

LETTER TO SHAREHOLDERS AND HOLDERS OF PARTICIPATING FINANCIAL INSTRUMENTS

Milan, June 19, 2023

algowATT
GREEN TECH SOLUTIONS



Dear Shareholders and Holders of Participating Financial Instruments,

As I write this letter as President and CEO of algoWatt, I cannot help but turn my thoughts to the somewhat exciting history of our company, but also to the more delicate and critical phases we have had to face in recent years.

The months that have passed since I took the decision to return to personally lead the company have been marked by a profound analysis of the reasons that have held back business development and the solutions, we have identified to overcome the Group's state of financial tension. What is happening in the energy and digital markets, the growing attention of institutions and industry to sustainability and decarbonisation, and the need to respond with renewables to the challenge of national energy independence, all bear witness to the correctness of the strategic industrial choice to oversee these sectors.

However, it is in the area of financial rebalancing that we believe a quick and decisive solution has become necessary and unavoidable. Postponing the planned debt-to-equity swap over the years would in fact only result in the continuation of a stalemate phase, without guaranteeing the future of algoWatt and, indeed, causing it to miss the opportunities of an extraordinary moment, in which the new national and European policies are combined with a very strong recovery of investments in these sectors.

While the Recovery Plan and the Financial Agreement signed in 2021 and pursued with commitment and conviction by the parties led to a significant debt reduction of the Company and an industrial turnaround accompanied by the disposal of assets that were no longer strategic, some operational challenges have confronted us with

insurmountable criticalities. The constraints of that Plan have made and continue to make it impossible for us to use new credit lines, to freely finance the company's activities by supporting working capital, and to obtain guarantees of any kind. Added to this is the substantial impossibility of maintaining membership in the registers of suppliers of the largest and most important customers and the almost total preclusion from participation in selective procedures in the public and private sectors.

However, the exceptions and exceptions to this state of affairs, obtained only by virtue of the exclusivity and innovative component of certain offerings and technological solutions, as well as the strategy of developing platforms on the as-a-service model (with greater added value than time & material consulting activities), are not sufficient to outline prospects for business growth. Added to this picture is the existence of a significant tax debt, which contributes to the difficulty of resolving the situation and represents a further obstacle to growth.

These are issues that I was only able to delve into after I returned to my role as CEO, and which I considered to be central and decisive when the possibility of a revision of the maneuver opened up, as a result of the need to defer the timing of the sale of a real estate asset held by the parent company Italeaf.

In the discussions we have had in recent months with stakeholders to define the proposed Updated Financial Maneuver, we have reiterated the will of the management and of the entire Company to safeguard the objective of creating value for current and future shareholders. We intend to do this, in the first instance, by resorting to the instrument of the Negotiated Settlement of the Business Crisis with access to the bonus benefit of the deferral of tax debt due in 10 years and with the possibility of dealing in a protected manner with various outstanding debts. To the holders of the AlgoWatt SFPs, we then propose to anticipate the conversion of the aforementioned instruments into shares, bringing forward the capital increase - at the agreed price of approximately Euro 0.56 per share - that would otherwise only be possible from 2025 onwards. We will also propose that this value can also be the reference for the conversion of the financial debt. In the resolution for the reserved capital increase (as well as in the new Agreement for early conversion of algoWatt SFPs), it will be possible to include a lock-up clause, to testify - also as a guarantee for the current shareholders - how the permanence of the new shareholders is considered fundamental for the stability of the stock and to amortise the important issue of new shares. To the Euro 29.7 million of debt that has already been transformed into SFP algoWatt, according to the terms of the 2021 Agreement, and which will be converted into equity, would be added - with the Updated

Financial Maneuver - more than Euro 10 million related to financial creditors, for a total of more than Euro 40 million of debt cut.

The Proposed Updated Financial Maneuver is therefore aimed at anticipating the Company's total financial debt, placing us in the optimal conditions to return to generating significant results for the benefit of our partners, shareholders and employees. We will be able to release a significant amount of resources to be allocated to the support of the company's business, aimed at profitability and focus on: (1) leadership in the twin transition market (digital solutions for sustainability); (2) affirmation of TerniEnergia Progetti as a system integrator and ideal partner for the development, design, implementation and management of plants for the production of renewable energy and energy efficiency; (3) growth in the Digital Circular Economy market.

This makes me optimistic that we will emerge from this complicated period in a stronger position than we entered it. I think so for several reasons, many of which are explained in this letter. However, there are some market data that underline the opportunities available to us for the future, as well as some information that I want to emphasise in order to understand the industrial project that we want to realise.

First of all, even in these difficult years and thanks to our research and innovation activities, we have achieved excellent results in developing solutions for the new energy markets. We have technological components and smart platforms for the digital management of renewable plants, for the emerging and promising market of Energy Communities and energy efficiency in buildings, and for the Circular Economy. We will merge the technology development and R&I teams into a single operational line, called "Digital Energy & Circular Economy", in order to intensively preside over the innovative frontiers of the energy market and achieve leadership in the twin transition sector.

We are facing a market that - just to give a few examples - is worth Euro 85 billion in Italy in 2020 and will reach Euro 145 billion in 2030, if we look at energy efficiency alone. Add to this the circular economy market, in which Italy is a leader in Europe and which has exceeded Euro 32 billion in value.

At the same time, thanks to TerniEnergia Progetti (which has now almost entirely reconstituted the team that has been able to build a success story in the past, with over 400 MWp of plants built in Italy and abroad) we will present ourselves to the market to face the main challenge of our times. That is, to be able to respond to the organisational complexity as the cause of the procedural and industrial complexity of the renewable energy chain. This renewed line of business, which we have named Greentech Industry,

will represent the preponderant one in terms of revenue generation and industrial development of our company. Without resorting to direct, capital-intensive investments, but offering ourselves as an ideal partner for investors, funds, utilities and asset managers, we will be a solid player, totally fit for industrial-scale projects. Here too, it is worth recalling a few indicators: in the first quarter of 2023, Italy exceeded 1 GWp of new installations, confirming the projections that indicate an average of 4.6 GWp of new installations every year until 2025. Numbers that have not been reached since the golden two-year period 2010-2011, in which TerniEnergia, leader in the sector, reached its maximum market capitalisation and its most significant results in Italy. The renewable electricity market, which in Italy exceeds Euro 18 billion, will register additional growth in the emerging markets of RECs (Euro 2.2 billion), smart grids (Euro 3.6 billion) and agri-voltaics (Euro 1.1 billion).

In conclusion, we still have challenges ahead of us, but we are also convinced that change, evolution and commitment are better and more effective than stagnation and inaction. We are always certain that the best times are the ones we have ahead of us and have yet to experience. We want to do this with the knowledge that what we will be able to build depends on the actions we have been able to take, our hopes and the optimism with which we assess the possibilities of the future that are open to us.

Stefano Neri

(Chairman and Chief Executive Officer)



This press release is also available on the Company's website www.algowatt.com.

algoWatt (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. algoWatt 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. algoWatt is listed on the Euronext Milan market of Borsa Italiana S.p.A..