

Explanatory report
on the items on the agenda
of the Special Meeting of Holders of the "algoWatt SFPs 2021-2029".
issued by algoWatt S.p.A.
ISIN Codes No. IT0005453532 and No. IT0005453516
convened for 25-26 January 2022

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Dear Sirs,

following the notice of call published, also in abstract form, in the daily newspaper Domani, on January 10 2022, the Special Meeting of the Holders of the algoWatt SFPs 2021-2029, ISIN codes no. IT0005453532 and no. IT0005453516 (hereinafter also only the "**Meeting**") has been convened, in first call, on 25 January 2022, at 11.00 a.m. and, in second call, on 25 January 26 2022, at 11 a.m., by electronic means pursuant to the combined provisions of Articles 73(4) and 106(2) of Decree-Law No. 18/2020, converted, with amendments, into Law No. 27/2020, the applicability of which was last extended pursuant to Article 16 of Decree-Law No. 221/2021, in the presence of the Notary Public taking the minutes, Mr Giacomo Ridella, to resolve on the following:

AGENDA

1. Appointment of the Common Representative pursuant to Article 5.5(a) of the algoWatt FSP Regulations 2021-2029 ("**FSP Common Representative**");
 2. Determination of the remuneration of the SFP Common Representative;
 3. Determination of the term of office of the SFP Common Representative.
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1. Appointment of the Chief Restructuring Officer ("**CRO**") pursuant to Article 5.1 of the algoWatt 2021-2029 SFP Regulations;
 2. Determination of the CRO's remuneration;
 3. Determination of the term of office of the CRO.

It should be noted that, in order to minimise the risks associated with the ongoing Covid-19 health emergency, the Special Meeting will be held in accordance with the procedures established by Article 106, paragraph 4, of Decree-Law No. 18 of 17 March 2020 ("Decree Cura Italia") concerning "Measures to strengthen the National Health Service and economic support for families, workers and businesses related to the COVID-19 epidemiological emergency", converted, with amendments, into Law No. 27/2020, the applicability of which was last extended pursuant to Article 16 of Decree-Law No. 221/2021, and, therefore, providing that the intervention of those entitled to vote will take place exclusively through the designated representative (the "Designated Representative") pursuant to Article 106, paragraph 4, of Decree-Law No. 18 of 17 March 2020. 16 of Decree-Law 221/2021, and, therefore, providing that the participation of those who have the right to vote at the Special Meeting shall take place exclusively through the designated representative (the "Designated Representative") pursuant to Article 135-undecies of Legislative Decree

No. 58 of 24 February 1998 ("TUF"), to whom a proxy must be conferred, in the manner and under the conditions indicated in the full notice of call.

This explanatory report on the items on the agenda of the Special Meeting is made available to the Holders of the algoWatt SFPs 2022-2029, on the Company's website, in the Investor Relations/Meeting section, and at the registered office.

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1.1) Appointment of the Common Representative of the algoWatt GFS 2021-2029 pursuant to Article (5.5a) of the algoWatt GFS 2021-2029 Regulations.

With respect to the appointment of the Common Representative of the algoWatt 2021-2029 FSP Holders (the "**Common Representative**"), please note that article (5.5a) of the algoWatt 2021-2029 FSP Regulations provides that the Special Meeting shall decide, *inter alia*, on the appointment, term of office and removal of the Common Representative.

The SFP Common Representative is the entity through which, pursuant to the algoWatt 2021-2029 SFP Regulations, the algoWatt 2021-2029 SFP Holders exercise their administrative rights pursuant to Article 5.1 of the algoWatt 2021-2029 SFP Regulations.

The Common Representative shall have the functions set forth in Article 5.6 of the algoWatt 2021-2029 SFP Regulations and, therefore, shall ensure that the General Meeting and the Board of Directors of the Company are informed of the decisions of the algoWatt 2021-2029 SFP Holders taken by resolution of the Special Meeting, within 7 days of the adoption of the resolutions. The Common Representative shall ensure the execution of the resolutions of the Special Meeting and shall protect the common interests of the algoWatt 2021-2029 SFP Holders; he shall have the right to intervene, without the right to vote, at the general meeting of the Company in order to communicate the resolutions passed by the Special Meeting.

Pursuant to Articles 5.7 and 5.8 of the Regulation of the algoWatt 2021-2029 SFPs, the Common Representative shall have the power to convene the Special Meeting and to receive, on behalf of the Holders of the algoWatt 2021-2029 SFPs, the convocation of the Special Meeting made at the instigation of the Board of Directors of the Company and all related information documents.

Pursuant to Articles 9.2 and 11 of the algoWatt 2021-2029 FSP Rules, any communication from or to the algoWatt 2021-2029 FSP Holders jointly defined shall be made or received, on behalf of and in the interest of the algoWatt 2021-2029 FSP Holders, by the Common Representative.

Pursuant to Article 5.6 of the algoWatt 2021-2029 SFP Regulations, the Common Representative may also be chosen from outside the algoWatt 2021-2029 SFP Holders, with the exclusion, pursuant to Article 2417 of the Italian Civil Code, of directors, auditors and employees of the Company and of those who find themselves in the conditions indicated in Article 2399 of the Italian Civil Code. (causes of ineligibility and disqualification).

1.2) Determination of the Common Representative's remuneration.

Article (5.5a) of the SFP Regulation algoWatt 2021-2029 also provides that the Special Meeting shall decide on the determination of the remuneration of the Common Representative.

1.3) Determination of the term of office of the Common Representative.

Pursuant to the aforementioned Articles 5.5 of the algoWatt 2021-2029 SFP Regulation and pursuant to Article 2417, paragraph 3, of the Italian Civil Code, the Common Representative shall remain in office for a period not exceeding 3 (three) financial years and may be re-elected.

Also in consideration of the esteem in which he is held and the continuity of the interests represented at the Special Meeting, the Board of Directors of the Company, which met on 7 January 2022 and resolved to convene the Special Meeting, indicated as a possible Common Representative, Mr. Marzio Molinari, lawyer, with an office in Milan, Galleria San Babila no. 4/B (formerly the sole representative of the subscribers of the bond loan called "Algowatt Tv Eur6m+1.5 Dc27 Amort Eur", today, as a result of the signing of the Restructuring Agreement, the sole representative of the subscribers of the bond loan called "Algowatt Tv Eur6m+1.5 Dc27 Amort Eur"). 4/B (formerly the sole representative of the subscribers of the bond called "Algowatt Tv Eur6m+1.5 Dc27 Amort Eur", today, as a result of the signing of the Reorganization Agreement, holders of the Algowatt 2021-2029 FSP), proposing in his favour an annual fee of Euro 10,000.00, as per the proposal of Mr. Marzio Molinari, which is attached to this report together with his *curriculum vitae*.

In any case, without prejudice to the aforementioned indication made by the Company's Board of Directors, the notice of call communicated the procedures and deadlines for the submission of nomination proposals aimed at enabling each Holder of the AlgoWatt 2021-2029 SFPs to express his vote in an informed and conscious manner as well as to ensure the regular conduct of the meeting, taking into account the aforementioned emergency regulations and the procedures provided therein for the participation of those entitled to attend the Special Meeting.

It should be noted that the above indication does not constitute an application proposal, with respect to items 1.1), 1.2) and 1.3) on the agenda, as it is up to the Holders of the FSP algoWatt 2021-2029 to submit them.

In light of the foregoing, the Holders of the AlgoWatt 2021-2029 PFAs are invited to submit nomination proposals, within the terms and according to the procedures indicated in the notice of call, regarding: (i) the appointment of the Common Representative; (ii) the determination of the compensation payable to the Common Representative; and; (iii) the determination of the duration of the Common Representative's term of office.

Please note that the proxy form pursuant to Article 135-undecies of Legislative Decree No. 58 of 1998 will provide for the granting of voting instructions with the indication, by the proxy giver, of the person proposed for nomination. The nomination proposals submitted by the deadline indicated in the notice of call, i.e. by 16 January 2022, will be adequately disclosed by means of publication on 17 January 2022.

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2.1) Appointment of the Chief Restructuring Officer ("CRO") pursuant to Article 5.1 of the algoWatt 2021-2029 SFP Regulations.

As regards the appointment of the Chief Restructuring Officer ("CRO"), please note that art. 5.1 of the Regulation of the algoWatt 2021-2029 SFPs establishes that the Special Meeting, until the Expiry Date or, if earlier, until the date of Early Termination of the SFPs (as defined in the Regulation of the algoWatt 2021-2029 SFPs), has the right to designate a professional with adequate and proven experience, who meets the special requirements of integrity, professionalism and independence established for the assumption of the office of director of companies with listed shares, to whom the Company shall be obliged to assign the role of Chief Restructuring Officer, with functions of controlling and monitoring the implementation and execution of all the transactions provided for in the Restructuring

Plan and the Restructuring Agreement, as well as the algoWatt Sale (as defined in the SF SF Regulation 2021-2029), with costs to be borne by algoWatt, the CRO being granted the powers described in the annex *sub* All. 5.1 to the Regulation of the algoWatt SFPs 2021-2029.

Once appointed by the Special Meeting, algoWatt's Board of Directors shall pass the resolution for the appointment of the CRO promptly and, in any case, no later than 10 days after the indication received from the Special Meeting.

2.2) Determination of the CRO's remuneration.

Pursuant to the aforementioned Article 5.1 of the algoWatt 2021-2029 SFP Regulation, as well as pursuant to Article 19.28 of the Reorganisation Agreement, algoWatt undertakes to take the resolution to appoint the CRO and to bear the related costs, which will be determined by the Special Meeting when appointing the CRO, on the basis of the nominations received.

2.3) Determination of the term of office of the CRO.

Pursuant to Article 5.1 of the algoWatt 2021-2029 SFP Regulations, the CRO shall hold office until the Expiry Date or, if earlier, the Early Termination Date of the algoWatt 2021-2029 SFPs (as defined in the algoWatt 2021-2029 SFP Regulations).

In the event that the CRO is no longer available for any reason, including revocation, the Meeting shall have the right to indicate a professional with appropriate and proven experience, in possession of the special requirements of integrity, professionalism and independence established for the assumption of the office of director of companies with listed shares, to be appointed as a replacement of the lapsed CRO; the Board of Directors of algoWatt shall take steps to adopt the resolution for the appointment of the new CRO promptly and, in any case, not later than 10 days from the indication received from the Meeting.

Also in consideration of the convergence on this point previously and informally expressed by the Holders of the AlgoWatt 2021-2029 SFPs, the Board of Directors of the Company held on January 7 2022, which resolved to convene the Special Meeting, without prejudice to the binding designation that will be made by the Special Meeting itself, indicated, as possible CRO, Mr. Stefano Romanengo, with office in Milan, via Scaldasole n. 20, professional expert in the *restructuring* sector.

Attached to this explanatory memorandum is a single draft assignment with *curriculum vitae* of Dr Stefano Romanengo. The remuneration indicated by Mr. Romanengo amounts to Euro 50,000 per year, against the duration of the assignment aligned to the duration of the algoWatt SFPs 2021-2029 as defined in art. 7 of the algoWatt SFPs 2021-2029 Regulation.

It should be noted that, following discussions with Dr. Romanengo, it was agreed with him that the CRO does not assume signatory powers or operational delegations.

In this respect, it is recalled that, pursuant to the algoWatt SFPs 2021-2029 Regulation (see Article 5.1 d Annex 5.1), as well as pursuant to the Reorganisation Agreement finalised on 9 July 2021 (see Article 1 and Annex 1.3.e), among the duties of the appointing CRO, certain "operational delegations" have also been provided for (see point C Annex 5.1 to the algoWatt SFPs 2021-2029 Regulation and Annex 1.3.e to the Reorganisation Agreement).

Moreover, such operational powers represent a duplication with the powers pertaining to the Chief Executive Officer, Mr. Piccini, and, from this point of view, appear to be in conflict with the supervisory function and the role of third party that is required of the *Chief Restructuring Officer*.

With regard to the foregoing, if the Special Meeting decides to designate Mr. Stefano Romanengo as CRO, in light of the content of the candidacy proposal, he shall not be granted the operating powers indicated in point C "Operating powers" of Annex 5.1 to the GFS Regulation algoWatt 2021-2029.

The notice of meeting communicated the procedures and deadlines for the submission of nomination proposals aimed at enabling each Holder of the AlgoWatt 2021-2029 FSP to express his vote in an informed and conscious manner as well as to ensure the regular conduct of the meeting, taking into account the aforementioned emergency regulations and the procedures provided therein for the participation of those entitled to attend the Meeting.

It should be noted that the aforementioned indication of the Board of Directors does not constitute an application proposal, with respect to items 2.1), 2.2) and 2.3) on the agenda, since the presentation of the same is the responsibility of the Holders of the FSP algoWatt 2021-2029.

In light of the foregoing, the Holders of the AlgoWatt 2021-2029 SFPs are invited to submit nomination proposals, within the terms and in the manner set forth in the Notice of Meeting, with respect to: (i) the appointment of the CRO; (ii) the determination of the remuneration payable to the CRO; and; (iii) the determination of the term of office of the CRO.

Please note that the proxy form pursuant to Article 135-undecies of Legislative Decree No. 58 of 1998 will provide for the granting of voting instructions with the indication, by the proxy giver, of the person proposed for nomination. The nomination proposals submitted by the deadline indicated in the notice of call, i.e. by January 16 2022, shall be adequately disclosed by means of publication on 17 January 2022.

Attached are:

- *curriculum vitae* of lawyer Marzio Molinari and his nomination proposal;
- *curriculum vitae* and draft assignment of Dr Stefano Romanengo.

Milan, January 10 2022.

For the Board of Directors
of algoWatt S.p.A.
the President

(Stefano Neri)