
algoWatt's Board of Directors approved the Interim Report as at 30 September 2022. Significant improvement in revenues and EBITDA

- Revenues of Euro 20.8 million (Euro 14 million as at 30/09/2021; +47.68%)
- EBITDA of Euro 8 million (Euro -0.4 million as at 30/09/2021) with an EBITDA margin of 38.36%.
- EBIT of Euro 4.2 million (Euro -3.8 million as at 30/09/2021), Profit before tax (EBT) of Euro 3.8 million (Euro 3.4 million as at 30/09/2021; +10.1%)
- Net profit of Euro 2.7 million (Euro 4 million as at 30/09/2021; -33%)
- Net Financial Position of Euro 13.2 million (Euro 12.8 million as of 31/12/2021; +3.29%)
- Net equity of Euro 14.5 million (Euro 12.1 million as at 31/12/2021; +20%)
- Notice of release of the Interim Management Report as at 30 September 2022

algoWatt S.p.A., *GreenTech Solutions Company* listed on the Euro next Milan market of Borsa Italiana, announces that the Board of Directors of the Company, which met today, approved the Interim Consolidated Management Report as at 30 September 2022.

Main consolidated economic and financial results

Revenues amounted to Euro 20.8 million (Euro 14 million as at 30/09/2021; +47.68%). It should be noted that the significant increase is mainly due to the positive economic impact of a settlement agreement finalised in August by the South African subsidiary TerniEnergia Project Ltd, which resulted in the recognition of an extraordinary income of about Euro 7.8 million. It is to be noted the significant contribution to revenues deriving from the results of activities related to the design and development of software, products and solutions for the energy, utility and mobility sectors, amounting to about Euro 7.5 million. The remaining part of the revenues refers to the realisation of projects as part of the energy requalification of buildings and energy saving activities for Euro 1.1 million, and to the O&M activity of photovoltaic plants for Euro 0.8 million. Revenues also include the results of Research & Innovation and technology transfer activities, which contributed about Euro 1.4 million, capitalisations on projects developed with internal resources, in the amount of Euro 1.7 million. Finally, about Euro 0.4 million emerged from the recognition of some tax credits related to R&D and training activities. EBITDA amounted to Euro 8 million with a considerable increase compared to the same period of the previous year (Euro -0.4 million as of 30/09/2021), with EBITDA Margin equal to 38.36%, a consistent increase. Adjusted EBITDA, representative of EBITDA attributable to ordinary activities, (calculated as EBITDA gross of restructuring costs, equal to Euro 311 thousand, and "other operating costs", equal to Euro 267 thousand, "contingent liabilities", equal to Euro 163 thousand and without considering the extraordinary contribution of the settlement of the company TerniEnergia Project Ltd equal to Euro 7.6 million) amounted to approximately Euro 1 million (Euro 0.7 million as at September 30, 2021). The adjusted EBITDA margin amounted to approximately 7.8% (4.8% as at 30 September 2021).

The Net Operating Profit (EBIT) amounted to approximately Euro 4.2 million, an improvement of Euro 8.1 million compared to the corresponding figure of the previous year (Euro -3.8 million as of 30/09/2021). The change is mainly attributable to the proceeds of the settlement described above.

Profit before tax (EBT) amounted to Euro 3.8 million (Euro 3.4 million as at 30 September 2021; an improvement of 10.1%). It should be noted that the result for the nine months ended 30 September 2021 had been positively impacted by the effects of the restructuring agreement with banks and bondholders, which had resulted in the recognition of a financial income of over Euro 8 million.

Net profit, after taxation of Euro 1.1 million, amounted to Euro 2.7 million, down from the corresponding figure for the previous year (Euro 4 million as at 30/09/2021; -33%) due to the effects described above.

The Net Financial Position amounted to Euro 13.2 million (Euro 12.8 million as of 31.12.2021; +5.73%), with debt divided into a short-term portion of Euro 1.6 million and a long-term portion of Euro 11.6 million.

Current debt as of 30 September 2022 mainly includes short-term credit lines used as advances on invoices. The non-current portion of debt mainly includes the residual exposure to banks, for which the Financial Agreement signed last year provides for limited repayments for 2023 and 2024 (amounting to approximately Euro 1.2 million per year) without accruing interest expense. The repayment of the portion remaining after the 2023 and 2024 repayments is tied to the so-called "liquidity event" defined in the Financial Agreement and related to the sale of algoWatt to be realised starting from June 2025.

Net Equity amounted to approximately Euro 14.5 million (Euro 12.1 million as at 31/12/2021; +20%). Net Equity also takes into account treasury shares held in the portfolio, which amount to 1,012,998 (2.15% of the share capital).

Business outlook

International macroeconomic scenarios indicate that the continuation of the energy crisis coupled with a change in the tone of monetary policy could cause the world economy to decelerate. The picture is burdened by multiple downside risks related to: the aggravation of geopolitical tensions, the persistence of high levels of inflation, the possible adoption of excessively restrictive and uncoordinated monetary policies, and the more abrupt slowdown of the Chinese economy. In any case, the process of transformation towards a new digital economy and ecological transition, which began after the Pandemic, is now unstoppable and opens up vast opportunities for growth and development for companies like ours, which integrate the two objectives. High-speed communication software infrastructures, electronic commerce, new digital experiences, and a strong acceleration towards automation and green tech, continue to represent the building blocks of the economy in the coming years.

algoWatt is working to implement the Recovery Plan pursuant to Article 67, paragraph 3, letter d), of the Bankruptcy Law (now Article 56 CCII) and the related Financial Agreement. It is quite clear, moreover, that the 2022-2024 Plan was prepared on the basis of forecasts and assumptions concerning future management and reference market dynamics, which, although reasonable, present profiles of uncertainty due to the uncertainty connected to the realisation of future events and the characteristics of the markets in which the Group operates. These scenarios, strongly influenced by the raw materials crisis, the repercussions of international

geopolitical instability, the trend of the money markets and the growth in inflation also connected to the Ukrainian conflict, together with, as regards more endogenous profiles, the change in management and the protraction, beyond the expected timeframe, of the reorganisation and streamlining of business processes, have led to a slowdown in the attempt to acquire new orders and new requests for the development of activities, which are moreover increasingly complex. Likewise, it was necessary to launch a series of risk containment measures that affected all those aspects that would have generated excessive commitments not proportionate to the economic aspects. In the short term, these events could, in some cases, have repercussions on the Group's business and economic, equity and financial situation.

To this end, also with a view to eliminating the risk of non-compliance with the financial commitments imposed by the financial manoeuvre, as well as to support business continuity and growth, the management is exploring - as envisaged in the 2022-2024 plan - the possibility of resorting to extraordinary transactions also aimed at allowing for an early fulfilment of the obligations set forth in the Plan and the Financial Agreement.

ADDITIONAL INFORMATION REQUIRED BY CONSOB PURSUANT TO ARTICLE 114 OF LEGISLATIVE DECREE NO. 58/98 (TUF)

The main changes in related party transactions of this company and its Group since the last annual or half-yearly financial report approved pursuant to Article 154-ter of the Consolidated Law on Finance.

There have been no significant changes in the Company's and the Group's related party transactions since the last approved financial report.

Any failure to comply with covenants, negative pledges and any other clause in the Group's indebtedness involving limits on the use of financial resources, with an updated indication of the degree of compliance with these clauses

It should be recalled that on 7 December 2021, following the closing for the sale of the shares representing the entire share capital of three photovoltaic farming companies, algoWatt announced that it had met the covenant related to the 2021 Financial Parameter, which envisaged the completion of divestments for a countervalue of at least Euro 9 million, as envisaged by the Financial Manoeuvre related to the Reorganisation Plan.

With regard to financial commitments (covenants) for the year ending 31 December 2022, it should be noted that its parent company Italeaf has committed to repaying debts to the bank for a minimum amount of Euro 6 million through the sale of industrial assets.

In particular, the covenant of the parent company Italeaf is represented by the sale of real estate assets (named Maratta and Nera Montoro), from the disposal of which the liquidity necessary to meet the repayments to the banks is expected, to be made by 31 December 2022, amounting to approximately Euro 8.2 million, taking into account a flexibility mechanism that reduces the reimbursements for 2022 from 18% to 12% in the event of

lower collections than expected, but in any case not below Euro 6 million ("Italeaf Reimbursement"). The directors of the Parent, taking into account the information shared with its parent company, believe that it is not probable that the aforesaid sales will be completed by the close of the 2022 financial year. For this reason, taking into account that the described situation of probable delayed disposal of the properties would, if confirmed, constitute a case of termination of the Finance Agreement to which algoWatt has also adhered, the directors of algoWatt and of its parent company resolved to promptly jointly request - and are about to submit - a "Stand Still" proposal in order to renegotiate, in accordance with the timing that will be agreed upon as a result of the "Stand Still" request, an amendment to the Finance Agreement and the Plan.

With regard to the financial commitments (covenants) relating to the financial year ending 31 December 2022, it should be noted that the parent company algoWatt is obliged to comply with a NFP/Ebitda ratio of no more than 4 (which, in subsequent financial years, will increase to 3). Against this background and based on the actual results as at 30 September 2022, the Directors of algoWatt believe that the likelihood of compliance with this covenant is low. The Directors of algoWatt will also constantly monitor the evolution of the Company's operating results and the performances that will be achieved, also having regard to the matters set forth in paragraph 1.6 below, reserving the right, if necessary, to evaluate any possible interventions with respect to the current provisions of the Financial Agreement and the Plan also concerning algoWatt.

The status of implementation of any industrial and financial plans of the algoWatt Group, highlighting any deviations of actual data from the planned ones

Please refer to the previous point and to the Business Outlook.

Filing documentation

We inform that the Interim Management Report as at 30 September 2022 has been filed and made available to the public today at the company's registered office, at Borsa Italiana S.p.A. as well as on the centralised storage mechanism authorised by Consob "1Info", which can be consulted at www.1info.it.

The above documentation is also available on the company's website www.algowatt.com in the Investor Relations / Financial Statements section.

Pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Filippo Calisti, declares that the accounting information contained in this press release corresponds to the documented results, books and accounting records.

This press release is also available on the Company's website www.algowatt.com and on the regulated information dissemination system 1INFO www.1info.it.

alگوWatt (ALW), a *GreenTech solutions company*, designs, develops and integrates solutions for managing energy and natural resources in a sustainable and socially responsible manner. The company provides management and control systems that integrate devices, networks, software and services with a clear sectoral focus: digital energy and utilities, smart cities & enterprises and green mobility. alگوWatt was born from the merger of TerniEnergia, a leading company in the renewable energy and environmental industry, and Softeco, an ICT solutions provider with over 40 years of experience for customers operating in the energy, industry and transport sectors. The company, with more than 200 employees in 7 locations in Italy and investments in research and innovation amounting to more than 12% of its turnover, operates with an efficient corporate organisation, focused on its reference markets: Green Energy Utility: renewable energies, digital energy, smart grids; Green Enterprise&City: IoT, data analysis, energy efficiency, building and process automation; Green Mobility: electric, sharing and on demand. Different markets, one focus: sustainability. alگوWatt is listed on the Euro next Milan market of Borsa Italiana S.p.A..

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Attached:

- **Consolidated statement of financial position as at September 30th, 2022**
- **Reclassified consolidated income statement as at September 30th, 2022**
- **Reclassified consolidated income statement as at September 30th, 2022**

Consolidated statement of financial position as at September 30th, 2022

(in Euro)	As at September, 30 2022	As at December, 31 2021	Change	Change %
Intangible assets	14,385,905	15,335,596	(949,691)	(6.19)%
Property, plant and equipment	2,357,416	3,118,069	(760,653)	(24.39)%
Financial fixed assets and other intangible assets	22,048,042	23,870,489	(1,822,447)	(7.63)%
Fixed Assets	38,791,363	42,324,154	(3,532,790)	(8.35)%
Inventories	8,652,811	7,988,806	664,005	8.3%
Trade receivables	18,713,355	22,977,591	(4,264,236)	(18.56)%
Other assets	9,406,223	9,342,237	63,986	0.7%
Trade payables	(16,783,751)	(29,880,465)	13,096,714	(43.83)%
Other liabilities	(24,261,729)	(20,608,414)	(3,653,314)	17.7%
Net working capital	(4,273,091)	(10,180,245)	5,907,154	(58.03)%
Provisions and other non-trade liabilities	(7,712,792)	(8,219,918)	507,126	(6.17)%
Net Invested Capital	26,805,481	23,923,991	2,881,490	12.0%
Shareholders' Equity	14,492,712	12,111,791	2,380,921	19.7%
Current net financial position	1,546,694	401,164	1,145,530	n.a.
Non-current net financial position	11,618,373	12,344,876	(726,502)	(5.89)%
Total net financial position	13,165,068	12,746,040	419,028	3.3%
(Assets) Net liabilities held for sale	(852,299)	(933,840)	81,541	(8.73)%
Net Invested Capital	26,805,481	23,923,991	2,881,490	12.0%

Reclassified consolidated income statement as at September 30th, 2022

(in Euro)	As at September, 30 2022	As at September, 30 2021	Change	Change %
Net revenues from sales and services	20,747,936	14,048,953	6,698,983	47.7%
Production costs	(3,989,925)	(4,898,105)	908,180	(18.5)%
Added value	16,758,011	9,150,848	7,607,163	83.1%
Personnel costs	(8,798,292)	(9,505,751)	707,459	(7.4)%
EBITDA	7,959,719	(354,903)	8,314,622	n.a.
Amortization, depreciation, provisions and write-downs	(3,729,541)	(3,484,284)	(245,257)	7.0%
EBIT	4,230,178	(3,839,187)	8,069,365	n.a.
Financial income and charges	(408,266)	7,310,896	(7,719,163)	(105.6)%
Pre-tax result	3,821,912	3,471,709	350,202	10.1%
Income taxes	(1,100,207)	399,607	(1,499,814)	n.a.
Result of ongoing activities	2,721,705	3,871,316	(1,149,612)	(29.7)%
Net result from assets held for sale		193,012	(193,012)	(100.0)%
Net profit for the period	2,721,705	4,064,328	(1,342,624)	(33.0)%

Consolidated statement of financial position as at September 30th, 2022

(in Euro)	As at September, 30 2022	As at December, 31 2021
A. Cash	(1,724,817)	(2,621,328)
B. Cash equivalents	-	-
C. Other current financial assets	(6,013)	-
D. Liquidity (A+B+C)	(1,730,831)	(2,621,328)
E. Current financial debt	2,452,522	2,285,186
F. Current portion of non-current financial debt	825,004	737,306
G. Current financial position (E) + (F)	3,277,525	3,022,492
H. Current net financial position (G)– (D)	1,546,694	401,164
I. Non-current financial debt	11,618,373	12,344,876
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
L. Non-current net financial position (I) + (J) + (K)	11,618,373	12,344,876
M. Total net financial position (H) + (L)	13,165,068	12,746,040