant the administrative body the power to increase the share capital pursuant to Article 2443 of the Italian Civil Code. The Extraordinary Shareholders' Meeting of 10 January 2023 resolved 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 (sixty million point zero zero) inclusive of share premium: (i) To increase the share capital for cash, in divisible form, pursuant to Article 2443 of the Italian Civil Code, also with the exclusion or limitation of option rights pursuant to Article 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 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 2441, paragraph 5, of the Italian Civil Code. The capital increase resolution(s) shall establish the portion of the issue price of the offered shares to be allocated to capital and the portion of the issue price that may be allocated to share premium.</p>	<p>The Board of Directors' meeting of 11 May 2023, in partial execution of the authority granted to it on 10 January 2023, resolved to increase the share capital for cash, in divisible form, for a maximum amount of EUR 25,116,540.00 (twenty-five million one hundred sixteen thousand five hundred and forty/00), inclusive of share premium, through the issue of up to 50.233.080 new ordinary shares, with no par value, having the same characteristics as those in circulation (to be issued with regular dividend rights), at an issue price per share of EUR 0.50, to be fully allocated to capital, to be offered as an option to shareholders pursuant to Article 2441, first paragraph, of the Italian Civil Code, as well as to holders of convertible bonds pursuant to Article 2441, first paragraph, second sentence, of the Italian Civil Code, by 31 July 2023, in the ratio of 5 newly issued Tessellis shares for every 18 Tessellis shares/convertible bonds held.</p>
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10. Resolution

In light of the foregoing, the following is the text of the resolutions passed by the Board of Directors of Tessellis in exercise of the Proxy on 11 May 2023:

"The Board of Directors:

- *Having heard the presentation of the Chairman and the Chief Executive Officer;*
- *Having regard to, and in partial exercise of, the Proxy pursuant to Article 2443 of the Italian Civil Code conferred*

by the Extraordinary Shareholders' Meeting of Tessellis S.p.A. of 10 January 2023;

- Having regard to and having approved the illustrative report concerning the execution of the aforesaid Proxy, drawn up by the Board of Directors on 11 May 2023 pursuant to Article 72 and in accordance with Schedule no. 2 of Annex 3A of CONSOB Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions thereto;

Resolves

1. To increase the share capital against payment, in cash and in divisible form, for a maximum amount of EUR of EUR 25,116,540.00 (twenty-five million one hundred sixteen thousand five hundred and forty/00), inclusive of share premium, through the issue of up to 50.233.080 new ordinary shares, with no par value, having the same characteristics as those in circulation (to be issued with regular dividend entitlement), at an issue price per share of EUR 0.50, to be fully allocated to share capital, to be offered as an option to shareholders pursuant to Article 2441, paragraph 1, of the Italian Civil Code, to be exercised in accordance with Article 2441 of the Italian Civil Code. 2441, first paragraph of the Italian Civil Code, as well as to holders of convertible bonds pursuant to Article 2441, first paragraph, second sentence of the Italian Civil Code, by July 31 2023, in the ratio of 5 newly issued Tessellis shares for every 18 Tessellis shares/convertible bonds held;
2. To amend Article 5 of the current Articles of Association accordingly, by adding a new last paragraph as follows:

"The Board of Directors' meeting of 11 May 2023, in partial execution of the authority granted to it on 10 January 2023, resolved to increase the share capital for cash, in divisible form, for a maximum amount of Euro 25,116,540.00 (twenty-five million one hundred sixteen thousand five hundred and forty/00), inclusive of share premium, through the issue of up to 50.233.080 new ordinary shares, with no par value, having the same characteristics as those in circulation (to be issued with regular dividend entitlement), at an issue price per share of EUR 0.50, to be fully allocated to share capital, to be offered as an option to shareholders pursuant to Article 2441, paragraph 1, of the Italian Civil Code, to be exercised in accordance with Article 2441 of the Italian Civil Code. 2441, first paragraph of the Italian Civil Code, as well as to holders of convertible bonds pursuant to Article 2441, first paragraph, second sentence of the Italian Civil Code, by July 31 2023, in the ratio of 5 newly issued Tessellis shares for every 18 Tessellis shares/convertible bonds held".
3. To confer on the Chief Executive Officer, with the power to appoint special attorneys, the broadest powers to:
 - a. To execute, within the limits of the law and regulations, the above-mentioned share capital increase and to proceed with the signing of any useful or necessary document, also of a contractual nature, pertaining to the share capital increase, and also to carry out all the activities necessary for the execution of the increase (including, including, without limitation, the power to prepare and submit to the competent authorities any document, prospectus, petition or application necessary or appropriate to proceed with the

offer and admission to trading of the new shares deriving from the capital increase) with any and all powers necessary and appropriate for such purpose, with no exclusions and exceptions, including the power to make any amendments, corrections or additions of a non-substantial nature to the resolutions passed that may be deemed necessary and/or appropriate for registration in the Company Registry, also in relation to any indications of any Supervisory Authority, as well as to prepare and arrange for the publication of notices and press releases in the manner and within the time limits set forth by applicable regulations;

- b. To make the necessary changes to Article 5 (five) of the Articles of Association in respect of the numerical amount of the share capital and any further changes resulting from the execution of the aforesaid capital increase taking into account the final terms thereof, to this end performing all the formalities and publicity required by law, thus also taking care of the filing with the competent Company Registry of the certificate of execution of said capital increase pursuant to Article 2444 of the Italian Civil Code and the Articles of Association consequently updated when the capital increase is fully or partially executed*
- c. To make any amendments to the text of these minutes and the attached Articles of Association that may be required also at the time of registration with the Company Registry”.*

Cagliari, 11 May 2023

On behalf of the Board of Directors

The Chairman

Renato Soru