

**algoWatt S.p.A.**  
**Registered office in Corso Magenta, 85**  
**Milan**  
**Share capital Euro 12,281,320 fully paid up.**  
**Fiscal Code - Business Register of Milan Monza Brianza Lodi - VAT No. 01339010553**

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS**  
**ON ITEMS ON THE AGENDA**  
**OF THE BONDHOLDERS' MEETING OF THE LOAN**  
**"Algowatt Tv Eur6m+1,5 Dc27 Amort Eur "**  
**Isin Code: IT0004991573**

**Bondholders' meeting**

**26 April 2021, 12.00 noon (first convocation)**  
**30 April 2021, 12.00 noon (second call)**

**Milan, 26 March 2021**

**Explanatory Report of the Board of Directors of algoWatt S.p.A. (the "Issuer" or the "Company") on  
the proposals concerning the items on the agenda.  
day of the bondholders' meeting (the "Meeting") of the bond loan  
named "Algowatt Tv Eur6m+1,5 Dc27 Amort Eur" ISIN Code: IT0004991573" (the "Loan") convened  
in first call on 26 April 2021 at 12.00 noon and, if necessary,  
in second call on 30 April 2021, 12 noon.**

\*\*\*\*\*

This explanatory report has been prepared by algoWatt S.p.A. ("**algoWatt**" or the "**Company**") with reference to the meeting of bondholders holding the "Algowatt Tv Eur6m+1.5 Dc27 Amort Eur" ISIN Code: IT0004991573" bonds (hereinafter "**Bondholders**"), convened for 26 April 2021 at 12:00 (CET) on first call and, if necessary, for 30 April 2021, same time, on second call (the "**Bondholders' Meeting**" or just the "**Meeting**").

The notice of the Bondholders' Meeting will be published on 27 March 2021 in an Italian daily newspaper, "la Repubblica", and on algoWatt's website ([www.algowatt.com](http://www.algowatt.com))

### **Background and reasons for the Assembly**

The purpose of the meeting is to put the following to a vote

#### **agenda:**

1. information to the Bondholders and proposal by the Company: approval of the main terms and conditions of the certified plan for the reorganisation of the company's debt exposure and the rebalancing of its financial situation *pursuant to* Article 67, paragraph 3, letter d) of the Bankruptcy Law currently being finalised by the Company (hereinafter the "**2021 Plan**") as described in greater detail below and in the process of being certified, replacing the plan approved by the Company in 2019 (hereinafter the "**2019 Plan**");
2. conferment of powers in favour of the bondholders' representative, Mr. Marzio Molinari, for the conclusion with algoWatt S.p.A. of a reorganisation agreement *pursuant to* Article 67, paragraph 3, letter d) of the Bankruptcy Law, consistent with the provisions of the 2021 Plan;
3. conferment of powers in favour of the bondholders' representative, Mr. Marzio Molinari, for the subscription of the participating financial instruments (hereinafter "**SFPs**") envisaged by the 2021 Plan as described below;
4. inherent and consequent resolutions on the early redemption and cancellation of the Bonds.

§§§§§

The call of the Bondholders' Meeting follows the resolutions passed by the Bondholders at the meeting held on 20 December 2020 (by deed of Notary Dario Restuccia in Milan, Rep. 6536, Collection 3402 - hereinafter the "**2020 Bondholders' Meeting**") at which the Bondholders resolved:

1. the granting of a *waiver to* the provisions of Article 6 ("Redemption, purchase and cancellation"), paragraphs 6.1 and 6.2 of the Loan Regulation for a period of six months; and (ii) the temporary suspension, for a period of six months, of the provisions of Article 7 ("Events of default"), letters (a) and (g) of the Loan Regulation, with reference to the Company's failure to fulfil its obligations to pay the principal and interest due on the Bonds, as well as with reference to the Company's failure to fulfil its payment obligations under the certified plan for the rehabilitation of the company's debt exposure and the rebalancing of its financial situation pursuant to Article 67, paragraph 3 letter d) of the Bankruptcy Law drawn up by the Company. 67, paragraph 3, letter d) Bankruptcy Law prepared by the Company in September 2019;
2. to grant the bondholders' representative, Mr Marzio Molinari, the widest possible powers to conclude a *non-petition agreement* with the Issuer that implements, regulates and coordinates the above resolutions with the provisions of the Loan Rules;
3. as a result of the stipulation of the *pactum de non petendo referred to* in point 2, the appointment by algoWatt of an *advisor to* be designated from among the three professionals indicated by the Bondholders, for the purpose of carrying out an Independent Business Review (IBR) concerning the Company's business plan.

These resolutions, which are the subject of the 2020 Bondholders' Meeting, were taken on the basis of the report of algoWatt's Board of Directors dated 20 November 2020, which is hereby referred to in full.

In relation to the above resolution and following the completion of the *non-petendo agreement* accepted by the sole representative of the bondholders pursuant to the communication dated 22 December 2020, AlgoWatt, inter alia, (i) appointed Prof. Alessandro Danovi and Dr. Matteo Sala to carry out the IBR; at present, the IBR is being carried out without any criticalities having been reported to the Company; (ii) is in the process of being finalised with no criticalities having been reported to the Company. Matteo Sala to carry out the IBR; at present, the IBR is being carried out without any criticalities having been reported to the Company; (ii) is in the process of finalising the 2021 Plan, the essential contents of which are described below, (iii) has appointed Mr. Franco Carlo Papa (hereinafter the "Attestation **Officer**") to prepare the sworn report *pursuant to* Article 67 relating to the 2021 Plan (the "**2021 Attestation Report**"). The activities relating to the drafting of the 2021 Attestation Report are being carried out without any criticalities emerging at this time and will be issued by the Attestator following, inter alia, the adoption by the Bondholders of the resolutions on the Agenda of the Bondholders' Meeting.

The calling of the Bondholders' Meeting and the need for the Bondholders to express their opinion on the items on the agenda is particularly relevant due to the fact that algoWatt S.p.A. has already defined an industrial *turnaround* process, which has already been started under the 2019 Plan and is to be further implemented in an updated form, aimed at repositioning the Company on the market, as well as at revising its *business model*, as part of an industrial and financial reorganisation process. In this context, the 2021 Plan, as described below, provides evidence of the

financial manoeuvre and the industrial plan that will be implemented in the course of the business plan and of the treatment that will be reserved for the creditors and the general *stakeholders in order to* achieve the recovery of the debt exposure and the rebalancing of the financial situation of algoWatt and the parent company Italeaf S.p.A.

### **Reasons underlying the current financial situation of algoWatt S.p.A.**

With reference to the reasons underlying algoWatt's current financial situation, please refer to the information provided in the Board of Directors' report, on the basis of which the bondholders adopted the resolutions to be discussed at the 2020 Bondholders' Meeting.

With a resolution dated 27 January 2014, algoWatt S.p.A. (formerly "TerniEnergia S.p.A.", hereinafter also just "**algoWatt**") issued a bond originally named '*Algowatt Tv Eur6m+1.5 Dc27 Amort Eur*', listed on the ExtraMOT PRO market, organized and managed by Borsa Italiana S.p.A. (the '**Bond**'), with an original maturity date of 6 February 2019.

In 2019, in the context of a substantial revision of its *business* model and a process of industrial and financial reorganisation, algoWatt's *management* prepared the certified plan for the reorganisation of the company's debt exposure and the rebalancing of its financial situation *pursuant to* Article 67, paragraph 3, letter d) of the Bankruptcy Law (the "**2019 Plan**").

In order to align and make the terms and conditions of the Bond Loan compatible with what is reflected in the 2019 Plan and the related financial manoeuvre, on 27 June 2019, the Board of Directors of algoWatt, as issuer of the Bond Loan, convened the Bondholders' Meeting, which, duly constituted On 30 July 2019, resolved (i) the participation of the Bondholders in, and approval of, the 2019 Plan; (ii) the adoption of the new version of the regulations of the Bond, in receipt of the necessary amendments in order to align and make compatible the terms and conditions of the regulations of the Bond with what is reflected in the 2019 Plan and the related financial manoeuvre; as well as (iii) the granting of an all-inclusive *waiver* relating to circumstances that have already occurred with respect to the Bond or that are specifically identifiable as constituting a material *event of default* and/or any other event and/or circumstance, which could have led to an acceleration of the Bond by the *Bondholders* and therefore the early redemption thereof.

Following this resolution, the appropriate amendments were made to the regulations of the Bond (hereinafter, the "**Regulations**"), which currently provide for its repayment in accordance with the amortisation schedule set out in the 2019 Plan (hereinafter, the "**Bond Amortisation Plan**"), which also reflects algoWatt's exposure relating to the Bond.

In execution of the 2019 Plan, algoWatt has entered into agreements with, *inter alios*, Mediocredito Centrale S.p.A., Banca Nazionale del Lavoro S.p.A., Banco Desio e della Brianza S.p.A., UBI Banca S.p.A., Banco BPM S.p.A., De Lage Landen International B.V. - Succursale di Milano, Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., SACE SRV S.r.l., Sardaleasing S.p.A., UniCredit Leasing S.p.A., UniCredit S.p.A., AMCO S.p.A. (formerly SGA S.p.A.) (hereinafter the "**Lenders**") and with Loan Agency Services S.r.l., as agent, a financial agreement (hereinafter the "**Financial Agreement**"), concerning, *inter alia*, the amendment of certain terms and conditions

for the repayment of the financial exposure claimed by the Lenders from algoWatt (hereinafter the "**AlgoWatt Exposure**").

Italeaf S.p.A. (hereinafter also referred to as "Italeaf") participated, *inter alia*, in the signing of the Finance Agreement. (hereinafter also referred to as "**Italeaf**"), as the controlling shareholder of algoWatt, in order, *inter alia*, to

- (i) take note of the changes made to the AlgoWatt Exposure as a result of the signing and completion of the Finance Agreement; and
- (ii) to irrevocably and unconditionally acknowledge and confirm the guarantees set out in Schedule 3.5 (*Italeaf Existing Guarantees*) of the Finance Agreement (the "**Italeaf Guarantees**") in favour of the Lenders as security for the algoWatt Exposure.

*Medio tempore*, Italeaf has entered into negotiations with the credit institutions Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., MPS Leasing & Factoring S.p.A., Banco di Desio e della Brianza S.p.A. (formerly Banca Popolare Spoleto S.p.A.), UniCredit S.p.A., AMCO (hereinafter, the "**Italeaf Banks**") aimed at regulating the situation of the Italeaf Banks. (formerly Banca Popolare di Spoleto S.p.A.), UniCredit S.p.A., AMCO (hereinafter, the "**Italeaf Banks**") negotiations aimed at regulating the situation of temporary financial tension that had arisen, with particular reference to the debt exposure of Italeaf to the Italeaf Banks (hereinafter, also only the "**Italeaf Exposure**").

In light of the spread of the Covid-19 health pandemic, which had an impact both on *business* growth, which was lower than expected, and on the process of disposing of industrial *assets*, the *management* of AlgoWatt and Italeaf deemed it necessary to prepare a new business plan, aimed at updating and revising the provisions of the Recovery Plan, as well as activities aimed at recovering the debt exposure and rebalancing the financial situation of Italeaf (the "**2021 Plan**"), and for this purpose commissioned the financial *advisor* R& S Advisory S.p.A. to draw up a new business plan. S Advisory S.r.l., as well as appointing the legal firm Fallanca-Scicolone & Partners, in the person of lawyer Marco Scicolone, to provide legal assistance.

Given the existence of a significant interconnection between the resolution of the financial distress of algoWatt and that of Italeaf, taking into account the existing financial relationships between them, including the Italeaf Guarantees, the New Financial Manoeuvre will affect both algoWatt and Italeaf and entails the need to propose to the Bondholders' Meeting a settlement by way of *datio in solutum* of the existing debt exposure, for principal and interest, to the Bondholders through the assignment of SFPs convertible into shares upon implementation of the sale of algoWatt by Italeaf (hereinafter the "**Proposal to Bondholders**").

### **Main contents of the 2021 Plan**

The most important element, which is a precursor to the successful outcome of the restructuring operation, is the substantial debt reduction and forward valorisation of algoWatt, as a result of a financial plan for the disposal of Italeaf, also taking into account the current structure of the Italeaf Guarantees.

Italeaf, in fact, intends to complete the liquidation of its real estate assets by 31.12.2022 and of the algoWatt shareholding by 31 December 2025 and, in order to facilitate the debtor's indebtedness and the best possible valorisation of algoWatt, is willing to approve a capital increase of algoWatt to service the Bondholders' Proposal.

- **The Bondholders' Proposal**

The Proposal to Bondholders provides for the full conversion of its principal and interest exposure into SFPs, convertible into newly issued shares of algoWatt and representing a relative majority interest (compared to that of Italeaf - post-dilution) in the capital of algoWatt, as well as the payment of a portion of the interest.

This conversion into shares is expected at the time of the change of control of algoWatt and in any event by 31 December 2025; in addition to the rules on conversion into ordinary shares, the PFS regulations will provide the following equity and administrative rights in favour of the PFS holders.

**A - General characteristics of SFPs:**

The PFS shall be assigned to the Bondholders, as a result of the signing by the sole representative of the Bondholders of the reorganisation agreement relating to the 2021 Plan (hereinafter the "**Reorganisation Agreement**") by way of *datio in solutum* extinguishing any claim of the relevant holder, for accounting purposes in the ratio of "*performance*" of no. 1 PFS "*in lieu of performance*" for each Euro of which each Bondholder is a creditor. The GFS shall be freely transferable, in full amount only. On the other hand, the voluntary creation of security interests in the GFS is prohibited.

Withdrawal by PFS holders is excluded.

The SFPs have a duration until 31 December 2025 ("**Expiry Date**"), or, if earlier than the Expiry Date, until the date of any *change of control* of algoWatt, to be implemented in accordance with the provisions of the 2021 Plan and the Reorganisation Agreement.

No guarantees are given or commitments made to secure any remuneration of the GFS, subject to the payment of interest by virtue of the exercise of the property rights set forth in paragraph B below.

The GFS constitutes a risk investment, comparable to *equity* (although not a contribution to capital), given that it is issued without an obligation to redeem, subject to the capital rights referred to in paragraph B below.

Early termination of the GFS, with the extinction of all rights attached to the GFS, shall occur in the event of a full conversion of the GFS into shares, by virtue of the exercise of the capital rights referred to in paragraph B below.

The SFPs may also be subscribed **(i)** by Italfondionario S.p.A., C.F. 00399750587, with registered office in Rome, via M. Carucci n. 131, Rome ("**Italfondionario**", as assignee of Banco Desio S.p.A.), in relation to the medium-long term credit exposure not backed by a *corporate* surety issued by the parent company of algoWatt, Italeaf S.p.A., at 31.12.2020 equal to the principal and accrued interest for a total amount of Euro 629,613.00 (the "**Italfondionario Unsecured Exposure**"), as well as **(ii)** by AMCO Asset Management Company, Fiscal Code 05828330638, with registered office in Naples, via Santa Brigida n. 39 ("**AMCO**", as "**Italfondionario Unsecured Exposure**"). 39 ("**AMCO**", as assignee of Banca Monte dei Paschi di Siena S.p.A.), in relation to the medium/long-term credit exposure not backed by a *corporate* surety issued by the parent company of algoWatt, Italeaf S.p.A., as of 31

December 2020, equal to the principal and accrued interest for a total amount of Euro 2,342,353.00 (the "**AMCO Unsecured Exposure**"), as well as **(iii)** by SACE S.p.A., C.F. 058045.00. **(iii)** by SACE S.p.A., Tax Code 05804521002, with registered office in Rome, Piazza Poli no. 37/42 ("**SACE**"), in relation to the medium/long-term credit exposure not backed by a *corporate* surety issued by the parent company of algoWatt, Italeaf S.p.A., as at 31 December 2020, equal to the principal and accrued interest for a total of Euro 918,122.00 (the "**SACE Unsecured Exposure**") and **(iv)** by any additional third party successors in the medium/long-term credit exposure of Banca Nazionale del Lavoro S.p.A., C.F. 093391006, with registered office in Rome, viale Altiero Spinelli n. 30 ("**BNL**"), not backed by a *corporate* surety issued by the parent company of algoWatt, Italeaf S.p.A., as at 31.12.2020 equal to the amount by way of principal and accrued interest for a total of Euro 1,361,603.00 (the "**Ex-BNL Unsecured Exposure**").

The subscription of the SFPs by Italfondario and/or by AMCO and/or by SACE and/or by third parties shall not affect the treatment of the bondholders in relation to the SFPs assigned to them in accordance with the provisions set out below for the capital and administrative rights of the SFP holders and shall not affect the continued holding by the Bondholders subscribing to the SFPs of a relative majority interest (with respect to that of Italeaf - post-dilution) in the share capital of algoWatt.

#### **B - Capital rights of the PFS holders:**

From the date on which the Reorganization Agreement is entered into (the "**Enjoyment Date**") and until 31 December 2025 (or until the date of *change of control* of algoWatt, whichever is earlier), the PFS shall grant to each holder the equity rights on the terms and conditions set out below.

Each PFS entitles the relevant holder to receive, in proportion to the number of PFS held by the holder to the total number of PFS, *pari passu* with the other PFS Holders,

- (i) with respect to the Bondholders, the payment, by 31 December 2021, of 70% of the interest accrued on the Bond between the date of 6 February 2018 and the date of signing of the Reorganisation Agreement out of the proceeds of the disposals provided for in the Reorganisation Plan and the Reorganisation Agreement (hereinafter the "**Bondholder Interest Distribution**");
- (ii) the right to commence the process of selling the majority of algoWatt's share capital, to be completed, in accordance with the terms of the 2021 Plan and the Reorganisation Agreement, by and no later than 31 December 2025 (the "**algoWatt Sale**") if not commenced by the Company by 30 June 2025, with the related right of carryover vis-à-vis the other Bondholders';
- (iii) the right and obligation to co-sell all PFS or all shares resulting from the Conversion at the AlgoWatt Sale;
- (iv) the right to convert the SFPs into algoWatt shares.

The GFS shall not be entitled to any return or interest of any kind, subject to the Distribution of Bondholder Interest.

Rights in property are time-barred after the Expiry Date.

The Bondholders' Interest Distribution will be executed using the resources deriving from the divestments provided for this purpose in the 2021 Plan and the Reorganisation Agreement.

### **C - The conversion of SFPs into algoWatt shares:**

On or before the Maturity Date, or earlier at the time of the *change of control* of algoWatt, the Special Meeting of SFP holders (referred to in D below) may resolve to convert the SFPs into newly issued algoWatt ordinary shares ("**Conversion**").

Conversion may only relate to the entirety of the PFS, partial conversion of the PFS being excluded.

If the Conversion occurs at the time of the *change of control* of algoWatt, to be implemented in accordance with the provisions of the Redevelopment Plan and the Redevelopment Agreement, the number of newly issued algoWatt shares allocated to the individual PFS Holders shall be defined according to the valuation recognised by the purchaser of the controlling interest in algoWatt, such that the PFS Holders shall be entitled to a repayment (*i*) as to the Bondholders who are PFS Holders, at most equal to the par value of the pro-rata Bond originally held, plus a compound annual rate of return of 10% from the date of signing of the Reorganization Agreement.

The Conversion of the SFPs into algoWatt ordinary shares therefore involves, with the replacement of the SFPs, an objective novation of the rights of the holder.

In order to service the SFP Conversion, the Board of Directors of algoWatt will be authorised by the Bondholders' meeting of algoWatt to carry out a capital increase, to be executed also in several *tranches*, by issuing up to 54,453,043 ordinary shares of algoWatt having the same characteristics as the outstanding ordinary shares and exclusively and irrevocably intended to service the SFP Conversion. Such shares shall be admitted to trading on the Milan Stock Exchange, MTA segment, or on the different market on which the ordinary shares outstanding at the date of issue are traded.

Following the Conversion, the Board of Directors of algoWatt will issue algoWatt ordinary shares, in one or more tranches, up to a maximum number of 54,453,043, or up to a maximum amount equal to the nominal value of the Bond, the Italfondario Unsecured Exposure, the AMCO Unsecured Exposure, the SACE Unsecured Exposure and the exposures to any other subscribers of the SFPs, plus a compound annual rate of return of 10% from the Issue Date.

For illustrative purposes only, a table explaining the Conversion Ratio is attached as *Annex 1*.

The Company shall promptly arrange for the adoption of the necessary amendments to its by-laws for the issuance of the Participating Financial Instruments upon completion of the Reorganisation Agreement.

### **D - Administrative rights of PFS holders:**

It is envisaged that a special meeting of the holders of the GFS (hereinafter referred to as the "**Special Meeting**") will be constituted.

The Special Meeting of PFS Holders may meet for the purpose of passing resolutions:

- a) on the approval of resolutions of the Bondholders' meeting of the Company which directly and presently prejudice the rights of the holders of the PFF, provided that resolutions concerning the approval of the financial statements of the Company shall not constitute prejudicial resolutions;

- b) on the exercise of the rights conferred on PFS holders;
- c) on the appointment, term of office and removal of the Common Representative (the "**Common Representative**"), who shall have the functions set out below, and on liability action against him;
- d) on the setting up of a fund for the expenses necessary for the protection of common interests and on the accounting thereof;
- e) disputes with the Company and related settlements and waivers;
- f) on other objects of common interest to the category.

Each SFP has one vote at the Special Meeting.

The Special Meeting, whether in first or second call, if any, shall pass resolutions with the affirmative vote of at least 50% of the value of the GFS. The minutes shall be drawn up by a Notary Public.

The Common Representative of the PFF Holders shall see to the execution of the resolutions of the Special Meeting and shall safeguard the common interests of the PFF Holders; he shall have the right to intervene, without the right to vote, in the general meeting of the Company, in order to communicate the resolutions passed by the Special Meeting.

The SFPs grant the holders, pursuant to a resolution of the Special Meeting, the right to indicate, from a shortlist of names provided by the Company, an independent professional with the role of Chief Restructuring Officer ("**CRO**"), with functions of control and monitoring of the implementation and execution of all the transactions provided for in the 2021 Plan and in the Reorganisation Agreement, the CRO being granted the powers described in the annex *under Attachment 2*, with costs to be borne by the Company. The appointment of the CRO will be completed in a timely manner, subject to a resolution by the Board of Directors of algoWatt S.p.A. to be taken after the completion of the Reorganisation Agreement.

- **The Proposal to Lenders**

The 2021 Plan provides, in its main terms, for the following treatment of Lenders in addition to Bondholders:

- payment in full and in full of 20% by 31.12.2021, entirely from the proceeds of the Divestitures, of the exposures at 31.12.2020 to the algoWatt lenders not secured by a *corporate* surety provided by Italeaf (a total of approximately €10.5m including interest accrued and not paid up to that date, gross of the algoWatt lenders who opted to convert their exposure to PFS);
- the partial payment in four *tranches* of approximately 40% between 31.12.2021 and 31.12.2025 of the exposures at 31.12.2020 to the AlgoWatt Lenders secured by a corporate surety provided by Italeaf (for a total of approximately €24.3m, including interest accrued and unpaid to that date). In addition, the Lenders secured by a *corporate* surety provided by Italeaf, for the portion of the guaranteed exposure, will participate *pari passu* with the Italeaf Banks in the partial repayment of the portion of the debt written off from their exposures using the proceeds from the sale of Italeaf's real estate assets and the equity investment in algoWatt, which, together with the subordinated shareholder credit resulting from Italeaf's subrogation, will be valued upon execution of the sale of algoWatt; in fact, the agreements regulating the purchase of the majority

stake in algoWatt are also expected to regulate the repayment or purchase of the credit deriving from the subrogation of Italeaf for the amount paid by it to the guaranteed Lenders.

- The assignment free of charge to the Lender Intesa Sanpaolo of 1 warrant for every €2.00 of medium/long-term exposure at 31.12.2020, including accrued and unpaid interest, and therefore of 9,067,968 *warrants* ("**AlgoWatt Warrants**") in exchange for maintaining - until the date of execution of the sale of AlgoWatt - the operation in favour of AlgoWatt of the short-term credit lines granted to date and at the current contractual conditions. The algoWatt Warrants, which grant the right to subscribe one new algoWatt share for each algoWatt Warrant at a *strike price* of €0.25, will be exercisable from the day after the date on which the Reorganisation Agreement is signed, subject to the following conditions:
  - that the financial resources deriving from the subscription of the capital increase to service the exercise of the Warrants be kept at the disposal of algoWatt to facilitate the execution of algoWatt's new business plan;
  - that the share package resulting from the exercise of the algoWatt Warrants has no governance rights, no dual voting rights and is subject to *lock-up* until the date of sale of algoWatt;
  - right and obligation to co-sell the entire share package resulting from the exercise of the algoWatt Warrants upon the sale of algoWatt.

- **Divestments to be completed**

The 2021 Plan also requires algoWatt to complete the divestments of those assets that are no longer strategic for the most part already identified in the 2019 Plan and to date not yet implemented ("**Divestitures**"), and in particular:

- (i) the sale of photovoltaic energy production plants (held by Società Agricola Fotosolara Cheremule Srl, Società Agricola Fotosolara Oristano Srl, Società Agricola Fotosolara Bonnanaro Srl and Soltarenti Srl);
- (ii) the sale of treatment and recovery plants for end-of-life tyres (located in Borgo Val di Taro and Nera Montoro);
- (iii) the sale of the shares of the company Purify Srl, owner of the Nera Montoro liquid purification plant (Purify);
- (iv) the sale of the Nera Montoro biodigester and the shares in GreenASM Srl;
- (v) the sale of the biomass-fuelled pyrogasification plant in Borgosesia;
- (vi) the sale of the 'silos ad arconi' in Nera Montoro.

As a result of these Divestitures, the 2021 Plan envisages an overall financial benefit, in terms of equity value per algoWatt, of approximately € 12.9 million (already net of transaction costs related to the Divestitures), in addition to the assumption by the purchasers of the assets of the financial debt on the assets to be Divested, if any.

### 3. Resolutions required of Bondholders on the convocation of the Bondholders' Meeting

In this context, it is necessary that the Bondholders' Meeting resolves, in due time before the adoption of the resolutions proposed below, (i) to approve the 2021 Plan, (ii) to sign the Reorganization Agreement which will implement the provisions of the 2021 Plan and will regulate the treatment of the bondholders as indicated above, (iii) to subscribe to the PFS with the characteristics indicated above, (iv) to adopt the consequent resolutions on the basis of the consequent scheduled extinction and/or cancellation of the Bonds.

To this end, the Company requests that the Bondholders' Meeting grant all necessary powers in favour of the Bondholders' representative, Mr. Marzio Molinari, for the completion with algoWatt S.p.A. of the Reorganisation Agreement and for the subscription of the SFPs

### 4. Approval of agenda items

Below are the items on the agenda together with the proposals of the Board of Directors regarding the adoption of the relevant resolutions:

1. approval of the main terms and conditions of the certified plan for the recovery of the company's debt exposure and the rebalancing of its financial situation *pursuant to* Article 67, paragraph 3, letter d) of the Bankruptcy Law currently being finalised by the Company ("**2021 Plan**"), replacing the plan approved by the Company in 2019 ("**2019 Plan**");
2. conferment of powers on the bondholders' representative, Marzio Molinari, for the conclusion of a reorganisation agreement with algoWatt S.p.A. *pursuant to* Article 67, paragraph 3, letter d) of the Bankruptcy Law, consistent with the provisions of the 2021 Plan;
3. conferment of powers in favour of the representative of the bondholders, Mr. Marzio Molinari, for the subscription of the participatory financial instruments ("**SFP**") envisaged by the 2021 Plan;
4. inherent and consequent resolutions on the early redemption and cancellation of the Bonds.

The Board of Directors, therefore, submits to the convened Bondholders' Meeting the following proposal for a resolution regarding the items on the agenda:

*"The Bondholders' Meeting of algoWatt S.p.A., having taken note of the contents of the report of the Board of Directors of algoWatt dated 26 March 2021 and as a result of the discussion at the meeting,*

#### **Resolution**

1. *to approve the new certified plan for the recovery of the company's debt exposure and the rebalancing of its financial situation pursuant to Article 67, paragraph 3, letter d) of the Bankruptcy Law ("**2021 Plan**"), replacing the plan approved by the Company in 2019;*
2. *to grant all necessary or appropriate powers to the representative of the bondholders, Mr. Marzio Molinari, for the conclusion with algoWatt S.p.A. of a reorganisation agreement pursuant to Article 67, paragraph 3, letter d) of the Bankruptcy Law in line with the provisions of the 2021 Plan, all with a promise of payment and validity and with exemption from liability;*

3. *to grant any necessary or appropriate power to the representative of the bondholders, Mr. Marzio Molinari, for the subscription of the participatory financial instruments (hereinafter "PFS") under the 2021 Plan, all with a promise of rata and valid and with exemption from liability;*
4. *to mandate the representative of the bondholders, Mr. Marzio Molinari, to ensure that he, in coordination with the Board of Directors of algoWatt and as a result of the signing of the reorganisation agreement and the subscription of the SFPs referred to in points 2 and 3 above of the resolutions, undertakes all necessary and/ or appropriate activities to ascertain the extinction and/ or cancellation of the Bonds;*
5. *to acknowledge that the resolutions referred to in the foregoing points are expressly subject to the positive issuance of the 2021 Attestation Report and the approval by algoWatt's deliberating bodies of the 2021 Plan and the 2019 and 2020 financial statements.*

**algoWatt S.p.A.**

**The Chairman of the Board of Directors**

**Lawyer Stefano Neri**

## Annex 1

Istituto di Credito	Tipologia di linea	Esposizione al 31.12.2020 €	# SFP	Rapporto di conversione	# Azioni da Conversione
<i>AMCO</i>	<i>Linee di credito consolidate</i>	2.342.353	2.342.353	0,5556	4.216.235
<b>Totale AMCO</b>		<b>2.342.353</b>	<b>2.342.353</b>		<b>4.216.235</b>
<i>ex Banco Desio</i>	<i>Finanziamento MLT</i>	184.165	184.165	0,5556	331.497
<i>ex Banco Desio</i>	<i>Linee di credito consolidate</i>	445.448	445.448	0,5556	801.806
<b>Totale Italfondiaro</b>		<b>629.613</b>	<b>629.613</b>		<b>1.133.303</b>
<i>SACE S.p.A.</i>	<i>Linee di credito consolidate</i>	918.122	918.122	0,5556	1.652.620
<b>Totale SACE</b>		<b>918.122</b>	<b>918.122</b>		<b>1.652.620</b>
<i>ex BNL</i>	<i>Linee di credito consolidate</i>	1.361.603	1.361.603	0,5556	2.450.885
<b>Totale altri successori</b>		<b>1.361.603</b>	<b>1.361.603</b>		<b>2.450.885</b>
<i>Obbligazione</i>		25.000.000	25.000.000	0,5556	45.000.000
<b>Totale Obbligazione</b>		<b>25.000.000</b>	<b>25.000.000</b>		<b>45.000.000</b>
<b>TOTALE</b>		<b>30.251.691</b>	<b>30.251.691</b>		<b>54.453.043</b>

## **Powers of the Chief Restructuring Officer (CRO)**

### **A - Organisational framework**

The Chief Restructuring Officer (CRO), has control and monitoring functions over the implementation and execution of all the transactions provided for by (i) the recovery plan pursuant to art. 67 letter d. L.F. approved by the Board of Directors (the "**Plan**") also with reference to the subsidiaries, and (ii) the reorganisation agreement signed by the Company with the banks and the bondholders (the "**Reorganisation Agreement**").

In order to make the control system effective, the heads of each function will report functionally directly to the CRO and for administration, finance and control functions only, in terms of both planning objectives and reporting and verifying performance.

### **B - Main responsibilities**

1. Regular review of the operation of the administrative department, with particular regard to the following matters:
  - a. correct and timely input of general ledger, accounts receivable and payable, and analytical accounts
  - b. preparation of the annual accounts and consolidated financial statements
  - c. ordinary taxation management (direct and indirect taxes, IMU) and tax planning
2. Verification of treasury management and relations with banks, with particular regard to the following matters:
  - a. planning, managing and optimising short-term cash flows through
    - (i) drafting and updating the treasury budget
    - (ii) periodic reporting of financial flows and analysis of deviations from the budget
  - b. monitoring of the consistency between the operating activities, the planning of the financial flows and the financing policies both in the corporate and individual real estate projects context, and the signing, with joint signature with one of the Managing Directors, of the requests for disbursement relating to the new financing made available to the Company by the credit institutions in the context of the Plan, based on the cash requirements of the Company on the basis of the Plan

- c. optimising cash flows by managing available financing lines
- 3. verification of the systems of:
  - a. planning and management control
    - (i) set-up, formalisation and implementation of planning and control policies and procedures
    - (ii) monitoring of compliance with procedures by all corporate functions in order to ensure the availability, completeness and reliability of data and information of a natural management and financial planning support nature
  - b. Drawing up the annual budget
    - (i) definition of annual objectives for all corporate functions, in line with medium/long-term planning
    - (ii) structure/operation cost policy and cost controlling in accordance with the provisions of the Plan and the Rehabilitation Agreement
      - 1. analysis of the cost structure and identification of the main areas for optimisation and efficiency gains
      - 2. increasing staff efficiency and identifying the most appropriate actions to reduce operating costs
- 4. Responsible for the monitoring and execution of the extraordinary finance transactions approved, as the case may be, by the Bondholders' meeting and/or board of directors in accordance with the Plan and the provisions of the Reorganisation Agreement, from an operational, financial and fiscal point of view. In particular in the context of the divestment of non-core assets.

**C - Operational delegations**

- (A) the management and control of the company's accounting and financial system, including the preparation of the company's annual budget to be submitted for approval to the Board of Directors and other corporate accounting documents;
- (B) in agreement with the Managing Directors recovery of the company's debts and extension and/or deferment of payments due to the company;
- (C) with the dual signature of a Managing Director, banking operations, including but not limited to the following activities: opening and closing of bank accounts, including the appointment of persons delegated to the company's bank accounts, promissory notes and order forms on the company's

customers, drafts and promissory notes for their collection and deposit in the company's bank accounts, as well as proceeding to their protest:

- (D) control and monitoring that any release of guarantees is provided for in the Plan and in accordance with the provisions of the Rehabilitation Agreement;
- (E) signing, with the joint signature of a Managing Director, factoring agreements falling within the ordinary course of business, in compliance with the limits set out in the Reorganisation Agreement and the Plan;
- (F) intervention on the general reduction of costs, as foreseen in the Plan and the Rehabilitation Agreement;
- (G) in agreement with the other delegated bodies, implementation of the Plan;
- (H) implementation of the reduction of the Company's structural costs envisaged by the Plan and in compliance with the limits indicated in the Reorganisation Agreement, as approved by the Board of Directors, also with reference, merely by way of example, to the costs relating to sponsorships;
- (I) supervision of the process of disposal of the assets in execution of the provisions of the Plan and the Rehabilitation Agreement;
- (L) written approval for intra-group payments made by the Company;
- (M) signing of the proposal to the Board of Directors of the Company of the document verifying the financial covenants pursuant to the Reorganisation Agreement;
- (N) signing jointly with a Managing Director the requests for disbursement relating to the new financing made available to the Company by the credit institutions in the context of the Plan;
- (P) verify that mandatory early repayments are made in accordance with the timing of the provisions of the Reorganisation Agreement and sign, jointly with a Managing Director, the payment arrangements relating to such repayments;
- (Q) verifies that voluntary early repayments are made in accordance with the timing and provisions of the Reorganisation Agreement and signs, jointly with a Managing Director, the payment arrangements relating to such repayments.