

(COURTESY TRANSLATION) ENERGY S.P.A.

**EXPLANATORY REPORT
OF THE BOARD OF DIRECTORS
ON PROPOSALS CONCERNING ITEMS ON THE AGENDA**

Ordinary Shareholders' Meeting

24 April 2024 - first call
29 April 2024 - second call



Energy S.p.A.
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Capitale sociale 613.750 € i.v.

Dear Shareholders,

this report presents the proposals that the Board of Directors of Energy S.p.A. (the "**Company**") intends to submit for your approval with reference to the Ordinary Shareholders' Meeting convened, in first call, on 24 April 2024 at 12:00 p.m. at the Company's registered office in Sant'Angelo di Piove di Sacco (PD), Via Zona Industriale No. 10, and, if necessary, in second call on 29 April 2024, same place and time to discuss the following:

AGENDA

1. Examination and approval of the financial statements as at 31 December 2023, accompanied by the management report, the report of the Board of Statutory Auditors and the Independent Auditors. Related and consequent resolutions.
2. Allocation of the annual result. Related and consequent resolutions.



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1. Examination and approval of the financial statements as at 31 December 2023, accompanied by the management report, the report of the Board of Statutory Auditors and the Independent Auditors. Related and consequent resolutions.

Dear Shareholders,

You have been called to the Ordinary General Meeting to approve the financial statements for the year ending 31 December 2023, reviewed by the Board of Directors of Energy S.p.A. ("**Company**") on 26 March 2024 and prepared in accordance with Italian GAAP.

In particular, it should be noted that the financial year as at 31 December 2023 closed with a profit of EUR 5,609,200.

The 2023 financial year was characterised by a contraction in turnover (€63.3 million), caused by the combined effect of several significant European events, partly influenced by the geopolitical situation: i) the rise in interest rates; ii) the significant increase in inflation; iii) the significant reduction in the average price of energy. In addition, in the case of Italy, the stop to the transfer of the tax credit on 17th February 2023, the reintroduction of which in a different manner on 2nd May 2023 had a mild effect on the market. This situation led to a significant and sudden reduction in available liquidity in the renewable energy sector, a consequent reduction in the flow of demand and a brake on new investments in energy technology, especially in the residential sector. The Company reacted to this demand shock by



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investing more on the offer of Storage Systems for the Commercial, Industrial and Agro-voltaic sectors (Extra Large or XL range), and in cloud computing, without however neglecting the customer portfolio of the residential market. Margins in the year under review were down from 2022, with EBITDA at 16%, mainly due to a sales volume effect. The cost structure is substantially in line with what can be seen in the half-yearly report, with no particular deviations. With reference to the balance sheet and financial performance, fixed assets increased significantly compared to the previous year and amounted to Euro 13.2 million. This increase is in line with the mainly tangible investments of Euro 7.3 million. Tangible assets include investments in the new building under construction on land adjacent to the headquarters, machinery for the battery assembly line, equipment, and furnishings. Intangible assets amount to EUR 4.8 million. Included in intangible assets are costs for listing on EGM for € 3.1 million (historical cost) and development costs for € 1.7 million, and costs for work on the rent-to-buy property currently in use and under rent contract in 2023. Financial fixed assets for Euro 1.2 million mainly include the equity investment in the subsidiary Energyincloud s.r.l. and the equity investment in the associated company Pylon LifeEU s.r.l.

Trade working capital changed during the year, showing a result as at 31 December 2023 of €51.2 million (€68.8 million as at 31 December 2022), mainly consisting of inventories of €56.4 million (€61.3 million as at 31 December 2022), trade receivables of €4.6 million (€23.1 million as at 31 December 2022) and trade payables of €9.9 million (€15.6 million as at 31 December 2022).



December 2022). The overall figure is 26% lower than at the end of the financial year 2022, due to the reduction in business volumes and the utilisation of inventories. The decrease in the value of trade receivables and payables compared to 31 December 2022 is a consequence of the lower volumes handled during the year under review.

Invested capital amounted to €65.3 million, a decrease of €2.8 million compared to 31 December 2022 (€68.1 million). Its change is due to the opposite dynamics of growth in fixed assets (+€7.2 million) and reduction in net working capital (-€10 million).

The **Net Financial Position** as at 31 December 2023 was Euro (198K) compared to Euro 8.1 million as at 31 December 2022.

(thousands of Euro)	31/12/2023	31/12/2022	var.	var %
(Cash and cash equivalents)	(18.834)	(15.963)	(2.871)	18%
(Current financial receivables)	(5.000)	-	(5.000)	(100%)
Current payables to banks	14.077	18.649	(4.572)	(25%)
Current payables to other lenders	-	-	-	-
Current financial debt	(9.757)	2.686	(12.443)	(463%)
Non-current payables to banks	9.589	5.499	4.090	74%
Payables to other non-current lenders	-	-	-	-
Net financial debt	(168)	8.185	(8.353)	(102%)

In the year 2023, the company obtained medium- to long-term financing of EUR 12.8 million from credit institutions. These funds were partly used to replace short-term debt, thus improving the company's financial balance. The funds raised are also used by the company to finance development programmes and investments that have already begun and will continue in the year 2024. Amounts due to banks totalled Euro 23.6 million and are as follows



represented by €14.07 million of current bank debt, such as self-liquidating and finimport lines and the portion of short-term loans, and by the portion of medium- and long-term bank debt in the amount of €9.5 million.

For all detailed information and comments, please refer to the management report, which is made available to the public, together with the draft annual financial statements, the report of the Board of Statutory Auditors and the Independent Auditors, at the Company's registered office, as well as on the Company's *website*, within the terms provided for by current regulations.

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In light of the above, we therefore submit the following for your approval

Proposal for a resolution

"The Shareholders' Meeting of Energy S.p.A., convened in ordinary session:

- having examined the figures of the annual financial statements as at 31 December 2023, with the relevant Reports submitted by the Board of Directors, the Board of Statutory Auditors and the Auditing Firm*

resolution

- 1. to approve the annual budget as at 31 December 2023'.*



2. Allocation of the annual result. Related and consequent resolutions.

Dear Shareholders,

the financial statements as of 31 December 2023 of Energy S.p.A. ("**Company**"), subject to approval pursuant to the first item on the agenda of this Meeting, show a profit for the year of €5,609,200.

On this point, please refer to what is better illustrated in the notes to the financial statements prepared by the Board of Directors of the Company.

In relation to the results achieved, with regard to the second item on the agenda, we propose to allocate the profit for the year of EUR 5,609,200 as follows:

(i) Euro 250 to the legal reserve; and (ii) Euro 5,608,950 to retained earnings.

*o*o*

In light of the above, we therefore submit the following for your approval

Proposal for a resolution

"The Shareholders' Meeting of Energy S.p.A., convened in ordinary session:

- *examined the figures of the annual financial statements as at 31 December 2023, with the respective Reports submitted by the Board of Directors, the Board of Statutory Auditors and the Auditing Firm; e,*
- *Having regard to the proposal of the Board of Directors*

resolution

1. *to allocate the year's profit of Euro 5,609,200 to:*



- Euro 250 to the legal reserve; and
 - Euro 5,608,950 to retained earnings.
2. to vest the Board of Directors - and on its behalf the Chairman of the Board of Directors and the Chief Executive Officer - severally - with the broadest powers to execute this resolution".

Rovereto, 24 April 2023

For the Board of Directors The
Chairman
Alessandro Granuzzo



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