



(Translation from the Italian original which remains
the definitive version)

2023 Annual Financial Report

Energy S.p.A.
Registered office in Piazza manifattura 1, 38068 ROVERETO (TN)
Share capital €614,919.26, fully paid up
Tax code 02284640220
Trento company registration no. 02284640220
REA no. 213161

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Directors' report

Prepared in accordance with article 2428 of the Italian Civil Code
In relation to the financial statements as at and for the year ended 31 December 2023

Introduction

Dear shareholders,

The financial statements presented for your approval offer the clearest possible view of the company's situation. The results contained therein, which show a net profit for the year of €5,609,200, may be deemed positive.

This directors' report analyses the company's operations pursuant to the requirements of article 2428 of the Italian Civil Code. Its purpose is to offer a view of the company's position and financial performance of the year, with a particular focus on costs, revenues and capex. It is an integral part of the 2023 Annual Financial Report, which also includes the financial statements audited by KPMG.

The financial statements at 31 December 2023 have been prepared in compliance with the requirements of the Italian Civil Code, the Italian accounting standards, and the tax regulations in force.

History of the company

Energy S.p.A. began as an innovative start-up in 2013. After around a year designing innovative technologies for residential systems, it began carrying out technical retrofits, sales and aftersale services for photovoltaic energy storage systems. The company's main technical partners include leading producers and some of the products sold by the company are OEM-branded. Energy has achieved ambitious growth objectives since its inception, further expanding its product range since 2020 and introducing original solutions, including its own-brand products (zero CO₂). The product range has continued to expand since 2021 and the sales network has grown in Italy and abroad.

In their extraordinary meeting of 17 June 2022, the shareholders approved the company's transformation into a company limited by shares, as well as the share capital increase against payment and in one or more tranches and excluding the right of first refusal pursuant to article 2441.5 of the Italian Civil Code for the listing procedure for trading on Euronext Growth Milan ("EGM"). The share capital increase entailed the issue of new ordinary shares without nominal value. 1 August 2022 marks the first day in which Energy shares began trading on the EGM. As described in the following section, the conversion of both 3,792,000 price adjustment shares (PAS) pursuant to the company's by-laws and the transfer of the shares held by two founders to their respective family holding companies, took place in 2023.

Governance structure and company ownership

The company's mission creates value for those stakeholders directly involved in company activities - customers, employees and shareholders - and, ultimately, the supply chain, the local community and wider society:

We want to offer all individuals, households and businesses a real opportunity to mitigate climate change and to actively contribute to the energy transition. Each one of us can reduce our CO2 emissions by maximising self-generation of electricity and this also contributes to the stability of the grid.

Energy pursues this objective by offering goods/services and solutions that meet market needs.

At 31 December 2023, the company's ownership structure is as follows:

| Shareholder | Ordinary shares | Price adjustment shares (PAS)* | Total shares | % of share capital |
|--------------------------|-------------------|--------------------------------|-------------------|--------------------|
| Elmagi S.r.l.** | 10,403,534 | 1,899,792 | 12,303,326 | 20.01% |
| Freman Holding S.r.l.*** | 10,404,570 | 1,899,792 | 12,304,362 | 20.01% |
| Sun Hongwu | 10,270,638 | 1,896,000 | 12,166,638 | 19.79% |
| Euroguarco S.p.A. | 10,278,222 | 1,888,416 | 12,166,638 | 19.79% |
| RPS S.p.A. | 4,166,500 | | 4,166,500 | 6.78% |
| Market**** | 8,384,462 | | 8,384,462 | 13.64% |
| Total | 53,907,926 | 7,584,000 | 61,491,926 | 100.00% |

* not admitted for trading

** company related to Davide Tinazzi, CEO of Energy S.p.A.

*** company related to Andrea Taffurelli, a director of Energy S.p.A.

**** the free float accounts for 15.55% of the 53,907.926 shares admitted for trading on Euronext Growth Milan.

The company has a traditional governance structure, unchanged since 2022 and comprised of the following bodies:

- the shareholders' meeting, which represents the interests of the owners. It makes the most important decisions for the company, appoints the board of directors, approves the financial statements and amends the by-laws;
- the board of directors — currently comprised of three members, two of whom are shareholders and one is an independent director — which operates through a CEO;
- the board of statutory auditors, comprised of three standing statutory auditors and two alternate statutory auditors.

The audit is carried out by an independent auditor.

The board of directors plays a central role in the organisation of the company. All departments report to it and it provides strategic and organisational guidance. To the extent of the business object, it holds all powers for the company's ordinary and extraordinary management, apart from those expressly reserved to the shareholders' meeting by the law or by-laws.

The CEO has the greatest managerial responsibility within the company in line with the proxies conferred by the board of directors.

The company has an internal control system comprised of rules, procedures and an organisational structure monitoring:

- the efficiency and effectiveness of company processes;
- the reliability of financial disclosure;
- compliance with the law, regulations, the by-laws and internal procedures;
- the safeguarding of company assets.

With its resolution of 13 December 2023, the board of directors adopted an Organisational, management and control model pursuant to Legislative decree no. 231/2001.

The following section covers the company's internal organisational structure.

Analysis of the company's financial position, financial performance and cash flows

The context and results

Energy storage systems are essential in the transition from fossil fuels to renewables and attract significant public and private investments. The market is growing rapidly and offers great potential due to a number of drivers, including (a) energy price hikes which will drive up the demand for energy storage systems; (b) the risk of black outs and the need to stabilise the grid, partly due to the greater penetration of renewables; (c) the drop in the price of lithium ion batteries and other key technologies over the long term; (d) the complementarity with renewable energy sources, such as wind and solar, which by their nature are intermittent; (e) the increase in the demand for electric vehicles and consequent greater demand for specific energy profiles; (f) public incentives for the energy transition both in Italy and abroad.

Turning to the external context, 2023 was affected by the combined impact of a number of significant events at a European level, partly due to the geopolitical situation: (a) higher interest rates; (b) inflation hikes. In addition to these factors, the tax credit transfer mechanism was revoked on 17 February 2023, before being reintroduced on 2 May 2023 with a limited impact on the market. These factors led to a sudden drop in liquidity available along the renewables chain, which led to a contraction in demand and the curbing of new investments in energy technologies, particularly for the residential segment.

The company responded to the falling demand by investing more heavily in the storage systems for commercial, industrial and agrivoltaic use (extra large, XL) and in cloud computing, without compromising on the residential customer portfolio. Even in the face of the sudden changes described above, Energy continued to make investments, reaffirming their strategic importance.

Significant events of the year

Energy continued with its medium- to long-term strategy during the year. On 23 May 2023, it incorporated the subsidiary Energyincloud S.r.l. (EiC) while, on 27 June, it entered into a preliminary agreement to acquire (via EiC) the main business unit of Cloud Computing S.r.l., a software developer with IoT applications since 2016. The transaction was completed in July, leading to the acquisition of key expertise and technologies for the software, which is the basic element of the energy management system that is a part of the company's products and essential to allow customers to activate fundamental functions and services, especially in the commercial, industrial and agrivoltaic sector. In June, it set up the associate Pylon LifeEU S.r.l. as a joint venture with Pylon Technologies Europe B.V.. The associate's objective is to research, develop and produce lithium batteries for stationary storage. During 2023, Energy obtained authorisation to build a new battery production facility beside its existing facility in Sant'Angelo di Piove di Sacco (PD) on a site purchased in September 2022 and building works continued. In December, the company completed the installation of the first battery assembly line in a dedicated department at the existing plant. For both of these investments in Energy's gigafactory, on 13 November 2023, the Ministry for Economic Development allocated a grant of €7.15 million as part of the National recovery and resilience plan (NRRP) funding (strategic measure 5.1).

Brief overview of performance

The analysis of the financial statements at 31 December 2023 show:

- Revenue was down on the previous year, although higher than that of the year before that, due to the factors outlined in the first part of this document, for a total of €63,328,571; an average monthly trend in line with that observed in the months from March to June continued in the second half of the year.
- Overall profitability of 16%, a decrease on 2022 due mainly to the lower sales volumes.
- Investments in fixed assets and development of new products and services included the finalisation of the casing and assembly line of the battery department, construction works continued on the new building in the adjacent area, the photovoltaic plant and the first storage system for production were largely completed, and new XL range products were introduced and further technical developments made to the cloud platform.
- The cost structure is again substantially unchanged from the previous year, with the consolidation of the organisational structure and services having no particular impact.
- Closing inventories decreased compared to the previous year end, but with a greater proportion of components for large systems.
- The net financial position improved from a net financial indebtedness at 31 December 2022 to €168,424, including the cash invested in time deposits.

The market and products

Range of products and services

Energy sells two categories of product:

- the “Small&Large ESS” category, commenced in 2014, with energy storage systems of less than 50 kW (<50 kW ESS) for residential use and by small and medium-sized industrial and commercial operators. The company carries out system integration activities for small (up to 6 kW) and medium (from 6 to 50 kW) energy storage systems for industrial and commercial operators.
- the “Extra Large ESS” category commenced in the final quarter of 2021 and grew further in 2022, covering energy storage systems of more than 50 kW (50+kW ESS) for industrial and commercial users with energy storage needs exceeding 50 kW. The company carries out system integration activities for large (more than 50 kW) energy storage systems based on an Energy Management System. The range has software functionalities which also enable multi-stack services to be activated¹. Energy offers a smart cloud-based ESS management service. This ensures the historical management of data and ongoing maintenance of the algorithms in relation to which the company carries out constant research and development activities and updates to improve the services offered and enable the use of new functionalities.

New products were introduced during the year and, in particular, the Extra Large category was expanded to include:

- a transformerless containerised system (XL BOX) in two different sizes (1.2 kWh and 2.4 kWh), with an integrated air conditioning and fire suppression system, so that it can be installed outdoors;
- a transformerless modular shelter (XL SHELL) system, also in sizes smaller than the XL BOX, again equipped with an air conditioning and fire suppression system;
- a 100 kW one-piece shelter system (XL100) for indoor and outdoor applications where space is limited.

These new products meet the growing, discerning demand for more complex systems that can store greater quantities of energy compared to residential systems, have faster supply capacity and cutting-edge functionalities.

¹ Multi-stack services are overlapping services managed in parallel, such as self-consumption, peak shaving and grid services, based on criteria that are chosen to automatically determine how much of the various services to use (e.g., scheduling at least 80% of coverage on on-call grid services so as not to receive penalties, ensuring a certain level of peak shaving and using self-consumption for the remainder).

Foreign sales

In 2023, 23% of revenues was generated abroad (EU and non-EU) and 77% in Italy. The foreign sales of €14,899,110 were mostly made in central and northern Europe, as well as in Spain. More details can be found from page 9.

The company

2023 is the first time since its inception in 2013 that Energy has posted a decrease in revenues year-on-year. However, it did not affect the company's ability to meet its commitments and to continue with its investments and by maintaining 16% profitability, Energy's performance was positive.

The company has funded its working capital and investments with both the cash flows generated by operating activities and bank loans. The use of credit facilities was minimal and new loans agreed with long-standing banks had a negligible effect on the change in the company's financial position, whereas the careful management of working capital enabled the company to capitalise on its cash inflows.

Net equity, given the share capital and reserves, is €65,455,681.

Fixed assets of €13,246,196 more than doubled compared to the previous year end, mainly as a result of increases in intangible and tangible fixed assets. Leasehold improvements and modifications to the building currently used in operations are recognised as intangible assets, as the property is held under a rent-to-buy agreement.

Workforce

The company has 52 employees at 31 December 2023, grouped by functional area.

The workforce may be analysed as follows:

| | |
|--|----|
| Closing workforce | 52 |
| Average number of employees ² | 53 |
| FTE | 50 |

| Quarterly breakdown of the workforce | | | |
|--------------------------------------|----|----|----|
| Q1 | Q2 | Q3 | Q4 |
| 52 | 53 | 54 | 52 |

| | | |
|---------|----|-----|
| Males | 34 | 65% |
| Females | 18 | 35% |

Of the workforce employed by the company under various contractual arrangements, six people resigned and one person was dismissed. Furthermore, two directors ceased to be categorised as employees of the company from 1 January 2023.

During 2023, mainly in the second half of the year, the company took on 14 new hires (one junior managers, eight white collars, three apprentices and two blue collars) for a total net, of the resignations and dismissal, of 52 employees at 31 December 2023 (+5 on 31 December 2022).

With a gender breakdown of 35% female and 65% male in 2023, the company maintained the proportion of females in its workforce.

² daily average

Financial position, financial performance and cash flows

The financial indicators offer an immediate view of the company's performance and results. The performance indicators examined in the relevant section of this report mainly relate to profit and loss account figures.

The "Reclassified figures" present the balance sheet and net financial position as at 31 December 2023 and 2022 and the profit and loss account and cash flow statement for the years the ended, prepared using management criteria adopted by the board of directors to support the analysis of the company's financial position, financial performance and cash flows.

The reclassified figures presented in the following tables are used by the board of directors to analyse the company's financial position, financial performance and cash flows.

Profit and loss account

| (Thousands of Euros) | 2023 | % | 2022 | % | Change | % change |
|------------------------------------|---------|--------|---------|--------|----------|----------|
| Turnover from sales and services | 63,329 | 100% | 126,450 | 100.0% | (63,122) | (49.9%) |
| Internal work capitalised | 1,395 | 2.2% | 441 | 0.3% | 953 | 216.2% |
| Other revenues | 1,175 | 1.9% | 375 | 0.3% | 800 | 213.4% |
| Costs for materials ⁽¹⁾ | 46,928 | 74.1% | 87,090 | 68.9% | (40,163) | (46.1%) |
| Costs for services | 5,152 | 8.1% | 5,819 | 4.6% | (666) | (11.5%) |
| Personnel expenses | 2,452 | 3.9% | 1,869 | 1.5% | (584) | 31.2% |
| Other costs ⁽²⁾ | 1,248 | 2.0% | 314 | 0.2% | 934 | 297.0% |
| Gross operating profit (EBITDA) | 10,117 | 16.0% | 32,174 | 25.4% | (22,056) | (68.6%) |
| Amortisation and depreciation | 1,225 | 1.9% | 595 | 0.5% | 630 | 105.9% |
| Write-downs | - | 0.0% | 4 | 0.0% | (4) | (100.0%) |
| Operating profit | 8,893 | 14.0% | 31,575 | 25.0% | (22,682) | (71.8%) |
| Net financial charges | (1,375) | (2.2%) | (587) | (0.5%) | (788) | 134.3% |
| Profit before taxes | 7,518 | 11.9% | 30,989 | 24.5% | (23,470) | (75.7%) |
| Income taxes | 1,909 | 3.0% | 8,381 | 6.6% | (6,472) | (77.2%) |
| Net profit for the year | 5,609 | 8.9% | 22,608 | 17.9% | (16,998) | (75.2%) |

(1) Cost of materials and change in inventory

(2) Use of third-party assets, other operating costs and other provisions

Net turnover amounts to €63,328,571, a €63,121,607 decrease over the €126,450,178 of the previous year. The backlog is €3.15 million at 31 December 2023.

EBITDA was €10,117,281 or 16% as a percentage of revenues, a decrease on 2022 mostly due to the lower revenues and, marginally, to the promotions of certain products. Overheads (costs for services, personnel expenses and other costs) increased by €850,988 on 2022 (€8,001,914) to €8,852,902, mainly as a result of the costs due to the corporate costs for the full year, the costs to maintain the stock market listing, the settlement of a dispute and services supporting the business.

Gross revenues are analysed below by geographical segment, in euros:

| | 2023 | % | 2022 | % | Change | % change |
|--------|------------|-----|-------------|-----|--------------|----------|
| Italy | 48,922,170 | 77% | 107,296,780 | 85% | (58,374,610) | (54%) |
| EU | 13,994,270 | 22% | 18,270,628 | 14% | (4,276,359) | (23%) |
| Non-EU | 921,008 | 1% | 882,770 | 1% | 29,239 | 3% |

Revenues are analysed by product category as follows:

| | 2023 | % | 2022 | % | Change | % change |
|----------------------|-------------|-----|-------------|-----|---------------|-----------------|
| Small&Large (<50 kW) | 59,672,779 | 93% | 122,234,784 | 97% | (62,562,006) | (51.2%) |
| Extra Large (>50 kW) | 4,155,670 | 7% | 4,215,394 | 3% | (59,725) | (1.4%) |

Revenues are analysed by sales channel as follows:

| | 2023 | % | 2022 | % | Change | % change |
|----------------------------|-------------|-----|-------------|-----|---------------|-----------------|
| VAR (value-added reseller) | 20,281,907 | 32% | 40,482,220 | 32% | (20,200,313) | (50%) |
| General distributors | 20,014,662 | 31% | 38,591,722 | 31% | (18,577,059) | (48%) |
| Specialist distributors | 16,889,026 | 27% | 41,524,605 | 33% | (24,635,579) | (59%) |
| EPC / Other | 6,642,853 | 10% | 5,851,631 | 5% | 791,222 | 14% |

By number of storage systems and power:

| | 2023 | 2022 |
|------------------------|-------------|-------------|
| Number of systems sold | 8,981 | 18,851 |
| Total power | 48 MW | 104 MW |

The company continued to post significant revenues from the residential market in Italy in 2023, with foreign sales gaining pace particularly in the second half of the year. Foreign sales of €14,899,110, or 23% of the total, increased 8% over 2022. In line with 2022, 80% of revenues are concentrated with the company's top 23 customers (out of a total of 214). The portfolio was largely unchanged and new foreign customers were acquired.

Despite the challenges of the market, revenues from the "Extra Large" (XL) range of €4,155,670 were in line with those of 2022 (€4,215,394), with the company making sales to both existing and new customers. At the date of this document, there are 42 *zero CO₂ XL* systems registered and connected, 25 of which in 2023 alone. The installations cover commercial, industrial and agrivoltaic applications.

Analysing sales by channel, the VAR (32%) and general distributors (31%) shares were largely unchanged while the share of specialist distributors (down from 33% in 2022 to 27% in 2023) decreased. The EPC / Other share rose significantly from 5% to 10%, mainly due to the greater share of XL sales, which naturally fall into this channel.

Storage systems sold number 8,981, for a total capacity of 48 MW, which is lower than 2022 in line with the overall reduction in volumes.

Net of financial charges, amortisation and depreciation, and income taxes, the costs incurred by the company for sales in 2023 came to €57,005,093, compared to €95,690,834 in 2022. Of these costs, €5,818,967 is for services, €2,452,105 is for personnel expenses, while €46,927,615 is the costs to purchase raw materials.

Balance sheet

| (Thousands of Euros) | 31/12/2023 | 31/12/2022 | Change | % change |
|---|---------------|---------------|-----------------|----------------|
| Intangible fixed assets | 4,772 | 4,315 | 457 | 10.6% |
| Tangible fixed assets | 7,294 | 1,608 | 5,685 | 353.5% |
| Financial fixed assets | 1,180 | 156 | 1,024 | 656.7% |
| Total fixed assets | 13,246 | 6,079 | 7,167 | 117.9% |
| Inventory | 56,410 | 61,337 | (4,927) | (8.0%) |
| Trade receivables | 4,645 | 23,052 | (18,407) | (79.8%) |
| Trade payables and payments on account | (9,867) | (15,609) | 5,742 | (36.8%) |
| Trade working capital | 51,188 | 68,780 | (17,592) | (25.6%) |
| Receivables from parents | 184 | - | 184 | 100.0% |
| Payables to subsidiaries | (2) | - | (2) | (100.0%) |
| Payables to associates | (2) | - | (2) | (100.0%) |
| Other receivables and prepayments and accrued income | 669 | 296 | 373 | 126.3% |
| Other payables and accrued expenses and deferred income | 222 | (6,808) | 7,030 | (103.3%) |
| Net working capital | 52,260 | 62,268 | (10,008) | (16.1%) |
| TFR and other provisions | (219) | (265) | 47 | (17.5%) |
| Invested capital | 65,287 | 68,082 | (2,795) | (4.1%) |
| Net equity | 65,456 | 59,897 | 5,558 | 9.3% |
| Net financial debt (position) | (168) | 8,185 | (8,353) | (102.1%) |
| Total sources of funding | 65,287 | 68,082 | (2,795) | (4.1%) |

Fixed assets rose significantly over the previous year, in line with the investments, especially in tangible fixed assets. Total fixed assets came to €6,079,224 at 31 December 2022. At 31 December 2023, they totalled €13,246,196, of which €4,772,426 for intangible fixed assets and €7,293,558 for tangible fixed assets. Intangible fixed assets include the EGM listing costs of €3,139,597 (historical cost), development costs of €1,709,794, and the cost of leasehold improvements to the rent-to-buy building currently used by the company and subject to a rental contract in 2023. The tangible fixed assets include investments in the new building under construction on the land next to the company's existing building, machinery for the battery assembly line, equipment and fittings. The financial fixed assets of €1,180,212 include equity investments in subsidiaries and associates, receivables for guarantee deposits, and the down payment for the real estate purchase (the option to buy the Sant'Angelo di Piove di Sacco facilities).

Capex totalled €7,166,974 (€5,433,382 in 2022) and included: development costs of €1,170,794, the construction and fitting out of the battery department at the existing site and the construction of the new adjacent building (€1,631,597), and the equity investments in Pylon LifeEU S.r.l. and Energyincloud S.r.l. (€907,434).

Trade working capital decreased to €51,188,060 during 2023. It is mainly comprised of inventory of €56,410,141 – including €86,141 for payments on account to suppliers and goods measured at their fair value of €56,324,000 – trade receivables of €4,645,117 and trade payables of €9,867,199. The overall figure is down by 26% compared to the previous year end, due to the lower business volumes and the use of inventory. Compared to the amount of inventory at 30 June 2023 (€78,802,662), the utilisation comes to €22,392,521. The decrease in the amount of trade receivables and payables compared to 31 December 2022 is a consequence of the lower volumes of the year.

Net working capital was €62,267,760 at 31 December 2022, while it was €52,259,629 at 31 December 2023. The decrease is a direct consequence of that described above.

Unlike the tax payable in the previous year, this year the company posted a tax benefit (€1,883,736) as a result of the lower profit for the year. The applicable rates did not change substantially.

Invested capital amounts to €65,287,257, a decrease of €2,794,649 on the previous year end (€68,081,906). The decrease is mainly due to the growth in fixed assets (+€€7,166,974) offset by the decrease in net working capital (-€10,008,130).

Total sources of funding of €65,287,257 comprise net equity (€65,455,681) and the net financial position (€168,424). Net equity includes the share capital of €614,919 and reserves of €64,840,762, which include retained earnings and the amount raised by the listing. Financial debt, which is exclusively to banks with self-liquidating lines, import financing and medium-term loans, is comprised of short-term bank loans and borrowings of €8,196,356 and medium-/long-term bank loans and borrowings of €15,469,547. There was a shift to more medium-term financing as a result of working capital requirements and greater investments.

Net financial position

| (Thousands of Euros) | 31/12/2023 | 31/12/2022 | Change | % change |
|--|------------|------------|----------|----------|
| Liquid funds | (18,834) | (15,963) | (2,871) | 18% |
| Current financial receivables | (5,000) | - | (5,000) | (100%) |
| Short-term bank loans and borrowings | 14,077 | 18,649 | (4,572) | (25%) |
| Short-term loans and borrowings from other financial backers | - | - | - | - |
| Short-term financial (position) debt | (9,757) | 2,686 | (12,443) | (463%) |
| Medium/long-term bank loans and borrowings | 9,589 | 5,499 | 4,090 | 74% |
| Medium/long-term loans and borrowings from other financial backers | - | - | - | - |
| Net financial debt (position) | (168) | 8,185 | (8,353) | (102%) |

Cash flow statement

| (Thousands of Euros) | 2023 | 2022 | Change | % change |
|--|---------|----------|----------|----------|
| Operating profit | 8,893 | 31,575 | (22,682) | (72%) |
| Income taxes | (1,909) | (8,381) | 6,472 | (77%) |
| Amortisation, depreciation and write-downs | 1,225 | 599 | 626 | 105% |
| Change in trade working capital | 17,592 | (54,097) | 71,690 | (133%) |
| Change in other receivables/(other payables), employees' leaving entitlement and other provisions ⁽¹⁾ | (7,631) | 4,181 | (11,811) | (283%) |
| Cash flows from/(used in) operating activities | 18,170 | (26,124) | 44,294 | (170%) |
| Investments in intangible, tangible and financial fixed assets | (8,392) | (6,032) | 2,360 | 39% |
| Cash flows before financing activities | 9,778 | (32,156) | 41,934 | (130%) |
| Change in bank loans and borrowings and loans and borrowings from other financial backers | (482) | 19,299 | (19,781) | (102%) |

| (Thousands of Euros) | 2023 | 2022 | Change | % change |
|--|---------|--------|----------|----------|
| Changes in financial receivables due within one year | (5,000) | - | (5,000) | - |
| Net financial charges | (1,375) | (587) | (788) | 134% |
| Change in net equity | (51) | 27,411 | (27,462) | (100%) |
| Net cash flows | 2,871 | 13,968 | (11,097) | (79%) |

| | | |
|----------------------|--------|--------|
| Opening liquid funds | 15,963 | 1,995 |
| Net cash flows | 2,871 | 13,968 |
| Closing liquid funds | 18,834 | 15,963 |

(1) Other receivables and prepayments and accrued income; Other payables and accrued expenses and deferred income, employees' leaving entitlement and other provisions

Performance indicators

The following table summarises certain performance indicators used to measure company performance for the year:

| | 2023 | 2022 | 2021 |
|--|-------|-------|-------|
| ROE — (Return on equity) | 8.6% | 37.7% | 74.6% |
| ROIC — (Return on invested capital) | 11.6% | 34.8% | 54.2% |
| ROA — (Return on assets) | 8.8% | 29.6% | 49.0% |
| ROS — (Return on sales) | 14.0% | 25.0% | 19.7% |

All indicators, which are based on the ratio of operating profit to the other parameters, decreased compared to previous years due to the decrease in volumes and profitability.

An explanation follows of how the indicators are calculated.

| | | |
|-------------------------------------|--|--|
| ROE (Return on equity) | percentage return on capital pertaining to the shareholders | Net profit (loss) for the year / Own funds |
| ROIC — (Return on invested capital) | profitability of operations: measures a company's ability to generate profits in transforming inputs into outputs | EBIT / Invested operating capital |
| ROA — (Return on assets) | a company's ability to obtain profit flows from its operations | EBIT / Total assets |
| ROS — (Return on sales) | impact of the main factors of production (materials, personnel, amortisation/depreciation and other costs) on turnover | EBIT / Revenues |

EBITDA

| (Thousands of Euros) | 2023 | 2022 |
|-------------------------|-----------|------------|
| Net profit for the year | 5,609,200 | 22,607,650 |
| Income taxes | 1,908,935 | 8,380,859 |

| | | |
|--|------------|------------|
| EBITDA | | |
| Net financial income | 1,374,568 | 586,658 |
| EBIT | 8,892,702 | 31,575,167 |
| EBIT % | 14% | 25% |
| Amortisation, depreciation and write-downs | 1,224,579 | 598,522 |
| EBITDA | 10,117,281 | 32,173,690 |
| EBITDA % | 16.0% | 25.4% |

EBITDA is calculated as follows: net profit or loss for the year, adjusted by: (i) income taxes, (ii) financial income and charges and (iii) amortisation, depreciation and write-downs and other provisions.

Main risks and uncertainties

Pursuant to article 2428 of the Italian Civil Code, this section of the directors' report describes the risks, i.e., those events that could potentially produce negative effects on the pursuit of the company's objectives therefore hindering the creation of value.

Risk identification and management is a strategic factor to protect, maintain and improve a company's value over time.

FINANCIAL RISKS

Credit risk

Credit risk represents a company's exposure to potential risks deriving from counterparty default.

Trade receivables are stated net of the provision for bad debts. Their carrying amount is deemed to be equal to their estimated realisable value. There are no particular risks deriving from the concentration of credit. New customers acquired in 2023 were found to have a good credit rating. An examination carried out in March 2022 and updated in December 2023 of the overall rating of Energy's trade receivables showed an average level of risk below the national average and below the sector average.

Liquidity risk

Liquidity risk is the possibility that the financial resources available to the company are insufficient to meet its financial and trading obligations within the agreed terms and deadlines.

The financial structure established by the board of directors with banks and other financial backers has enabled, and is expected to continue to do so for the foreseeable future, the company to regularly meet its financial obligations. As the company's cash flows, as well as the financial resources that could be provided by the banking system are sufficient to cover ordinary financial requirements, there is no liquidity risk.

In order to establish the expected cash flows of an "underlying" represented by the floating cash interest rate on financial payables, the company has taken out derivatives to hedge the interest rates on loans, where appropriate. The company also used a short-term flexible instrument to earn interest income on bank deposits, which partially offsets the interest expense.

Currency risk

Currency risk is the overall impact of fluctuations in currencies other than the Euro on financial performance and cash flows, affecting companies that operate on foreign markets.

The company's main aim is to protect its profit margin on sales and purchases against external factors.

This risk is not material given the limited amount of foreign currency sales and purchases. The company closely monitors currency-related risks in order to promptly implement the appropriate management tools designed to reduce such risk.

OPERATIONAL RISKS

Supplier dependence

The company has long-term technological and production partnerships with selected suppliers with which it has long-standing relationships beneficial to both parties. These de facto alliances naturally expose Energy to a certain level of risk as operations could be negatively impacted if they were to be terminated for any reason, or if critical issues were to arise in the procurement relationships. Although considered unlikely — and confirming the partnerships' strategic value in 2023 — the company has taken and will continue to take steps to mitigate this risk, both in terms of the supplier portfolio and in the acquisition of expertise and processes that reduce the level of dependency or which would reduce recovery times if necessary. In 2022, the company introduced products of two alternative suppliers, in a limited manner but higher than in previous years, testing their technical and production/logistical capacity. The alternative suppliers were maintained in 2023 and additional partners dedicated to the Extra Large product range were also identified.

Key management personnel

Energy has traditionally relied on a small number of managers and directors who have guided the company since its early years. The company is aware of the implications of the termination of the relationship with these people who have been responsible for its success and has therefore begun expanding the management team, creating teams and implementing company processes to reduce the reliance on these individuals. At the time of preparation of this report, there are eight department managers that support company management. Managerial organisation, delegation and team building activities continued intensely in 2023 with the support of a trusted and experienced expert.

Macroeconomic scenario

Energy's business was temporarily impacted by upstream supply chain disruptions in 2021 and into 2022, partly due to the Covid-19 pandemic. These stressors did not apply in 2023, rather, the situation was reversed, with plummeting demand but greater production capacity. The European economy avoided recession in 2023 but ended the year in the doldrums, with 0% GDP growth in the fourth quarter. This backdrop of stagnation reflects the challenges faced by the region, including inflationary pressure and geopolitical uncertainty, which have affected the growth outlook and overall economic activity. Energy, like its own and many other sectors, has been impacted. It responded by adapting its short-term strategy and focusing on the diversification already underway in 2022 and further developed in 2023.

Market risks

The renewables sector and the storage systems sector in general are still evolving and are subject to the impact of regulations covering both technical aspects and incentives. Its strategic importance for EU countries, to increase energy resilience and drive down emissions, means the sector is in the headlights of institutions at various levels. The impact of regulatory changes can be significant and have even short-term effects, as happened in 2023 with the stoppage of the tax credit transfer mechanism in Italy and the consequences this had. In the previous two years, we saw how the announcement of regulatory changes governing incentives can create a wait-and-see effect, curbing demand before a swift spike. Energy relies on its resilience and a medium- to long-term perspective to overcome these challenges.

Geopolitical risks

The geopolitical tensions linked to relations between NATO and other emerging hegemonic blocs (Russia and China) could impact international relations between companies, both in terms of restrictive regulatory actions and of macroeconomic impacts on the company's markets. However, the former-USSR bloc is not a major market for Energy, nor is it strategic for procurement. On the other hand, the issue of relations with China is much more significant, as it is the source of most of the company's supplies. For this reason, the company has implemented a development programme based on a scenario of complex relationships between the EU/US and China, such to mitigate the negative impacts and, as far as possible, to seek to gain advantage from the possible opportunities

that could arise from this geopolitical situation. The recent spate of attacks on commercial ships in the Gulf of Aden and the Red Sea have not had a significant impact on Energy's operations.

Cybersecurity risk

The company is exposed to cybersecurity risk due to the growing use of IT systems and the dissemination of digitalisation processes. This risk could entail data loss, business interruption or privacy breaches.

Although the company is not especially exposed to this risk, it nonetheless is continually involved in strengthening its IT systems, regularly performing security procedures, personnel training and the protection of its IT infrastructure with ad hoc measures.

Climate change risk

Although Energy is an enabler of the energy transition to mitigate climate change, the company recognises the generic risk associated with the impacts of this phenomenon, albeit slight, given the nature of its operations. Relevant also to the "Sustainability" section below (page 17), Energy has both insurance coverage and proactive policies and actions to reduce the impacts of its operations.

Company organisation

Pursuant to the requirements of article 2423-bis of the Italian Civil Code, Energy S.p.A. states that its organisational structure is commensurate with its size and operational complexity. It has implemented effective internal control and risk management systems, ensuring transparent and accountable management. The internal organisation is closely monitored and promptly updated in response to market needs and strategic objectives. The effectiveness of our organisational structure is ensured by the collaboration between the various organisational levels and the clear definition of responsibilities. We reaffirm our commitment to sustainability and growth, ensuring our business management is consistent with the principles of fairness and integrity.

Environmental management

As well as reflecting the size and complexity of a company's operations, the Italian Civil Code requires that the analysis of a company's financial position and financial performance also contains "to the extent necessary for an understanding of the company's financial position and financial performance, financial indicators and, if relevant, non-financial indicators on the company's specific operations, including as relates to the environment and personnel" (article 2428.2).

As can be inferred from the above regulation, the Italian Civil Code requires the directors to assess whether additional disclosure on the environment would help in understanding the company's position and financial performance.

In light of the foregoing, the board of directors has decided to omit these disclosures, as they are not currently material and therefore do not contribute to an understanding of the company's position and financial performance. They will be provided when there are concrete, tangible and significant environmental impacts with potential consequences for the company's financial position and financial performance.

Personnel disclosures

The purpose of these disclosures is to illustrate the relationship between the company and its employees. The *Workforce* section on page 8 provides the main personnel statistics and trends.

The company does not have significant personnel turnover and the workforce is expanding. This growth is supported by collaboration with specialised agencies and a senior HR manager was recruited in February 2023. There are currently no trade union representatives in the company and there are no disputes.

With respect to occupational health and safety, no significant injuries took place in the workplace in 2023. The risk assessment document was updated and specific risk assessments were completed in line with the expansion

of the company's workforce. The development of the workforce and production is closely monitored from an HSE perspective as well as in technical terms of roles, responsibilities and internal expertise.

Research and development

Energy commenced a long-term research project in the years prior to 2023 as part of its efforts to pre-empt market trends. The project relates to the possibility of developing larger storage systems using modular elements that can be combined.

This project gave tangible results as early as 2021, offering the possibility to expand the company's sales offer beyond residential applications. The range was further expanded in 2022 and 2023 with the introduction of new XL products and for outdoor applications. Today, Energy can handle commercial, industrial, agrivoltaic, utility-scale and grid-scale applications.

A total of 12 projects were carried out during the year (compared to five in 2022), for an amount of €981,030. These projects are aimed at expanding the range and honing existing products to adapt them to new needs and to improve them in light of feedback from users. Software development continued alongside hardware development and was stepped up with the acquisition of the subsidiary Energyincloud. When you also take into consideration the battery assembly, Energy's hardware-software integration and internal control over its XL range is currently unrivalled in Europe.

Sustainability

In 2023, Energy embarked on a path to incorporate ESG (environment, social and governance) sustainability principles into its business.

Specifically, the company completed its first materiality assessment, starting with an analysis and assessment of the positive and negative, current and potential, impacts of its operations — including upstream and downstream — on the economy, people and the environment. The output helped identify the most important sustainability matters for Energy and the UN's 2030 Sustainable Development Goals which, in turn, informed the company's Sustainability plan.

On the one hand, it helped Energy define its sustainability roadmap for the coming years, which will be formalised in 2024 in its first Sustainability plan and, on the other, to draw up its first Sustainability report for 2023 on a voluntary basis.

To this end, in the latter months of 2023, Energy focussed on the activities necessary for the preparation of the voluntary Sustainability report which will be finalised and published in 2024.

The aim of this document is not only to communicate Energy's sustainability performance, targets and approach to stakeholders but it is also a step towards meeting the requirements of the enactment of the Corporate Sustainability Reporting Directive (CSRD).

These activities have involved and continue to involve the company across the board. However, they do not represent the finishing line. Rather, they are a major step on Energy's path to incorporating ESG aspects into its business and, thus, sustainable success.

Related-party transactions

The company classified and recorded in its register the two newcos (Pylon LifeEU S.r.l. and Energyincloud S.r.l.) set up in May 2023 and in which it has an investment as related parties. Specifically, services and software development were exchanged with Energyincloud on an arm's-length basis. However, the transaction is deemed to be excluded from the application of the relevant company procedure, as there were no "significant interests of other related parties of the company" in the transaction -- art. 2 "Exclusions" paragraph 1.(h) "Related-party transactions" of such procedure.

The company does not hold and has never held, directly or indirectly, treasury shares or shares or quotas of parents, including through trustees or nominees.

There was one transaction above the materiality threshold in 2023 between the company and one of its managers. It was approved by the relevant body and subject to the application of the company's procedure.

Outlook

In light of market developments, the company will continue to pursue the strategic guidelines of the 2022-2024 business plan to be “ready for the future”: (a) increasing its expansion abroad, particularly in central and northern Europe; (b) developing its Extra Large ESS business, while maintaining its share of the Small&Large market; (c) investing in, testing and consolidating the insourcing and roll-out of manufacturing and the consolidation of know-how and innovation; (d) improving brand visibility; (e) pursuing M&A strategies. Executive activities to implement these strategies will continue, alongside the company’s constant adjustment to the necessary organisational and functional level. 2024 is shaping up to be to be a year of transition, not only for the company but also for the residential market itself, and particularly for the new market of XL products that the company is developing as a first-mover. Indeed, the first significant returns on the investments of the last two years are expected to be seen in this market.

Branches

In addition to the registered office, the company also has operating facilities, as follows:

- registered office in Piazza Manifattura 1, Rovereto (TN)
- operating facilities in Sant’Angelo di Piove di Sacco, PD (new facility since 2022) – via zona industriale, 8/10

Net profit for the year

The directors propose carrying forward €5,608,950 of the net profit for the year and to allocate the remainder to the legal reserve.

On the basis of the information provided, we invite you to approve the financial statements as at and for the year ended 31 December 2023 and the above proposal for the allocation of the net profit for the year.

Rovereto, 26 March 2024

On behalf of the board of directors
The chairman, Alessandro Granuzzo

General information

Company information

| | |
|--|---------------------------------------|
| Name: | ENERGY S.p.A. |
| Registered office: | PIAZZA MANIFATTURA 1 ROVERETO, TRENTO |
| Share capital: | €614,919.26 |
| Share capital fully paid-up: | yes |
| Chamber of commerce code: | TN |
| VAT code: | 02284640220 |
| Tax code: | 02284640220 |
| REA no.: | 213161 |
| Legal form: | COMPANY LIMITED BY SHARES |
| Main business sector (ATECO): | 466920 |
| Company in liquidation: | no |
| Single-member company: | no |
| Company managed and coordinated by another party: | no |
| Name of company or body that manages and coordinates it: | |
| Company belonging to a group: | no |
| Name of parent: | |
| Country of parent: | |
| Register of cooperatives number: | |

Financial statements as at and for the year ended 31 December 2023

Balance sheet

| | 31/12/2023 | 31/12/2022 |
|---|------------------|------------------|
| Assets | | |
| B) Fixed assets | | |
| I - Intangible fixed assets | - | - |
| 1) start-up and capital costs | 2,244,762 | 2,872,682 |
| 2) development costs | 1,170,794 | 605,824 |
| 3) industrial patents and intellectual property rights | 28,036 | 43,274 |
| 4) concessions, licences, trademarks and similar rights | 4,058 | 5,100 |
| 6) assets under development and payments on account | 1,242,958 | 666,938 |
| 7) other | 81,817 | 121,269 |
| <i>Total intangible fixed assets</i> | <i>4,772,425</i> | <i>4,315,087</i> |
| II - Tangible fixed assets | - | - |
| 1) land and buildings | 1,631,597 | 1,196,597 |

| | 31/12/2023 | 31/12/2022 |
|--|-------------------|-------------------|
| 2) plant and machinery | 69,003 | 37,506 |
| 3) industrial and commercial equipment | 186,349 | 183,458 |
| 4) other assets | 82,315 | 76,711 |
| 5) assets under construction and payments on account | 5,324,293 | 113,900 |
| <i>Total tangible fixed assets</i> | <i>7,293,557</i> | <i>1,608,172</i> |
| III - Financial fixed assets | - | - |
| 1) equity investments | - | - |
| a) subsidiaries | 46,803 | - |
| b) associates | 860,631 | - |
| <i>Total equity investments</i> | <i>907,434</i> | <i>-</i> |
| 2) financial receivables | - | - |
| d-bis) from others | 272,778 | 155,965 |
| due within one year | 225,153 | - |
| due after one year | 47,625 | 155,965 |
| <i>Total financial receivables</i> | <i>272,778</i> | <i>155,965</i> |
| <i>Total financial fixed assets</i> | <i>1,180,212</i> | <i>155,965</i> |
| <i>Total fixed assets (B)</i> | <i>13,246,194</i> | <i>6,079,224</i> |
| C) Current assets | | |
| I - Inventory | - | - |
| 4) finished goods | 56,324,000 | 55,625,949 |
| 5) payments on account | 86,141 | 5,711,549 |
| <i>Total inventory</i> | <i>56,410,141</i> | <i>61,337,498</i> |
| II - Receivables | - | - |
| 1) trade receivables | 4,645,117 | 23,051,623 |
| due within one year | 4,645,117 | 23,051,623 |
| 2) from subsidiaries | 184,140 | - |
| due within one year | 64,876 | - |
| due after one year | 119,264 | - |
| 5-bis) tax receivables | 1,795,925 | 89,843 |
| due within one year | 1,697,664 | 84,853 |
| due after one year | 98,261 | 4,990 |
| 5-ter) deferred tax assets | 156,952 | 48,321 |
| 5-quater) from others | 5,143,996 | 6 |
| due within one year | 5,138,496 | 6 |
| due after one year | 5,500 | - |
| <i>Total receivables</i> | <i>11,926,130</i> | <i>23,189,793</i> |
| III - Current financial assets | - | - |
| 5) derivatives | 92,938 | 161,450 |

| | 31/12/2023 | 31/12/2022 |
|--|-------------------|-------------------|
| <i>Total current financial assets</i> | 92,938 | 161,450 |
| IV - Liquid funds | - | - |
| 1) bank and postal accounts | 18,833,709 | 15,962,755 |
| 3) cash-in-hand and cash equivalents | 618 | 198 |
| <i>Total liquid funds</i> | 18,834,327 | 15,962,953 |
| <i>Total current assets (C)</i> | 87,263,536 | 100,651,694 |
| D) Prepayments and accrued income | 103,837 | 32,218 |
| <i>Total assets</i> | 100,613,567 | 106,763,136 |
| Liabilities | | |
| A) Net equity | 65,455,678 | 59,897,383 |
| I - Share capital | 614,919 | 613,750 |
| II - Share premium reserve | 27,186,250 | 27,186,250 |
| IV - Legal reserve | 122,750 | 4,874 |
| VI - Other reserves, indicated separately | - | - |
| Extraordinary reserve | 5,210 | 5,210 |
| Sundry other reserves | (3) | 2 |
| <i>Total other reserves</i> | 5,207 | 5,212 |
| VII - Hedging reserve | 70,633 | 122,702 |
| VIII - Retained earnings | 31,846,719 | 9,356,945 |
| IX - Net profit for the year | 5,609,200 | 22,607,650 |
| Total net equity | 65,455,678 | 59,897,383 |
| B) Provisions for risks and charges | | |
| 2) Tax provision, including deferred tax liabilities | 22,305 | 38,748 |
| 4) other provisions | - | 95,487 |
| <i>Total provisions for risks and charges</i> | 22,305 | 134,235 |
| C) Employees' leaving entitlement | 196,263 | 130,840 |
| D) Payables | | |
| 4) bank loans and borrowings | 23,665,903 | 24,147,478 |
| due within one year | 14,076,758 | 18,648,659 |
| due after one year | 9,589,145 | 5,498,819 |
| 6) payments on account | 88,229 | 228,288 |
| due within one year | 88,229 | 228,288 |
| 7) trade payables | 9,778,969 | 15,380,467 |
| due within one year | 9,778,969 | 15,380,467 |
| 9) payables to subsidiaries | 1,795 | - |
| due within one year | 1,795 | - |
| 10) payables to associates | 1,908 | - |
| due within one year | 1,908 | - |

| | 31/12/2023 | 31/12/2022 |
|--|--------------------|--------------------|
| 12) tax payables | 162,079 | 6,021,688 |
| due within one year | 162,079 | 6,021,688 |
| 13) social security charges payable | 143,953 | 150,898 |
| due within one year | 143,953 | 150,898 |
| 14) other payables | 442,750 | 530,911 |
| due within one year | 442,750 | 530,911 |
| <i>Total payables</i> | <i>34,285,586</i> | <i>46,459,730</i> |
| E) Accrued expenses and deferred income | 653,735 | 140,948 |
| <i>Total liabilities</i> | <i>100,613,567</i> | <i>106,763,136</i> |

Profit and loss account

| | 2023 | 2022 |
|---|-------------------|--------------------|
| A) Production revenues | | |
| 1) turnover from sales and services | 63,328,571 | 126,450,179 |
| 4) internal work capitalised | 1,394,506 | 441,040 |
| 5) other revenues and income | - | - |
| grants related to income | 365,052 | 46,764 |
| other | 809,669 | 328,019 |
| <i>Total other revenues and income</i> | <i>1,174,721</i> | <i>374,783</i> |
| <i>Total production revenues</i> | <i>65,897,798</i> | <i>127,266,002</i> |
| B) Production cost | | |
| 6) raw materials, consumables, supplies and goods | 47,625,666 | 137,458,627 |
| 7) services | 5,152,477 | 5,818,967 |
| 8) use of third-party assets | 212,388 | 116,157 |
| 9) personnel expenses | - | - |
| a) wages and salaries | 1,764,197 | 1,327,590 |
| b) social security contributions | 504,567 | 360,057 |
| c) employees' leaving entitlement | 116,587 | 96,132 |
| e) other costs | 66,754 | 84,730 |
| <i>Total personnel expenses</i> | <i>2,452,105</i> | <i>1,868,509</i> |
| 10) amortisation, depreciation and write-downs | - | - |
| a) amortisation of intangible fixed assets | 1,141,371 | 563,566 |
| b) depreciation of tangible fixed assets | 83,208 | 31,188 |
| d) write-downs of current receivables and liquid funds | - | 3,769 |
| <i>Total amortisation, depreciation and write-downs</i> | <i>1,224,579</i> | <i>598,523</i> |

| | 2023 | 2022 |
|--|--------------------|-------------------|
| 11) change in raw materials, consumables, supplies and goods | (698,052) | (50,368,229) |
| 14) other operating costs | 1,035,932 | 198,281 |
| <i>Total production cost</i> | <i>57,005,095</i> | <i>95,690,835</i> |
| Operating profit (A-B) | 8,892,703 | 31,575,167 |
| C) Financial income and charges | | |
| 16) other financial income | - | - |
| d) other income | - | - |
| from others | 20,285 | 96 |
| <i>Total other income</i> | <i>20,285</i> | <i>96</i> |
| <i>Total other financial income</i> | <i>20,285</i> | <i>96</i> |
| 17) interest and other financial charges | - | - |
| other | 1,435,754 | 490,854 |
| <i>Total interest and other financial charges</i> | <i>1,435,754</i> | <i>490,854</i> |
| 17-bis) Net exchange rate gains (losses) | 40,901 | (95,900) |
| <i>Net financial charges (15+16-17+-17-bis)</i> | <i>(1,374,568)</i> | <i>(586,658)</i> |
| Profit before taxes (A-B+C+D) | 7,518,135 | 30,988,509 |
| 20) Income taxes | | |
| current taxes | 2,017,564 | 8,366,016 |
| taxes relative to prior years | 2 | 1,047 |
| changes in deferred taxes | (108,631) | 13,796 |
| <i>Total income taxes</i> | <i>1,908,935</i> | <i>8,380,859</i> |
| 21) Net profit for the year | 5,609,200 | 22,607,650 |

Cash flow statement, prepared using the indirect method

| | 2023 | 2022 |
|---|--------------------|---------------------|
| A) Cash flows from operating activities (indirect method) | | |
| Net profit for the year | 5,609,200 | 22,607,650 |
| Income taxes | 1,908,935 | 8,380,859 |
| Net interest expense | 1,414,396 | 586,658 |
| <i>1) Profit for the year before income taxes, interest, dividends and gains/losses on sale of assets</i> | <i>8,932,531</i> | <i>31,575,167</i> |
| Non-monetary adjustments that did not affect net working capital | | |
| Accruals to provisions | 116,587 | 96,132 |
| Amortisation and depreciation | 1,224,579 | 594,754 |
| Write-downs | | 3,769 |
| Other net increases due to non-monetary items | 493,550 | 23,037 |
| <i>Total non-monetary adjustments that did not affect net working capital</i> | <i>1,834,716</i> | <i>717,692</i> |
| <i>2) Cash flows before changes in net working capital</i> | <i>10,767,247</i> | <i>32,292,859</i> |
| Changes in net working capital | | |
| Decrease (increase) in inventory | 4,433,807 | (54,698,439) |
| Decrease (increase) in trade receivables | 18,406,506 | (13,326,594) |
| Increase/(decrease) in trade payables | (5,601,498) | 14,305,124 |
| Decrease/(increase) in prepayments and accrued income | (71,619) | 19,944 |
| Net increase in accrued expenses and deferred income | 512,787 | 95,955 |
| Other decreases/(other increases) in net working capital | (2,374,309) | 1,218,403 |
| <i>Total changes in net working capital</i> | <i>15,305,674</i> | <i>(52,385,607)</i> |
| <i>3) Cash flows after changes in net working capital</i> | <i>26,072,921</i> | <i>(20,092,748)</i> |
| Other adjustments | | |
| Net interest paid | (1,414,396) | (586,658) |
| Income taxes paid | (7,768,544) | (5,752,169) |
| Use and release of provisions | (146,651) | (171,156) |
| <i>Total other adjustments</i> | <i>(9,329,591)</i> | <i>(6,509,983)</i> |
| Cash flows from/(used in) operating activities (A) | 16,743,330 | (26,602,731) |
| B) Cash flows from investing activities | | |
| Tangible fixed assets | | |
| Investments | (5,768,593) | (1,600,714) |
| Intangible fixed assets | | |
| Investments | (1,598,710) | (4,329,739) |
| Financial fixed assets | | |
| Investments | (1,026,947) | (97,684) |
| Disposals | 2,700 | |

| | 2023 | 2022 |
|---|--------------------|--------------------|
| Cash flows used in investing activities (B) | (8,391,550) | (6,028,137) |
| C) Cash flows from financing activities | | |
| Third-party funds | | |
| Increase (decrease) in short-term bank borrowings | (8,904,047) | 15,001,322 |
| New loans | 12,800,000 | 4,850,000 |
| Repayments of loans | (4,377,528) | (552,116) |
| Own funds | | |
| Proceeds from issue of share capital against payment | 1,169 | 27,300,000 |
| Changes in financial receivables due within one year | (5,000,000) | |
| Cash flows from/(used in) financing activities (C) | (5,480,406) | 46,599,206 |
| Increase in liquid funds (A+-B+-C) | 2,871,374 | 13,968,338 |
| Opening liquid funds | | |
| Bank and postal accounts | 15,962,755 | 1,994,571 |
| Cash-in-hand and cash equivalents | 198 | 44 |
| Total opening liquid funds | 15,962,953 | 1,994,615 |
| Closing liquid funds | | |
| Bank and postal accounts | 18,833,709 | 15,962,755 |
| Cash-in-hand and cash equivalents | 618 | 198 |
| Total closing liquid funds | 18,834,327 | 15,962,953 |
| Reconciliation differences | | |

Disclosure on the cash flow statement

2023 marked a turning point for Energy S.p.A., reaffirming for management the need to continue the steps necessary to pursue the transformation goals under the company's strategic plan.

The decrease in sales volumes led to a decrease in trade working capital, with a decrease in inventory (€5.4 million) and in trade receivables (€18.4 million), partially offset by a decrease in purchases which led to a reduction in payables (€5.6 million). The positive cash flows are partially offset by non-trading items (€13.3 million) consisting of the decrease in tax payable. During the year, the company also took out a time deposit for a nominal amount of €5 million, which was recorded in current assets under receivables from others given its unavailability. For the sake of completeness, it should be noted that the funds can be withdrawn at any time by the company, albeit forgoing accrued interest income.

Overall, the cash flows generated by the reduction of working capital (€5.4 million), after adjustments for interest and income taxes, resulted in cash flows from operating activities of €11.6 million.

These cash flows allowed investments of €8.3 million to be made under the strategic plan, including the construction of the new facility, the set-up of the battery assembly department, product and service developments, internal structuring and improvement projects, and initial financial support for the two newcos Pylon LifeEU and Energyincloud.

Consequently, the company reduced the use of short-term bank loans and borrowings by €8.9 million, typically used to finance working capital, and took out medium-term loans more suitable to support investments (€12.8 million), and repaid loans for €4.4 million. The total cash flows used in these activities decreased by €0.5 million.

The company's closing cash and cash equivalents total €18.9 million, plus the €5 million time deposit, part of which matures in April and the remainder in July. These cash and cash equivalents allow for the smooth continuation of operations and the investment plan and developments scheduled for 2024.

Notes to the financial statements — introduction

These notes are an integral part of the financial statements as at and for the year ended 31 December 2023.

The financial statements comply with the provisions of article 2423 and following articles of the Italian Civil Code and the reporting standards promulgated by the Italian Accounting Standard Setter (“OIC”). They are clearly stated and give a true and fair view of the company’s financial position and financial performance.

The captions of the balance sheet and the profit and loss account comply with the requirements of articles 2424 and 2425 of the Italian Civil Code while the cash flow statement has been prepared in accordance with article 2425-ter of the Italian Civil Code.

These notes, drawn up as per article 2427 of the Italian Civil Code, provide all the information necessary for the correct understanding of the financial statements.

Basis of preparation

The balance sheet items were measured in accordance with the principles of prudence, materiality and on a going-concern basis. Specifically, on the basis of the available information:

- there are no equity or cash flow imbalances;
- the conditions exist for the company to continue as a going concern in the foreseeable future, i.e., for at least twelve months from the reporting date.

No significant uncertainties arose from the forward-looking assessment of the going-concern assumption.

Pursuant to article 2423-bis.1.1-bis of the Italian Civil Code, captions have been recognised and presented considering the substance of the underlying transaction or contract. Income and expense pertaining to the year are recognised on accruals basis irrespective of when they are collected or paid and profits are only recognised if realised before the reporting date. Moreover, risks and losses pertaining to the year have been considered, even if they became known after the year end.

The company measured the individual assets and liabilities separately, in order to avoid offsetting profits on certain items against losses on other items.

Where offsetting is permitted, the gross amounts subject to offsetting are disclosed in the notes to the financial statements.

Basis of presentation

The structure of the balance sheet and profit and loss account is as follows:

- the balance sheet and profit and loss account comply with the provisions of articles 2423-ter, 2424 and 2425 of the Italian Civil Code;
- the balance sheet and profit and loss account are recognised in accordance with the principles of articles 2424-bis and 2425-bis of the Italian Civil Code.

The cash flow statement is prepared in compliance with article 2425-ter of the Italian Civil Code and pursuant to the provisions of OIC 10 “Cash flow statement”.

These notes are prepared in compliance with articles 2427 and 2427-bis and other provisions of the Italian Civil Code, as well as pursuant to other specific legislation. They include all additional disclosures deemed necessary to provide a true and fair view of the company’s financial position and financial performance, even when not required by specific legal provisions.

Pursuant to the provisions of article 2423-ter.6 of the Italian Civil Code, it is hereby noted that no legally-permitted offsetting of items has taken place.

Pursuant to article 2423-bis.1.1 of the Italian Civil Code, the financial statements captions have been measured on a going-concern basis, also taking into account the effects of the war in Ukraine and the Middle East on the global and Italian economy. Despite the contraction in revenues in line with the sector trend, the company managed to maintain good profitability, albeit lower than in 2022.

Exceptional events pursuant to article 2423.5 of the Italian Civil Code

There were no exceptional events which would have led the company to apply the departures permitted by article 2423.4/5 of the Italian Civil Code.

Changes in accounting policies

There were no exceptional events which would have led the company to resort to the departures to change the accounting policies as per article 2423-bis.2 of the Italian Civil Code.

Comparability and reclassification

Pursuant to article 2423-ter of the Italian Civil Code, it is hereby noted that all financial statements captions are comparable with those of the previous year and it was therefore not necessary to reclassify any prior year captions.

Accounting policies

The criteria applied to measure and adjust the financial statements captions comply with the provisions of the Italian Civil Code and the reporting standards issued by the OIC. They are unchanged from those of the previous year.

Pursuant to article 2427.1.1 of the Italian Civil Code, the most important accounting policies adopted pursuant to the provisions of article 2426 of the Italian Civil Code are described below, particularly as relates to those financial statements captions for which the legislator envisages various measurement and adjustment criteria or for which there are no specific criteria.

Foreign currency amounts are translated into Euro at the spot exchange rate ruling on the date of their recognition, or the closing rate in line with the provisions of OIC 26.

Intangible fixed assets

As they satisfy the requirements of the reporting standards, intangible fixed assets are recognised in the balance sheet assets at acquisition and/or development cost and are amortised on a straight-line basis in line with their income-generating potential. They are shown net of accumulated amortisation and write-downs.

Amortisation is recognised based on the following schedule which is deemed to correctly allocate the cost incurred over the relevant asset's income-generating potential:

| | Period |
|--|--------------------|
| Start-up and capital costs | 5 years |
| Development costs | 5 years |
| Industrial patents and intellectual property rights | 3 years |
| Concessions, licences, trademarks and similar rights | from 5 to 10 years |
| Other | Contract term |

The assets or costs are amortised on a straight-line basis in line with their residual income-generating potential.

Pursuant to article 10 of Law no. 72 of 19 March 1983 and as reiterated in subsequent monetary revaluation laws, it is hereby noted that the recognised intangible fixed assets have never undergone monetary revaluation.

These assets have not been written down pursuant to article 2426.1.3 of the Italian Civil Code as there are no indications of impairment losses under OIC 9.

Start-up and capital costs

Start-up and capital costs are recognised with the consent of the board of statutory auditors, as they are deferred in nature. They are amortised over not more than five years.

Development costs

Development costs are recognised with the consent of the board of statutory auditors as, based on a prudent judgement, they satisfy the characteristics required by OIC 24: they are recoverable and relate to specific development projects that are feasible and for which the company has the required resources. Moreover, they relate to a clearly defined, identifiable and measurable product or process. As their income-generating potential can be reliably estimated, development costs are amortised over the related period.

Other

Other assets are recognised at purchase cost including the related costs. They are amortised to the extent legally or contractually permitted.

Assets under development and payments on account

Assets under development recognised under caption B.I.6 are initially recognised when the initial costs to develop the asset are incurred and they include the related internal and external costs. These costs remain in this caption until the project is complete and are not subject to amortisation before then.

Tangible fixed assets

Tangible fixed assets are recognised upon transfer of the risks and benefits related to the purchased asset. They are measured at purchase cost, including any directly-related charges incurred up to when the asset is available for use and to the extent of their recoverable amount. Tangible fixed assets are recognised net of accumulated depreciation and write-downs.

The carrying amount of these assets, which are grouped by category and year of purchase, is allocated over the years in which they are expected to be used. This takes place through the systematic recognition in the profit and loss account of the related depreciation based on depreciation schedules established when the asset is available and ready for use and reflecting their estimated residual useful life. The schedules are checked annually and are based on the asset's gross carrying amount and assuming a zero recoverable amount at the end of the process.

Depreciation of tangible fixed assets, which have a finite useful life, is charged based on the following schedule:

| | Rate (%) |
|---|----------|
| Land | 0% |
| Plant and machinery | 15% |
| Industrial and commercial equipment | 15% |
| Transport vehicles | 20% |
| Ordinary office furniture and equipment | 12% |
| Electronic office equipment | 20% |

Such rates are halved in the first year in which the asset is purchased, resulting in depreciation that does not differ significantly from that calculated from the time the asset is available for use.

The depreciation rates are unchanged from those of the previous year.

Pursuant to article 10 of Law no. 72 of 19 March 1983 and as reiterated in subsequent monetary revaluation laws, it is hereby noted that the recognised tangible fixed assets have never undergone monetary revaluation.

They have not been written down pursuant to article 2426.1.3 of the Italian Civil Code as there are no indications of impairment losses under OIC 9.

Land and buildings

With particular reference to the buildings, they are not depreciated as they do not incur significant impairment losses due to use. The company has recognised the land underlying its buildings separately. Land is not depreciated as it has an infinite useful life.

Assets under construction and payments on account

Payments on account to suppliers for tangible fixed assets in caption B.II.5 are initially recognised only when the related payments are due. Accordingly, they are not depreciated.

Financial fixed assets

Financial receivables

Financial receivables are recognised at amortised cost, as defined by article 2426.2 of the Italian Civil Code, considering the time value of money and their estimated realisable value, pursuant to the provisions of article 2426.1.8 of the Italian Civil Code.

When the application of the amortised cost method and/or discounting of the financial receivables is irrelevant, they are recognised at estimated realisable value in order to give a true and fair view of the company's financial position and financial performance. This occurred, for instance, in the case of receivables due within one year or, as relates to the amortised cost criterion, when the transaction costs, commissions and any other difference between the original and settlement amounts at the due date are insignificant or, in case of discounting, when the interest rate based on contractual terms does not differ significantly from the market interest rate.

Inventory

Assets classified as inventory are initially recognised upon transfer of the risks and benefits related to the purchased asset. Inventory is initially measured at purchase or production cost and subsequently measured at the lower of cost and estimated realisable value based on market trends.

Purchase cost is the actual cost paid upon purchase including related charges. The purchase cost of materials includes their price, transport costs, customs and other duties and other directly attributable costs. Returns, discounts, allowances and premiums are offset against costs.

The company has adopted the weighted average cost model.

Current receivables

Receivables are rights to receive fixed or determinable amounts of cash or its equivalent, or assets/services having an equivalent value, from customers or other third parties at identified or identifiable due dates. Receivables arising from the sale of goods and supply of services are recognised in accordance with the requirements set out in the note to revenues. The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current receivables or when transaction costs, commissions paid between the parties and any other difference between the original and recoverable amounts at the due date are insignificant.

In this case, receivables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. They are subsequently measured at their nominal amount plus interest calculated at the nominal interest rate, reduced by principal and interest collected and net of estimated write-downs and expected credit losses recognised to adjust their carrying amount to their estimated realisable value.

Cash discounts and allowances that were not included in the calculation of the estimated realisable value, as they could not be determined when the receivable was originally recognised, are recognised upon receipt as financial charges.

The company recognises these receivables at their estimated realisable value by writing down their carrying amount through the provision for bad debts, taking into consideration impairment indicators. The company considers specific indicators based on past trends and any other useful information about a probable impairment. The write-downs are estimated on an individual basis for significant receivables and collectively for the others, by calculating the expected impairment losses at the reporting date. The write-downs recognised in the provision for bad debts for receivables covered by guarantees consider the effects of enforcing the guarantees. In the case of insured receivables, write-downs are only limited to the portion not covered by the insurance policy, if compensation is reasonably certain.

Current financial assets

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the underlying);
- it requires no initial net investment or an initial net investment that is smaller than that required for other types of contracts that would be expected to have a similar response to changes in market factors;

- it will be settled at a future date.

The company recognises a derivative when it becomes party to its contractual provisions, i.e., when it signs the contract and is, therefore, subject to its rights and obligations. It recognises derivatives, including embedded derivatives, at fair value.

At each reporting date, the company measures derivatives at fair value and presents them in the specific balance sheet captions as current or fixed (in the case of hedges of fixed assets or liabilities due after one year) assets, if their fair value is positive or under provisions for risks and charges, if their fair value is negative. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The company measures the fair value of unlisted derivatives using adequate valuation techniques and the assumptions, parameters and fair value hierarchy levels required by the relevant IFRS.

Hedge accounting

A derivative qualifies for hedge accounting if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and hedging strategy;
- the hedging relationship meets the qualitative and quantitative hedge effectiveness requirements.

Therefore, if the company uses derivatives as hedges from a management perspective but the hedging relationship does not fully meet hedge accounting requirements, it recognises them based on the general treatment described earlier.

The hedge effectiveness is documented at initial recognition and also on an ongoing basis. At each reporting date, the company assesses whether the hedging relationship is still effective.

If all the requirements mentioned above are met, hedging relationships may be accounted for using the following models.

When hedging relationships only relate to derivatives with characteristics very similar to those of the hedged item and the derivative has been entered into at market conditions (for example, forwards or swaps with a fair value approximating nil) at initial recognition, the company applies the treatment applicable to simple hedges described below, if:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and hedging strategy;
- the main elements of the hedging instrument and hedged item (nominal amount, settlement date of cash flows, due date and underlying variable) match or nearly match and the counterparty's credit risk does not significantly affect the fair value of the hedging instruments and hedged item.

At each reporting date, the company checks that the effectiveness requirements described above are still met, including the credit risk of the counterparty to the hedging instrument and hedged item, which may trigger the discontinuation of the hedging relationship if it becomes significant.

The fair value gains or losses on both the hedging instrument and hedged item are fully recognised in the specific profit and loss account captions and the company is not required to calculate the difference to be taken to the profit and loss account captions relating to the hedged item.

The fair value gains or losses on the hedging instrument are fully recognised in the specific net equity reserve and the company is not required to calculate the ineffective portion of the hedge to be taken to the profit and loss account. The same accounting treatments described above are applied to reclassify the amount accumulated in net equity.

The disclosures required by article 2427-bis.1 of the Italian Civil Code on the fair value of derivatives and those required by IFRS 32 are provided in a specific section of these notes.

Liquid funds

Liquid funds are measured using the following criteria:

- cash, at nominal value;
- bank and postal account deposits and cheques, at their estimated realisable value, which coincides with their nominal value.

Prepayments and accrued income, accrued expenses and deferred income

Accrued income and expenses are respectively portions of income and expenses pertaining to the year but that will be collected/paid in subsequent years.

Prepayments and deferred income are respectively portions of expenses and income collected/paid during the year or in previous years but pertaining to one or more subsequent years.

Accordingly, these captions comprise only portions of expenses and income relating to two or more years, whose amount varies on a time or economic accruals basis.

At each year end, the company analyses the conditions underlying their initial recognition and makes any necessary adjustments. Specifically, the balance of accrued income varies not only over time, but also based on its expected realisable value, whereas that of prepayments is based on the existence of future economic benefits matching the deferred costs.

Net equity

Transactions between the company and its owners (acting as owners) may result in receivables/payables from/to them. The company recognises a receivable when its owners take on an obligation and a payable when it takes on an obligation to them.

Capital injections with no repayment obligation are recognised under the relevant net equity caption, while shareholder loans with a repayment obligation are recognised under payables.

Provisions for risks and charges

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. Specifically, provisions for risks relate to specific liabilities whose occurrence is probable and amount estimated, while provisions for charges relate to specific liabilities, whose occurrence is certain and amount or due date estimated, that arise from obligations already taken on at the reporting date but which will be paid in subsequent years.

Provisions are recognised on an accruals basis for amounts that are expected to be paid or goods and services that will be supplied at the time the obligation is satisfied.

Accruals to provisions for risks and charges are primarily recognised in the profit and loss account section to which the transaction relates, privileging the classification of costs by nature. The amount of the accruals to the provisions is based on the best estimate of costs, including the legal expenses, at the reporting date.

Moreover, in estimating accruals to provisions for charges, the company may consider the related time horizon, if a reasonable estimate of the amount required to settle the obligation and its due date is possible and the latter is so far into the future that the obligation's present value and estimated liability will be considerably different at that settlement date.

The provisions for risks and charges recognised in previous periods are reviewed to check their appropriate measurement at the reporting date.

The provisions are subsequently used directly and solely for those costs and liabilities for which they were originally set up. If they are not sufficient or are redundant, the shortfall or surplus is recognised in the profit and loss account in line with the original accrual.

Employees' leaving entitlement

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment pursuant to article 2120 of the Italian Civil Code and considering the changes in legislation introduced by Law no. 296/2006. It is a remuneration cost whose nature is certain and is recognised on an accruals basis each year. The overall accrued benefit considers any type of continuous remuneration and is net of any payments on account and partial advances paid by virtue of national or individual labour contracts or company agreements which are not required to be repaid. It is net of any portions transferred to supplementary pension funds or the treasury fund managed by INPS (the Italian social security institution).

The related liability is the amount that the company would have paid had all employees left at the reporting date. The amount due to employees who had already left the company at the reporting date but that will be paid in the following year is reclassified to payables.

The Italian employees' leaving entitlement (TFR) is measured pursuant to article 2120 of the Italian Civil Code, taking into account the provisions of the law and the characteristics of the contracts and professional categories, and it includes the annual portions vested and the revaluations made on the basis of ISTAT (the Italian national institute of statistics) coefficients.

TFR is recognised net of any advances and the amounts paid to outgoing employees during the year. It corresponds to the amount due to employees at the reporting date.

Payables

Payables are specific and certain liabilities that are obligations to pay fixed or determinable sums of cash or its equivalent to financial backers, suppliers or other parties. They are classified to the various liability captions depending on their nature (or origin) in line with the company's ordinary activities and regardless of their due date.

Payables arising from the purchase of goods and supply of services are recognised in accordance with the requirements set out in the section on costs. Loans and borrowings and payables unrelated to the procurement of goods and services are recognised when the company has a legal or contractual obligation vis-a-vis the counterparty. Payables for advances from customers are recognised when the right to collect the advance arises. Payables are recognised at amortised cost, considering the time value of money.

The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current payables or when transaction costs, commissions paid between the parties and any other difference between the original and settlement amounts at the due date are insignificant.

Foreign currency transactions, assets and liabilities

Assets and liabilities generated by foreign currency transactions are initially recognised in Euros, applying the transaction-date spot rate between the Euro and foreign currency to the foreign currency amount.

Foreign currency monetary items, including the provisions for risks and charges related to foreign currency liabilities, are translated using the closing rates. Any resulting gains or losses are taken to the profit and loss account. Non-monetary foreign currency assets and liabilities are maintained in the balance sheet at the transaction-date exchange rate. Consequently, any exchange rate gains or losses are not recognised separately. Any unrealised net exchange rate gain on foreign currency monetary items forms part of the net profit or loss for the year and, when the financial statements and consequent allocation or coverage of the net profit or loss for the year are approved, it is recognised in an undistributable reserve. Should the net profit for the year be smaller than the unrealised net exchange rate gain, the amount recognised in the undistributable reserve is equal to the net profit for the year.

Turnover from sales and services

Revenues are recognised on an accruals basis, net of returns, allowances, discounts and premiums, as well as directly-related taxes. Revenues from the sale of goods are recognised upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter for the substantial transfer.

Revenues from the provision of services are recognised once the services have been provided, i.e., when they have been carried out. In the case of ongoing services, revenues are recognised on an accruals basis.

Internal work capitalised

Internal work capitalised is recognised at production cost including the direct costs (materials and direct labour, design costs, external supplies, etc.) and the reasonably attributable portion of production overheads incurred from development up to when the asset is available for use. It also includes any borrowing costs related to production calculated using the same criteria.

Other revenues and income

Grants related to income are recognised on an accruals basis when the company is certain that it is entitled thereto in caption A5, as they are supplementary to revenues from core business and/or decrease costs and charges related to core business.

Income taxes

Current income taxes are calculated on the basis of a realistic forecast of the taxable profit under the relevant tax legislation, applying the enacted tax rates at the reporting date. The related tax payable is stated in the balance sheet, net of payments on account, withholding taxes and tax receivables which may be offset and have not been claimed for reimbursement. A tax receivable is recognised for payments on account, withholdings and receivables exceeding the taxes payable. Tax receivables and payables are measured at amortised cost, except when they are due within one year.

Deferred tax assets and liabilities are calculated on the accumulated amount of all temporary differences between the carrying amounts of assets and liabilities and their tax base that will reverse in subsequent years.

Deferred tax assets and liabilities are recognised when the temporary differences arise and are calculated at the tax rates that will be applicable in the year in which the temporary differences reverse, if they have already been established at the reporting date, otherwise at the enacted tax rates at the reporting date.

Income taxes are recognised based on taxable income calculated pursuant to the effective rates; they reflect both the current and deferred tax charges.

The current tax charge is calculated by applying:

- for profit taxable for IRES purposes, the ordinary rate of 24%;
- for profit taxable for IRAP purposes, the rate of 3.90% to the portion of profit related to the Veneto Region and 2.68% to that related to the Trento Autonomous Province.

Deferred tax assets and liabilities deriving from temporary differences between the carrying amount and tax base of assets and liabilities are calculated using the method set out in OIC 25, applying the rate of 24% for IRES and 3.29% for IRAP.

Use of estimates

The preparation of financial statements requires management to make estimates that affect the carrying amount of assets and liabilities and the related disclosures. Actual results may differ. Estimates are revised regularly and the effect of any changes, if not due to errors, is recognised in the profit and loss account when the estimates are changed, if they affect just one year, and also in the following years, if they affect both the current and subsequent years.

Other information

Repurchase agreements

Pursuant to article 2427.6-ter of the Italian Civil Code, the company states that it has not entered into any repurchase agreements during the year.

Notes to the assets

Changes in the individual financial statements captions are analysed below pursuant to current legislation.

Fixed assets

Intangible fixed assets

Changes of the period in intangible fixed assets are shown below:

| | |
|-----------------------|----------------|
| Balance at 31/12/2023 | 4,772,425 |
| Balance at 31/12/2022 | 4,315,087 |
| Change | 457,338 |

Changes in intangible fixed assets

After the recognition of the amortisation of the year of €1,141,371 in the profit and loss account, intangible fixed assets amount to €4,772,425.

The changes of the year are shown in the table below:

| | Start-up and capital costs | Development costs | Industrial patents and intellectual property rights | Concessions, licences, trademarks and similar rights | Assets under development and payments on account | Other | Total |
|----------------------------|----------------------------|-------------------|---|--|--|-----------------|----------------|
| Opening balance | | | | | | | |
| Cost | 3,139,597 | 1,709,745 | 146,704 | 9,116 | 666,938 | 155,941 | 5,828,041 |
| Accumulated amortisation | 266,915 | 1,103,921 | 103,430 | 4,016 | - | 34,672 | 1,512,954 |
| Carrying amount | 2,872,682 | 605,824 | 43,274 | 5,100 | 666,938 | 121,269 | 4,315,087 |
| Changes of the year | | | | | | | |
| Purchases | - | 981,030 | 18,590 | - | 576,020 | 23,070 | 1,598,710 |
| Amortisation charges | 627,919 | 416,060 | 33,828 | 1,042 | - | 62,522 | 1,141,371 |
| <i>Total changes</i> | <i>(627,919)</i> | <i>564,970</i> | <i>(15,238)</i> | <i>(1,042)</i> | <i>576,020</i> | <i>(39,452)</i> | <i>457,339</i> |
| Closing balance | | | | | | | |
| Cost | 3,139,597 | 2,690,775 | 165,294 | 9,116 | 1,242,958 | 179,011 | 7,426,751 |
| Accumulated amortisation | 894,835 | 1,519,981 | 137,258 | 5,058 | - | 97,194 | 2,654,326 |
| Carrying amount | 2,244,762 | 1,170,794 | 28,036 | 4,058 | 1,242,958 | 81,817 | 4,772,425 |

Analysis of long-term costs

Start-up and capital costs

The following table breaks down the start-up and capital costs, showing the changes of the year. The reasons for their recognition and the respective amortisation criteria are set out above.

| | Breakdown | 31/12/2023 | 31/12/2022 | Change | Change (%) |
|-----------------------------------|--|------------------|------------------|------------------|------------|
| <i>Start-up and capital costs</i> | | | | | |
| | Listing costs | 3,139,597 | 3,139,597 | - | - |
| | Accumulated amortisation — listing costs | (894,835) | (266,915) | (627,920) | 235 |
| | Total | 2,244,762 | 2,872,682 | (627,920) | |

Listing costs are those incurred by the company in 2022 for consulting services received and the charges incurred to list its shares on the Euronext Growth Milan market.

Development costs

The following table breaks down the development costs, showing the changes of the year. The reasons for their recognition and the respective amortisation criteria are set out above.

| | Breakdown | 31/12/2023 | 31/12/2022 | Change | Change (%) |
|--------------------------|--|------------------|----------------|----------------|------------|
| <i>Development costs</i> | | | | | |
| | Development costs | 2,690,775 | 1,709,745 | 981,030 | 57 |
| | Accumulated amortisation — development costs | (1,519,981) | (1,103,921) | (416,060) | 38 |
| | Total | 1,170,794 | 605,824 | 564,970 | |

Development costs with a carrying amount of €1,170,794 relate to previous development projects and new projects related to the residential segment and XL systems for the commercial and industrial segment.

Development costs were capitalised as they comply with the following provisions of OIC 24:

- they relate to a clearly defined product or process and are identifiable and measurable, i.e., they are directly related to the product, process or project for which they incurred;
- they relate to a technically feasible project for which the company has the required resources;
- they are recoverable, i.e., the company expects that the revenues from the project will be adequate to cover the costs incurred.

As they satisfy the requirements, the company recognised development costs of €981,030 during the year in relation to:

- wages and salaries of personnel involved in development activities for €749,321;
- external consulting services for €228,457;
- the purchase of materials used in development activities for €3,252.

Development costs are amortised on a straight-line basis over their useful life, estimated to be five years.

The company calculated the amount of the tax credit for the activities carried out during the year provided for in article 1.198-209 of Law 160/2019, as amended and supplemented, at €88,424.

Industrial patents and intellectual property rights

This caption includes the costs incurred for industrial patents, software licences and for the purchase and development of proprietary software.

It increased by a total of €18,590 during the year, including €14,590 for development costs for software already held by the company and €4,000 to file a new industrial patent for internally-developed energy management software.

Concessions, licences, trademarks and similar rights

This caption includes the costs incurred to acquire trademarks against payment, the cost of which is amortised on a straight-line basis. The change in this caption is fully attributable to ordinary amortisation.

Assets under development and payments on account

The planned investments into the company's development continued to be made in 2023.

Works continued to expand the operating building in Sant'Angelo di Piove di Sacco (Padua), held under a rent-to-buy contract. They commenced in 2022 and continued in 2023 for a total of €286,201, and related to the construction of a new battery assembly department. The purchase option for the property held under a rent-to-buy contract was exercised on 7 February 2024. Therefore, the building is now owned by Energy and these costs will be recognised under tangible fixed assets in 2024.

Further investments amounting to €289,819 were incurred for the implementation of the new ERP system. In 2023, the company decided to migrate to a more developed management system, enabling better management of information flows and greater internal efficiency and the possibility of gathering and analysing company data, providing management with more accurate and timely information. Due to the complexity of the project, the implementation and configuration stages of the system began in

2023. Wave 1 of the implementation will be completed in 2024. Wave 2, covering further non-core developments, is scheduled for 2024.

At the reporting date, all these investments (totalling €1,242,958) were still underway and are therefore presented in this caption.

Other

This caption mainly includes the costs incurred to upgrade the aforementioned building held under a rent-to-buy contract. The total costs incurred amounted to €179,011.

Tangible fixed assets

Changes of the year in tangible fixed assets are shown below:

| | |
|-----------------------|------------------|
| Balance at 31/12/2023 | 7,293,557 |
| Balance at 31/12/2022 | 1,608,172 |
| Change | 5,685,385 |

Changes in tangible fixed assets

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and payments on account | Total tangible fixed assets |
|-------------------------------------|--------------------|---------------------|-------------------------------------|--------------|---|-----------------------------|
| Opening balance | | | | | | |
| Cost | 1,196,597 | 47,229 | 201,152 | 119,564 | 113,900 | 1,678,442 |
| Accumulated depreciation | - | 9,723 | 17,694 | 42,853 | - | 70,270 |
| Carrying amount | 1,196,597 | 37,506 | 183,458 | 76,711 | 113,900 | 1,608,172 |
| Changes of the year | | | | | | |
| Purchases | 348,000 | 30,332 | 57,251 | 27,842 | 5,304,893 | 5,768,318 |
| Reclassifications (carrying amount) | 87,000 | 10,300 | (2,800) | - | (94,500) | - |
| Depreciation charges | - | 9,134 | 51,700 | 22,374 | - | 83,208 |
| Other changes | - | - | 140 | 136 | - | 276 |
| Total changes | 435,000 | 31,498 | 2,891 | 5,604 | 5,210,393 | 5,685,386 |
| Closing balance | | | | | | |
| Cost | 1,631,597 | 87,861 | 255,602 | 147,406 | 5,324,293 | 7,446,759 |
| Accumulated depreciation | - | 18,858 | 69,253 | 65,091 | - | 153,202 |
| Carrying amount | 1,631,597 | 69,003 | 186,349 | 82,315 | 5,324,293 | 7,293,557 |

Land

On 9 September 2022, the company purchased full ownership of a commercial and production building complex in the Sant'Angelo di Piove di Sacco (Padua) municipality adjacent to the building already held under a rent-to-buy contract as described in the previous section of these notes.

The company has identified this area as the ideal location to build a new facility of around 11,400 square metres which will house the gigafactory for the large-scale production of batteries for storage systems.

This caption includes not only the purchase cost (€1,137,000) and related charges incurred at the time of signing the title deeds, but also the expenses incurred up to 31 December 2023 for the building's demolition.

Plant and machinery

This caption mainly includes the new roller conveyor (and accessories) used for the assembly of the metal cabinets and XL systems, including dedicated lifting systems.

Industrial and commercial equipment

This caption includes the equipment used in the production process (€96,267), as well as the new shelving installed at the Sant'Angelo di Piove di Sacco facility (€146,836).

Other assets

Other assets comprise the costs incurred for the purchase of office equipment, lifting transport vehicles and furniture and fittings. The increase of the year relates mainly to the purchase of additional furniture and computers.

Assets under construction and payments on account

At the reporting date, new investments amounting to €5.3 million were recorded under fixed assets. The caption includes the investment projects started by the company which will be continued over the next few months. The main project in terms of the amount involved is for the construction of the new industrial facility to be used to produce batteries for storage systems. The caption thus includes the amounts paid to build the new operating building next to the company's facility in Sant'Angelo di Piove di Sacco (€2,922,943).

Following the completion of the demolition work, the payments on account to the company that handled the demolition (€87,000) were reclassified to "land".

The caption also comprises the payments on account to suppliers for new plant and machinery installed at the current production facility. They include amounts paid on account for:

- the photovoltaic system (€260,458);
- the 1.2 MWh energy storage system (€351,384);
- production plant (€1,789,508).

These investments should be completed by the end of 2024.

Finance leases

The company has no finance leases at the reporting date.

Financial fixed assets

Changes of the year in financial fixed assets are shown below:

| | |
|-----------------------|------------------|
| Balance at 31/12/2023 | 1,180,212 |
| Balance at 31/12/2022 | 155,965 |
| Change | 1,024,247 |

Changes in equity investments, other securities and derivatives

The company acquired two equity investments (one majority investment and one minority interest) in two newcos during the first half of the year.

Specifically, on 17 May 2023, it set up Pylon LifeEU S.r.l. (tax code 05546060285) as a joint venture with Pylon Technologies Europe Holding B.V. (which has a 70% stake therein). The joint venture is included in the register of innovative start-ups and will continue the development of energy storage technologies which are intrinsic to Energy's products.

In addition, on 23 May 2023, the company set up the innovative start-up Energyincloud S.r.l. (tax code 02714770225), with the business object to develop, produce and sell innovative cutting-edge technology IT systems and application software. In July 2023, it completed the acquisition of the business unit from Cloud Computing S.r.l., thus enabling Energyincloud to become an essential tech company for Energy and third parties. Energyincloud will supply advanced services for the remote management and operation of energy production, storage and consumption systems using state-of-the-art ICT technologies, IoT (Internet of Things), AI (Artificial Intelligence), blockchain and other new technologies as they develop. It will also provide the related technical assistance.

| | Investments in subsidiaries | Investments in associates | Total equity investments |
|-----------------------------|-----------------------------|---------------------------|--------------------------|
| Changes of the year | | | |
| Purchases | 49,503 | 860,631 | 910,134 |
| Disposals (carrying amount) | 2,700 | - | 2,700 |
| Total changes | 46,803 | 860,631 | 907,434 |
| Closing balance | | | |
| Cost | 46,803 | 860,631 | 907,434 |
| Carrying amount | 46,803 | 860,631 | 907,434 |

Changes and due date

The changes of the year are shown in the following table:

| | Opening balance | Changes of the year | Closing balance | Amount due within one year | Amount due after one year |
|--------------|-----------------|---------------------|-----------------|----------------------------|---------------------------|
| From others | 155,965 | 116,813 | 272,778 | 225,153 | 47,625 |
| Total | 155,965 | 116,813 | 272,778 | 225,153 | 47,625 |

Financial fixed assets consist of security deposits paid for utilities (€1,684) as well as those paid for existing lease contracts (€45,941).

They also include payments on account for the purchase of the Sant'Angelo di Piove di Sacco building currently which was held under a rent-to-buy contract at 31 December 2023 (€225,153).

Investments in subsidiaries

| | City (if in Italy), or foreign country | Tax code (for Italian companies) | Net equity (Euros) | Investment (Euros) | Investment (%) | Carrying amount or amount receivable |
|----------------------|--|----------------------------------|--------------------|--------------------|----------------|--------------------------------------|
| EnergyInCloud S.r.l. | Rovereto (TN) | 02714770225 | 10,000 | 7,300 | 73.000 | 7,300 |
| Total | | | | | | 7,300 |

The table does not show the net profit or loss for 2023 or the closing net equity, as the subsidiary had not yet prepared its financial statements at the date of preparation of these financial statements.

Investments in associates

| | City (if in Italy), or foreign country | Tax code (for Italian companies) | Net equity (Euros) | Net loss for 2023 (Euros) | Net equity (Euros) | Investment (Euros) | Investment (%) | Carrying amount or amount receivable |
|---------------------|--|----------------------------------|--------------------|---------------------------|--------------------|--------------------|----------------|--------------------------------------|
| Pylon LifeEU S.r.l. | S. Angelo di Piove di Sacco (PD) | 05546060285 | 10,000 | (6,141) | 2,851,001 | 855,341 | 30.000 | 855,300 |
| Total | | | | | | | | 855,300 |

The company posted a small net loss for its first year, comprised of the start-up costs which were not covered by the revenues of the first year. As Pylon LifeEU S.r.l. is yet to commence operations, the difference between the investment and the corresponding carrying amount is not considered an impairment loss.

Financial receivables by geographical area

Financial fixed assets are analysed by geographical area in the following table:

| | From others | Total |
|--------------|----------------|----------------|
| Italy | 272,778 | 272,778 |
| Total | 272,778 | 272,778 |

All financial receivables relate to parties resident in Italy.

Carrying amount of financial fixed assets

The carrying amount of the financial fixed assets does not exceed their fair value.

Current assets

Current assets, under section C of the balance sheet assets, are comprised of the following sub-sections:

- I - Inventory;
- II - Receivables;
- III - Current financial assets;
- IV - Liquid funds.

Current assets total €87,263,536 at 31 December 2023, a decrease of €13,388,158 on the previous year.

Details of each sub-section and its captions are provided below, in accordance with the layout of the XBRL taxonomy.

Inventory

The following table shows changes in inventory during the year: Pursuant to OIC 13, caption C.I.5 includes payments on account to suppliers of €86.141.

Compared to the previous year, there was a clear decrease in payments on account to suppliers. In order to better manage its inventory, Energy decreased its purchases from suppliers in the second half of 2023.

| | Opening balance | Changes of the year | Closing balance |
|---------------------|-------------------|---------------------|-------------------|
| Finished goods | 55,625,949 | 698,051 | 56,324,000 |
| Payments on account | 5,711,549 | (5,625,408) | 86,141 |
| <i>Total</i> | <i>61,337,498</i> | <i>(4,927,357)</i> | <i>56,410,141</i> |

The board of directors carried out a careful assessment and analysis of the turnover of the individual inventory items in these financial statements. This showed the need to supplement the existing provision for the possible risk of difficulties in selling certain inventory items in future years.

The provision changed as follows in 2023:

| | Opening balance | 2023 release | 2023 accrual | Closing balance |
|------------------------------------|-----------------|--------------|------------------|------------------|
| Provision for inventory write-down | (81,576) | - | (493,550) | (575,127) |
| <i>Total</i> | <i>(81,576)</i> | <i>-</i> | <i>(493,550)</i> | <i>(575,127)</i> |

The inventory value shown in caption C.I.4 is net of the related provision for inventory write-down.

The accrual to the provision is recognised under caption B) 11 - Change in raw materials, consumables, supplies and goods in the profit and loss account.

Current receivables

At the reporting date, sub-section C.II Receivables of the balance sheet assets includes the following captions:

- 1) trade receivables
- 5-bis) tax receivables
- 5-ter) deferred tax assets
- 5-quater) from others

Receivables are classified in current assets based on their purpose in the company's ordinary operations.

Pursuant to article 2426.1.8 of the Italian Civil Code, receivables are recognised at amortised cost, considering the time value of money and their estimated realisable value.

Amortised cost is the amount at which a receivable is measured at initial recognition net of principal repayments, increased or decreased by accumulated amortisation/depreciation using the effective interest criterion on any difference between the initial value and at the due date and less any impairment loss or non-recoverability.

Changes and due date

The following table sets out the changes in receivables and, where significant, details of their due date.

| | Opening balance | Changes of the year | Closing balance | Amount due within one year | Amount due after one year |
|--------------------------|-------------------|---------------------|-------------------|----------------------------|---------------------------|
| Trade receivables | 23,051,623 | (18,406,506) | 4,645,117 | 4,645,117 | - |
| Receivables from parents | - | 184,140 | 184,140 | 64,876 | 119,264 |
| Tax receivables | 89,843 | 1,706,082 | 1,795,925 | 1,697,664 | 98,261 |
| Deferred tax assets | 48,321 | 108,631 | 156,952 | - | - |
| From others | 6 | 5,143,990 | 5,143,996 | 5,138,496 | 5,500 |
| Total | 23,189,793 | (11,263,663) | 11,926,130 | 11,546,153 | 223,025 |

Trade receivables

The company has not measured trade receivables at amortised cost, nor has it discounted them, as they are all due within one year.

Accordingly, the trade receivables in caption C.II.1) are recognised at their estimated realisable value, which corresponds to the difference between their nominal value and the provision for bad debts.

| | Opening balance | 2023 release | 2023 accrual | Closing balance |
|-------------------------|-----------------|--------------|--------------|-----------------|
| Provision for bad debts | 6,170 | 1,270 | - | 4,900 |
| <i>Total</i> | <i>6,170</i> | <i>1,270</i> | <i>-</i> | <i>4,900</i> |

Tax receivables

These receivables are recognised at nominal value, which coincides with estimated realisable value and equal €1,795,925.

This caption may be analysed as follows:

| Tax receivables | Closing balance |
|--|------------------|
| IRES (corporate income tax) | 1,319,998 |
| VAT | 290,658 |
| Tax credit for research, development and innovation activities | 152,796 |
| IRAP (local tax on production) | 13,485 |
| Other | 18,987 |
| <i>Total</i> | <i>1,795,925</i> |

Of the amount of this caption, €98,261 can be used for offsetting after one year. It comprises €7,125 for the portion of the tax credit for investments in operating assets that can be used by 2025 and €91,135 for the portions of the tax credit for investments in research, development, ecological transition, 4.0 technological innovation and other innovative activities that can be used by 2025 and 2026.

Deferred tax assets

Pursuant to OIC 25, caption C.II 5-ter of the balance sheet assets includes the deferred tax assets of €156,952.

These are “current” taxes (IRES and IRAP) for the year connected with “deductible temporary differences”. Their recovery through sufficient taxable profits when the differences will reverse the company is reasonably certain.

The section on “Income taxes, current and deferred” provides a breakdown of deferred tax assets.

From others

This caption includes the cash (€5,000,000) that the company opted to invest in a time deposit given the surplus cash in the latter part of the year.

Current receivables by geographical area

Current receivables are analysed by geographical area in the following table:

| | Trade receivables | From subsidiaries | Tax receivables | Deferred tax assets | Other receivables | Total |
|--------------------|-------------------|-------------------|-----------------|---------------------|-------------------|------------|
| Italy | 4,254,848 | 184,140 | 1,795,925 | 156,952 | 5,143,806 | 11,535,671 |
| Other EU countries | 125,304 | - | - | - | - | 125,304 |

| | Trade receivables | From subsidiaries | Tax receivables | Deferred tax assets | Other receivables | Total |
|-------------------|-------------------|-------------------|------------------|---------------------|-------------------|-------------------|
| Rest of Europe | - | - | - | - | - | - |
| Rest of the world | 264,965 | - | - | - | 190 | 265,155 |
| Total | 4,645,117 | 184,140 | 1,795,925 | 156,952 | 5,143,996 | 11,926,130 |

Compared to the previous year, there was a clear decrease in trade receivables, linked to the lower turnover of 2023. By way of comparison, in 2021, when the company posted turnover of €51.5 million, trade receivables at 31 December 2021 amounted to €9.73 million, whereas they amounted to €4.65 million at 31 December 2023. The company used non-recourse factoring to reduce the amount of its trade receivables.

“Receivables from others” includes cash of €5 million which was not immediately needed for investments and was therefore temporarily invested in time deposits in order to receive an adequate return.

Current financial assets

Change in current financial assets

Changes in current financial assets are shown in the following table:

| | Opening balance | Changes of the year | Closing balance |
|--------------|-----------------|---------------------|-----------------|
| Derivatives | 161,450 | (68,512) | 92,938 |
| <i>Total</i> | <i>161,450</i> | <i>(68,512)</i> | <i>92,938</i> |

At 31 December 2023, caption C.III.5 of the assets includes the mark-to-market value (€92,938) of two derivatives hedging the interest rate on bank loans. A net equity reserve, the “Hedging reserve” (sub-category A.VII) of €70,633 was recognised as a balancing item, along with an accrual to the provision for deferred taxation of €22,305.

Liquid funds

The following table shows changes in liquid funds during the year:

| | Opening balance | Changes of the year | Closing balance |
|-----------------------------------|-------------------|---------------------|-------------------|
| Bank and postal accounts | 15,962,755 | 2,870,954 | 18,833,709 |
| Cash-in-hand and cash equivalents | 198 | 420 | 618 |
| <i>Total</i> | <i>15,962,953</i> | <i>2,871,374</i> | <i>18,834,327</i> |

As described in the section on receivables from others, in addition to the €18.8 million under cash and cash equivalents, the company holds an additional €5 million in cash reserves, the restriction on which will gradually expire in the first half of 2024.

Prepayments and accrued income

The changes in prepayments and accrued income are shown in the following table:

| | Opening balance | Changes of the year | Closing balance |
|---|-----------------|---------------------|-----------------|
| Prepayments | 32,218 | 71,619 | 103,837 |
| Total prepayments and accrued income | 32,218 | 71,619 | 103,837 |

Prepayments and accrued income are broken down in the following table:

| | Breakdown | 31/12/2023 |
|---------------------------------------|---|----------------|
| <i>PREPAYMENTS AND ACCRUED INCOME</i> | | |
| | Insurance prepayments | 39,824 |
| | Accrued income on costs to participate in trade fairs | 33,548 |
| | Other accrued income | 30,465 |
| | Total | 103,837 |

All accrued income is due within one year.

Capitalised financial charges

As all interest and other financial charges are fully expensed, no financial charges are expected to be capitalised for the purposes of article 2427.1.8 of the Italian Civil Code.

Notes to liabilities and net equity

Changes in the individual financial statements captions are analysed below pursuant to current legislation.

Net equity

Net equity is the difference between balance sheet assets and liabilities. Net equity captions are recognised in the liabilities under section A "Net equity", as follows:

- I – Share capital
- II – Share premium reserve
- III – Revaluation reserves
- IV – Legal reserve
- V – Statutory reserves
- VI – Other reserves, indicated separately
- VIII – Hedging reserve
- VIII – Retained earnings/(losses carried forward)
- IX – Net profit (loss) for the year
- X – Reserve for own shares

Changes in net equity captions

Net equity amounts to €65,455,678 and increased by €5,558,295 over the previous year end.

The increase in net equity is almost entirely related to the recognition of the net profit for 2023. Further changes are due to the change in the hedging reserve and the €1,169 increase in paid-in share capital.

With reference to 2023, the following tables show the changes in the individual net equity captions, as well as details of any reserves.

| | Opening balance | Allocation of the previous year's net profit — Other allocations | Other changes — Increase | Other changes — Decrease | Net profit for the year | Closing balance |
|-------------------------|-------------------|--|--------------------------|--------------------------|-------------------------|-------------------|
| Share capital | 613,750 | - | 1,169 | - | - | 614,919 |
| Share premium reserve | 27,186,250 | - | - | - | - | 27,186,250 |
| Legal reserve | 4,874 | 117,876 | - | - | - | 122,750 |
| Extraordinary reserve | 5,210 | - | - | - | - | 5,210 |
| Sundry other reserves | 2 | - | - | 5 | - | (3) |
| Total other reserves | 5,212 | - | - | 5 | - | 5,207 |
| Hedging reserve | 122,702 | - | - | 52,069 | - | 70,633 |
| Retained earnings | 9,356,945 | 22,489,774 | - | - | - | 31,846,719 |
| Net profit for the year | 22,607,650 | (22,607,650) | - | - | 5,609,200 | 5,609,200 |
| Total | 59,897,383 | - | 1,169 | 52,074 | 5,609,200 | 65,455,678 |

All shares are fully paid up.

On 17 June 2022, the directors were given the power to increase the share capital in one or more tranches up to a maximum of €15,000, via the issue of a maximum of 1,500,000 ordinary shares, at a unit subscription price of €0.01. The purpose of this share capital increase is to service the share-based payment plan which provides for a share subscription deadline of 31 December 2026. As part of this share-based payment plan, 116,926 new shares were issued in June.

As can be seen from the table above, the net profit for 2022 was entirely allocated to reserves in order to increase the company's financial standing.

Share premium reserve

The share premium reserve arose following the listing, which entailed the issue of 11,375,000 new ordinary shares at a placement price of €2.40, with the allocation of €2.39 to the share premium reserve and the remainder as a capital increase.

Availability and use of net equity

The net equity captions are set out below by origin, possible use and availability, as well as their use in the previous three years.

| | Amount | Origin/Type | Possible use | Available portion | Use in the past three years — for other reasons |
|-----------------------|------------|-------------|--------------|-------------------|---|
| Share capital | 614,919 | Equity | B | 614,919 | - |
| Share premium reserve | 27,186,250 | Equity | A;B;C | 27,186,250 | - |
| Legal reserve | 122,750 | Income | B | 122,750 | - |
| Extraordinary reserve | 5,210 | Income | A;B;C | 5,210 | - |
| Sundry other reserves | (3) | Equity | | (3) | - |
| Total other reserves | 5,207 | Equity | | 5,207 | - |
| Hedging reserve | 70,633 | Income | A;B | - | - |

| | Amount | Origin/Type | Possible use | Available portion | Use in the past three years — for other reasons |
|---|-------------------|-------------|--------------|-------------------|---|
| Retained earnings | 31,846,719 | Income | A;B;C | 31,846,719 | 490,000 |
| Total | 59,846,478 | | | 59,775,845 | 490,000 |
| Non-distributable portion | | | | 3,415,790 | |
| Distributable portion | | | | 56,360,055 | |
| Key: A: share capital increases; B: to cover losses; C: dividend distributions; D: for other by-law requirements; E: other | | | | | |

Change in the hedging reserve

Pursuant to article 2427-bis.1b-quater of the Italian Civil Code, the following table shows the changes in the hedging reserves in the year.

| | Opening balance | Changes — Increase due to changes in fair value | Changes — Decrease due to changes in fair value | Closing balance |
|-----------------|-----------------|---|---|-----------------|
| Hedging reserve | 122,702 | 15,463 | 67,532 | 70,633 |

At the reporting date, the company recognised the derivative at its fair value of €70,633 under caption “C.III - Current financial assets” and a balancing entry in the Hedging reserve (sub-category A.VII).

The reserve will be released to the profit and loss account to the extent and when the cash flows of the underlying arise or are modified (or when the underlying transaction takes place).

The net equity reserves deriving from the fair value measurement of the derivatives used to hedge the cash flows expected from another financial instrument or planned transaction are not included in the net equity calculation for the purposes referred to in articles 2412, 2433, 2442, 2446 and 2447 of the Italian Civil Code and, if positive, are not available and cannot be used to cover losses.

Provisions for risks and charges

The following table sets out the changes in provisions for risks and charges:

| | Opening balance | Accruals | Use | Other changes | Total changes | Closing balance |
|---|-----------------|--------------|---------------|-----------------|------------------|-----------------|
| Tax provision, including deferred tax liabilities | 38,748 | 4,883 | 21,326 | - | (16,443) | 22,305 |
| Other provisions | 95,487 | - | - | (95,487) | (95,487) | - |
| Total | 134,235 | 4,883 | 21,326 | (95,487) | (111,930) | 22,305 |

Tax provision, including deferred tax liabilities

This caption includes the deferred tax liabilities calculated on the mark-to-market value of the hedging derivatives recognised in the balance sheet assets. The rate used to calculate deferred taxation is the 24% IRES rate established by the tax legislation in force at the reporting date.

Other provisions

Other provisions include the provision set up to cover the estimated costs for services under warranty for the company’s systems. Given the negligible amount of repairs carried out under warranty, this provision was released.

Employees' leaving entitlement

Employees' leaving entitlement is the actual amount due to employees in compliance with the law and current labour contracts, pursuant to article 2120 of the Italian Civil Code.

It is a remuneration cost whose nature is certain and is recognised on an accruals basis each year.

Pursuant to Law no. 296 of 27 December 2006 (the 2007 Finance Act), employees choose whether the employees' leaving entitlement accruing after 1 January 2007 is allocated to supplementary pension funds or held by the company, which then periodically transfers it to the INPS treasury fund.

The relevant accrual is recognised in caption B.9 c) of the profit and loss account for €96,132.

The related liability is the amount that the company would have paid had all employees left at the reporting date, net of advances paid.

Changes in employees' leaving entitlement are shown in the following table:

| | Opening balance | Accruals | Use | Total changes | Closing balance |
|--------------------------------|-----------------|----------------|---------------|---------------|-----------------|
| EMPLOYEES' LEAVING ENTITLEMENT | 130,840 | 116,587 | 51,164 | 65,423 | 196,263 |
| Total | 130,840 | 116,587 | 51,164 | 65,423 | 196,263 |

The uses include the employees' leaving entitlement transferred to the INPS Treasury Fund, supplementary pension funds and to employees for advances and/or on leaving the company.

Payables

The changes in payables are summarised in the following table:

| | |
|-----------------------|---------------------|
| Balance at 31/12/2023 | 34,285,586 |
| Balance at 31/12/2022 | 46,459,730 |
| Change | (12,174,144) |

Changes and due date

The following table sets out the changes in payables and details of their due date:

| | Opening balance | Changes of the year | Closing balance | Amount due within one year | Amount due after one year |
|---------------------------------|-------------------|---------------------|-------------------|----------------------------|---------------------------|
| Bank loans and borrowings | 24,147,478 | (481,575) | 23,665,903 | 14,076,758 | 9,589,145 |
| Payments on account | 228,288 | (140,059) | 88,229 | 88,229 | - |
| Trade payables | 15,380,467 | (5,601,498) | 9,778,969 | 9,778,969 | - |
| Payables to subsidiaries | - | 1,795 | 1,795 | 1,795 | - |
| Payables to associates | - | 1,908 | 1,908 | 1,908 | - |
| Tax payables | 6,021,688 | (5,859,609) | 162,079 | 162,079 | - |
| Social security charges payable | 150,898 | (6,945) | 143,953 | 143,953 | - |
| Other payables | 530,911 | (88,161) | 442,750 | 442,750 | - |
| Total | 46,459,730 | (12,174,144) | 34,285,586 | 24,696,441 | 9,589,145 |

Bank loans and borrowings

Bank loans and borrowings are analysed in the following table:

| | Unaccepted trade bills under reserve | Current loans | Non-current loans | Total |
|----|---|---------------|-------------------|------------|
| 4) | 3,919,479 | 4,276,877 | 15,469,547 | 23,665,903 |

Bank loans and borrowings due within one year are measured at their nominal value as the impact of the application of amortised cost is immaterial to measurement at nominal value.

The company took out medium- to long-term bank loans of €12.8 million in 2023. As described in the section on the cash flow statement, these funds were partly used to replace short-term debt, thus improving the company's financial balance. Moreover, the company uses the new loans to fund its development and investment programmes which will continue in 2024.

Lastly, bank loans and borrowings due after one year were not measured at amortised cost as the effective interest rate is not significantly different to the market interest rate.

There are no payables due after 31 December 2028.

All the bank loans have variable rates. To contain the risk linked to an increase in interest rates, the company had agreed two derivative contracts which are detailed in the relevant section of these notes.

The company committed to complying with the following financial covenants for the term of the loans granted by Sparkasse in 2023:

NFP/EBITDA \leq 3.0x

NFP/PN \leq 1.0x

The company is comfortably within these parameters.

Payments on account

Payments on account are recognised at their nominal value of €88,229 in caption D.6) of the liabilities.

The company has not measured payments on account at amortised cost nor discounted them, as they all relate to payables that will be settled within one year and the effects of the application of amortised cost would be immaterial.

The caption includes payments on account received from customers for the supply of goods.

Trade payables

Trade payables are recognised at their nominal value of €9,778,969 in caption D.7) Trade payables of the liabilities.

The company has not measured trade payables at amortised cost nor discounted them, as all recognised trade payables will be settled within one year and the effects of the application of amortised cost would be immaterial.

Tax payables

Current tax payables are recognised based on a realistic estimate of taxable profit (IRES) and production (IRAP) pursuant to the provisions in force, considering any applicable benefits and tax credits due. Given that the taxes to be paid for 2023 are lower than the tax credits, the payments on account made and the taxes withheld, the resulting receivable is recognised under caption C.II.5-bis "Tax receivables" of the balance sheet assets.

The most significant item making up tax payables is the withholding taxes paid as withholding agent in the amount of €161,821.

Social security charges payable

Social security charges payable are recognised at their nominal value of €143,953 in caption D.13) of the liabilities.

The company has not measured social security charges payable at amortised cost nor discounted them, as they all relate to payables that will be settled within one year and the effects of the application of amortised cost would be immaterial.

The most important items making up the social security charges payable are:

- contributions on the remuneration for the month of December and the thirteenth month salary to be paid to INPS: €84,065;
- contributions on the fourteenth month salary to be paid to INPS: €12,421;
- social security contributions on accrued employee benefits €27,750.

Other payables

Other payables are analysed in the following table:

| Breakdown | | 31/12/2023 |
|---|--|----------------|
| <i>Other payables</i> | | |
| To directors and employees for remuneration | | 286,579 |
| To employees for accrued charges | | 142,406 |
| Other | | 13,765 |
| Total | | 442,750 |

Payables by geographical area

Payables are analysed by geographical area in the following table:

| | Bank loans and borrowings | Payments on account | Trade payables | Payables to subsidiaries | Payables to associates | Tax payables | Social security charges payable | Other payables | Payables |
|--------------------|---------------------------|---------------------|------------------|--------------------------|------------------------|----------------|---------------------------------|----------------|-------------------|
| Italy | 23,665,903 | 39,557 | 4,709,264 | 1,795 | 1,908 | 162,079 | 143,953 | 442,750 | 29,167,209 |
| Other EU countries | - | 48,672 | 5,138 | - | - | - | - | - | 53,810 |
| Rest of Europe | - | - | - | - | - | - | - | - | - |
| Rest of the world | - | - | 5,064,567 | - | - | - | - | - | 5,064,567 |
| Total | 23,665,903 | 88,229 | 9,778,969 | 1,795 | 1,908 | 162,079 | 143,953 | 442,750 | 34,285,586 |

Payables secured by collateral on company assets

Pursuant to article 2427.1.6 of the Italian Civil Code, it is noted that there are no company liabilities secured by collateral.

Shareholder loans

The company has not received any loans from shareholders.

Accrued expenses and deferred income

The following table sets out the changes in accrued expenses and deferred income:

| | Opening balance | Changes of the year | Closing balance |
|------------------|-----------------|---------------------|-----------------|
| Accrued expenses | 126,956 | 141,718 | 268,674 |
| Deferred income | 13,992 | 371,069 | 385,061 |
| Total | 140,948 | 512,787 | 653,735 |

Prepayments and accrued income are broken down in the following table:

| Breakdown | | 31/12/2023 |
|--|--|------------|
| <i>PREPAYMENTS AND ACCRUED INCOME</i> | | |
| Accrued interest expenses | | 247,399 |
| Deferred income for grants related to income | | 358,333 |

| | Breakdown | 31/12/2023 |
|--|--|----------------|
| | Deferred income for grants related to assets | 26,727 |
| | Other accrued expenses and deferred income | 21,190 |
| | Total | 653,649 |

The following table provides a breakdown of accrued expenses and deferred income due within and after one year, as well as after five years:

| | Amount due within one year | Amount due after one year | Amount due after five years |
|------------------|----------------------------|---------------------------|-----------------------------|
| Accrued expenses | 268,674 | - | - |
| Deferred income | 104,783 | 276,571 | 3,707 |
| Total | 373,457 | 276,571 | 3,707 |

Notes to the profit and loss account

The profit and loss account shows the net profit or loss for the year.

It provides an overview of operations, collating the positive and negative income items that make up the net profit or loss for the year. These positive and negative income items are recognised pursuant to article 2425-bis of the Italian Civil Code and are grouped according to whether they relate to core business, non-core business or financial activities.

The core business includes revenues and costs generated by recurring transactions in the company's main operating sector, related to its specific operations and business object.

Financial activities comprise the transactions that generate financial income and charges.

Lastly, the non-core business is comprised of transactions that generate income as part of ordinary operations but which do not form part of the core business or financial activities.

Production revenues

This section of the notes comments on the captions of the profit and loss account for the year ended 31 December 2023 in the structure established by the XBRL taxonomy and in compliance with the provisions of article 2427 of the Italian Civil Code.

Although not expressly provided for by the Italian Civil Code, the distinction between core and non-core business has been maintained pursuant to OIC 12. This enables, exclusively on the revenues side, to distinguish those items that should be classified under caption A.1) "Turnover from sales and services" from those in caption A.5) "Other revenues and income".

Caption A.5 also includes grants related to income disbursed by various bodies, for instance, non-repayable grants and sundry tax credits and the portion pertaining to the year of grants related to assets received in relation to the investments made.

| | 2023 | 2022 | Change |
|---|-------------------|--------------------|---------------------|
| A1) Turnover from sales and services | 63,328,571 | 126,450,179 | (63,121,608) |
| 4) Internal work capitalised | 1,394,506 | 441,040 | 953,466 |
| 5) Other revenues and income – Grants related to income | 365,052 | 46,764 | 318,288 |
| 5) Other revenues and income – Other revenues | 809,669 | 328,019 | 481,650 |
| Total production revenues | 65,897,798 | 127,266,002 | (61,368,204) |

Turnover from sales and services by geographical area

Turnover from sales and services is analysed by geographical area in the following table:

| | 2023 |
|--------------------|-------------------|
| Italy | 48,429,461 |
| Other EU countries | 13,892,456 |
| Rest of Europe | 98,936 |
| Rest of the world | 907,718 |
| Total | 63,328,571 |

Demand for storage systems contracted sharply in 2023, which had a significant impact on the sales revenues generated by the company.

The main reason for such a major and sudden decrease was the decrease in liquidity available to end users due to the revocation of the tax credit transfer mechanism for construction bonuses. This took place against a backdrop of high interest rates, high inflation and lower energy costs, which magnified the impact on demand for storage systems.

The company's main outlet is the Italian market (77%), although the share of foreign markets, particularly European Union member states, is on the rise (23% compared to 15% in the previous year). This shift towards exports represents a strategic choice by management, which aims to play an increasingly prominent role internationally in the storage systems sector.

Internal work capitalised

Internal work capitalised of €1,394,506 in 2023, compared to €441,040 in 2022, increased by €953,466. This was as a result of the mainly projects the company undertook in 2023, some of which commenced in 2022.

In particular, the main projects concern:

1. the development of technology for large-scale storage systems;
2. the development of management systems for own-brand charging stations;
3. the development of a new ticketing system for customer service;
4. the development of the layout and configuration of the new battery assembly line.

Other revenues

Caption A.5) includes the grants related to income totalling €365,052 received by the company towards the costs incurred. They include:

1. the grants disbursed by Trentino Sviluppo under Regional law no. 6/1999 (€1,512);
2. the grant disbursed by Trentino Sviluppo for the recruitment of managers specialised in innovation, digitalisation and the promotion of competitiveness through internationalisation (€25,000).
3. grants in the form of tax credits for investments in advertising during 2022 (€7,673);
4. the portion pertaining to the year of the grant for the consultancy costs incurred in relation to the listing of the company's shares on a regulated market (€141,667);
5. the tax credit for research and development activities carried out in 2022 (€96,559);
6. the tax credit for research and development activities carried out in 2023 (€88,424);
7. grants in the form of tax credits for the higher energy costs of 2023 (€4,217).

Caption A.5) also includes other revenues which in 2023 mainly include transport reimbursements in Italy and abroad for €203,792 and the release of the provision for product warranties for €95,487. This caption also includes extraordinary items of €504,223.

Production cost

The costs and charges in section B of the profit and loss account, classified by nature, are shown net of returns, trade discounts, allowances and premiums, while discounts of a financial nature are stated in caption C.16, as financial income.

Costs for raw materials, consumables, supplies and goods include related purchase costs (transport, insurance, loading and unloading, etc.) if the supplier has included them in the purchase price of the materials and goods. Otherwise, they are recognised under services (caption B.7).

Non-rechargeable VAT has been included in the purchase cost of goods. Captions B.6, B.7 and B.8 include not only costs of a known amount as shown by the invoices received from suppliers, but also those of an estimated amount which have not yet been documented and for which accruals have been made.

As the classification of costs "by nature" must prevail, accruals to the provisions for risks and charges are recognised under the core business captions to which the transaction relates, other than captions B.12 and B.13.

Net of returns, commercial discounts and allowances, the production cost for 2023 totals €47,625,666.

The tables for captions B.6) Raw materials, consumables, supplies and goods, B.7) Services, B.9) Personnel expenses, B.10) Amortisation, depreciation and write-downs, B.11) Change in raw materials, consumables, supplies and goods, B.14) Other operating costs, showing details of the costs for 2023 and 2022 and changes for the year, are shown below.

Raw materials, consumables, supplies and goods

Costs for raw materials, consumables, supplies and goods amounted to €47,625,666 for 2023 compared to €137,458,627 in 2022, a decrease of €89,832,961. This decrease stems from the reduction in goods purchased compared to the previous year.

| 6) Raw materials, consumables, supplies and goods | 2023 | 2022 | Change |
|---|-------------------|--------------------|---------------------|
| Finished goods | 46,244,951 | 134,323,981 | (88,079,031) |
| Customs duties | 687,628 | 2,920,962 | (2,233,334) |
| Warehouse and packaging costs | 631,542 | 208,756 | 422,787 |
| Stationery and forms | 28,338 | 86,208 | (57,870) |
| Consumables and maintenance | 33,207 | 24,302 | 8,905 |
| Returns and premiums on purchases | - | (105,582) | 105,582 |
| Total | 47,625,666 | 137,458,627 | (89,832,961) |

Services

Costs for services amount to €5,152,477 for 2023, compared to €5,818,967 in 2022, a decrease of €666,490 mainly due to the decrease in transport costs during the year.

| 7) Services | 2023 | 2022 | Change |
|--|-----------|-----------|-------------|
| Transport | 813,032 | 2,108,635 | (1,295,603) |
| Directors' and statutory auditors' fees | 1,202,870 | 814,977 | 387,893 |
| Commercial and contract cost consultancy | 1,270,170 | 1,414,518 | (144,348) |
| Marketing and entertainment | 360,680 | 254,610 | 106,070 |
| Insurance | 276,065 | 334,183 | (58,118) |
| Incidental personnel costs | 335,169 | 230,932 | 104,237 |
| Bank commissions and fees | 203,419 | 218,163 | (14,744) |
| Incidental services costs | 154,677 | 133,715 | 20,962 |

| 7) Services | 2023 | 2022 | Change |
|---------------------------------------|------------------|------------------|------------------|
| Legal, tax and accounting consultancy | 392,150 | 237,473 | 154,677 |
| Utilities | 117,946 | 62,959 | 54,987 |
| Maintenance | 26,298 | 8,802 | 17,496 |
| Total | 5,152,477 | 5,818,967 | (666,491) |

Personnel expenses

Personnel expenses amount to €2,452,105 in 2023, compared to €1,868,509 in 2022, an increase of €583,596. The increase is due to the greater number of employees working for the company.

| 9) Personnel expenses | 2023 | 2022 | Change |
|--------------------------------|------------------|------------------|----------------|
| Wages and salaries | 1,764,197 | 1,327,590 | 436,607 |
| Social security contributions | 504,567 | 360,057 | 144,510 |
| Employees' leaving entitlement | 116,587 | 96,132 | 20,455 |
| Other costs | 66,754 | 84,730 | (17,976) |
| Total | 2,452,105 | 1,868,509 | 583,596 |

Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs increased in 2023 by €626,056, mainly as a result of the company's large-scale investments in product development and the company's listing during the year. The listing costs are included in caption B.1.1, intangible fixed assets, and as such are amortised on a straight-line basis. The items with the greatest contribution to the increase in this caption are:

- amortisation of listing costs (€627,920);
- amortisation of development costs (€416,060).

The increase in costs in the other items of caption B.10 are the natural consequence of the company's investments of the year, as discussed in the notes to the balance sheet.

| 10) Amortisation, depreciation and write-downs | 2023 | 2022 | Change |
|--|------------------|----------------|----------------|
| Intangible fixed assets | 1,141,371 | 563,566 | 577,805 |
| Tangible fixed assets | 83,208 | 31,188 | 52,020 |
| Other write-downs of fixed assets | - | - | - |
| Write-down of current receivables | - | 3,769 | (3,769) |
| Total | 1,224,579 | 598,523 | 626,056 |

Change in raw materials, consumables, supplies and goods

The company further increased its raw materials and other consumables in 2023. The company now has sufficient inventory to fulfil customer orders. Management expects it will gradually run down the inventory in place at 31 December 2022 during 2024. As discussed in the note to "Inventory" in the balance sheet, this caption includes the specific write-down of slow-moving inventory in the amount of €493,550.

| 11) Change in inventory | 2023 | 2022 | Change |
|--|------------------|---------------------|-------------------|
| Change in raw materials, consumables, supplies and goods | (698,052) | (50,368,229) | 49,670,177 |
| Total | (698,052) | (50,368,229) | 49,670,177 |

Other operating costs

Other operating costs amount to €1,035,932 for 2023, compared to €198,281 in 2022, an increase of €837,651. They mainly comprise:

- prior year expense of €319,124;
- costs for goods provided free of charge to its customers for promotional purposes of €315,385;
- costs incurred for the settlement of a legal dispute of €200,500.

Financial income and charges

Section C of the profit and loss account includes all positive and negative income items related to the company's financial activity, characterised by transactions that generate income, expense, gains and losses on sales, related to securities, investments, bank accounts, financial receivables and loans of any type given and received, as well as exchange rate gains and losses.

Financial income and charges are recognised on an accruals basis.

Interest and other financial charges by payable type

Interest and other financial charges are analysed in the following table pursuant to article 2425.17 of the Italian Civil Code, grouping those related to bank loans and borrowings and others.

| Interest and other financial charges | 2023 | 2022 | Change |
|--------------------------------------|------------------|----------------|----------------|
| Bank loans and borrowings | 1,382,070 | 467,530 | 914,540 |
| Other | 53,685 | 23,324 | 30,361 |
| Total | 1,435,754 | 490,854 | 944,901 |

Exchange rate gains and losses

Information on exchange rate gains and losses at year end is provided below, showing the realised and unrealised gains and losses.

| | Carrying amount | Unrealised | Realised |
|---------------------------------------|-----------------|---------------|--------------|
| <i>Exchange rate gains and losses</i> | <i>40,901</i> | | |
| Gains | | 39,828 | 33,697 |
| Losses | | - | 32,624 |
| Net exchange rate gains | | 39,828 | 1,073 |

Amount and type of individual revenue/expense items of an exceptional size or impact

The following table shows the amount and type of revenue items of an exceptional size or impact.

| | Amount | Type |
|--------------------------------|---------|-------------------|
| A.5) Other revenues and income | 504,223 | Prior year income |

The following table shows the amount and type of expense items of an exceptional size or impact.

| | Amount | Type |
|-----------------------------|---------|--------------------|
| B.14) Other operating costs | 200,500 | Transport |
| B.14) Other operating costs | 319,124 | Prior year expense |

Income taxes, current and deferred

The company has accrued income taxes for the year pursuant to the tax regulations in force. Current taxes refer to taxes of the year as shown in the tax returns. Taxes relative to prior years include direct taxation of previous years, including interest and penalties and also include the positive (or negative) difference between the amount due after the settlement of a dispute or tax inspection and the amount of the provision accrued in previous years. Deferred tax assets and liabilities relate to positive and negative income items respectively taxable or deductible in years other than that in which they are recognised under statutory criteria.

Changes in deferred taxes

This caption includes the impact of deferred taxation on the financial statements, deriving from the temporary differences between the amounts allocated to an asset or liability under statutory criteria and the corresponding amounts recognised for tax purposes.

The company calculates deferred taxation with reference to IRES and IRAP.

Deferred tax assets and liabilities are calculated using the respective rates of 24% and 3.3%.

The following tables detail:

- the description of the temporary differences that led to the recognition of deferred tax assets and liabilities, specifying the rate applied and changes from the previous year, the amounts credited or debited to the profit and loss account or equity;
- the amount of the deferred tax asset recognised in relation to losses of the year or previous years and the reason for recognition, the amount not yet recognised and the reasons therefor;
- the captions excluded from the calculation and the reasons therefor.

Recognition of deferred tax assets and liabilities and effects

| | IRES | IRAP |
|--|-----------|-----------|
| A) Temporary differences | | |
| Total deductible temporary differences | 575,126 | 575,126 |
| Total taxable temporary differences | 92,938 | - |
| Net temporary differences | (482,188) | (575,126) |
| B) Tax effects | | |
| Opening provision for deferred taxation | (3,747) | (5,826) |
| Changes in deferred tax liabilities (assets) of the year | (111,978) | (13,096) |
| Closing provision for deferred taxation | (115,725) | (18,922) |

Deductible temporary differences

| | Opening balance | Change | Closing balance | IRES tax effect | IRAP tax effect |
|------------------------------------|-----------------|----------|-----------------|-----------------|-----------------|
| Provision for product warranties | 95,487 | (95,487) | - | - | - |
| Provision for inventory write-down | 81,576 | 493,550 | 575,127 | 138,030 | 18,922 |

Taxable temporary differences

| | Opening balance | Change | Closing balance | IRES tax effect | IRAP tax effect |
|-------------------------------------|-----------------|----------|-----------------|-----------------|-----------------|
| Mark-to-market price of derivatives | 161,450 | (68,512) | 92,938 | 22,305 | - |

Reconciliation schedule between the net profit for the year and the taxable income

| IRES | 2023 | 2022 |
|-------------------------------------|------------------|------------------|
| Pre-tax profit | 7,518,135 | 30,988,509 |
| Theoretical tax charge (24%) | 1,804,352 | 7,437,242 |
| Increase | 908,633 | 297,930 |
| Decrease | 813,176 | 215,707 |
| ACE benefit | 776,979 | 277,558 |
| IRES taxable income | 6,836,613 | 30,793,174 |
| Effective tax charge (24%) | 1,640,787 | 7,390,362 |

| IRAP | 2023 | 2022 |
|--|----------------|------------------|
| Operating profit | 8,892,703 | 31,575,167 |
| Costs not relevant for IRAP purposes | 2,452,105 | 1,872,279 |
| Theoretical IRAP taxable base | 11,344,808 | 33,447,446 |
| Theoretical tax charge (3.9%) | 442,448 | 1,304,450 |
| Increase | 1,496,077 | 853,835 |
| Decrease | 2,680,391 | 1,795,881 |
| IRAP taxable income | 10,160,494 | 32,505,400 |
| - of which, taxable income earned in the Province of Trento | 1,596,935 | 12,169,043 |
| - of which, taxable income earned in the Veneto Region | 8,563,558 | 20,336,358 |
| Effective tax charge | 376,777 | 975,654 |
| - of which, effective tax charge in the Province of Trento (2.68%) | 42,798 | (*) 182,536 |

| IRAP | 2023 | 2022 |
|--|---------|---------|
| - of which, effective tax charge in the Veneto region (3.9%) | 333,979 | 793,118 |

(*) In 2022, the IRAP rate applied to the IRAP tax base generated by the company in the Province of Trento was 1.5%.

The IRES and IRAP receivables for the year recognised in caption C.II.5-bis of the balance sheet assets are shown net of the payments on account of the year.

Notes to the cash flow statement

The company has prepared the cash flow statement which summarises and links the changes of the year in the company's assets and liabilities with the changes in the financial position. It highlights the source and application of the financial resources during the year.

Pursuant to OIC 10, it is noted that the indirect method was used for the cash flow statement, whereby the cash flows are reconstructed adjusting the net profit for the year by the non-monetary items.

Notes — other information

The other information required by the Italian Civil Code is provided below.

Workforce

The following table shows the average number of employees, grouped by category and calculated considering the daily average:

| | Managers | Junior managers | White collars | Blue collars | Total |
|----------------|----------|-----------------|---------------|--------------|-------|
| Average number | 1 | 4 | 38 | 7 | 50 |

Compared to the previous year, the average number of employees increased by 17. This increase is directly linked to the various development initiatives that the company has undertaken. As witnessed by the significant increase in the number of employees, the company is particularly active in the development of new products, as well as in the constant improvement of its software platform.

During 2023, there were 14 new hires, including 1 junior manager, 8 white collars, 3 apprentices and 2 blue collars.

Of the workforce employed by the company under various contractual arrangements, six people resigned and one person was dismissed. Furthermore, two directors also ceased to be employees of the company from 1 January 2023.

The breakdown of the company's workforce, with women accounting for 35% thereof, reflects the company's focus on gender diversity.

Fees, advances and loans to directors and statutory auditors and commitments undertaken on their behalf

The following table sets out the information required by article 2427.16 of the Italian Civil Code. There are no advances and loans and no commitments were undertaken on behalf of the board of directors as a result of guarantees of any kind given.

| | Directors | Statutory auditors |
|------|-----------|--------------------|
| Fees | 854,000 | 73,164 |

Independent auditors' fees

The independent auditors' fees are shown in the following table, divided by service type.

Independent auditors' fees

| | Statutory audit of the financial statements | Other non-audit services | Total independent auditors' fees |
|------|---|--------------------------|----------------------------------|
| Fees | 70,000 | 67,170 | 137,170 |

The amount of the independent auditors' fees refers to the entire year in office. The amount related to 2023 recognised in the profit and loss account is €70,000.

Categories of shares issued by the company

At the reporting date, the share capital was comprised of 61,491,926 shares without nominal value. These shares belong to two categories:

- ordinary shares: 53,907,926;
- PAS (Price Adjustment Shares): 7,584,000.

On 15 May 2023, the company's board of directors approved the conversion of the first tranche of PAS following the achievement of the 2022 EBITDA target stipulated in the by-laws. Therefore, 3,792,000 PAS were converted into ordinary shares.

In addition, in June 2023, the right to subscribe new shares for the stock option plan for management was exercised for a total of 116,926 newly-issued shares.

| Categories of shares | Number at 31/12/2022 | PAS conversion | Subscription of the stock option plan | Number at 31/12/2023 |
|----------------------|----------------------|----------------|---------------------------------------|----------------------|
| Ordinary shares | 49,999,000 | 3,792,000 | 116,926 | 53,907,926 |
| PAS | 11,376,000 | (3,792,000) | - | 7,584,000 |
| Total | 61,375,000 | - | 116,926 | 61,491,926 |

Securities issued by the company

The company has not issued any securities or similar covered by the provisions of article 2427.18 of the Italian Civil Code.

Other financial instruments issued by the company

The company has not issued any other financial instruments pursuant to article 2346.6 of the Italian Civil Code.

Off-balance sheet commitments, guarantees and contingent liabilities

None.

Assets and loans earmarked for a specific deal

Assets earmarked for a specific deal

There are no assets earmarked for a specific deal at the reporting date pursuant to article 2427.20 of the Italian Civil Code.

Loans earmarked for a specific deal

There are no loans earmarked for a specific deal at the reporting date pursuant to article 2427.21 of the Italian Civil Code.

Related-party transactions

Only one transaction with related parties took place during the year: the company granted one of its employees an interest-bearing loan of €57,190, which will be repaid within 2024.

Off-balance sheet agreements

No off-balance sheet agreements were entered into during the year.

Post-balance sheet events

Article 2427.22-quarter of the Italian Civil Code requires disclosure of post-balance sheet events which had a significant impact on the company's financial position and performance. In this regard, for the period between 1 January 2024 and the date of preparation of this document:

- on 7 February 2024, the company exercised its purchase option under the rent-to-buy contract for the Sant'Angelo di Piove di Sacco (PD) facility located in Via Zona Industriale, 10, for an amount of €3,425,841.41;
- the company migrated to the new SAP management system, which required a concerted effort from all personnel.

Company that prepares the financial statements for the largest/smallest group of companies that the company belongs to as a subsidiary

The company does not fall into the cases referred to in article 2427.22-quinquies and sexies of the Italian Civil Code.

Disclosure on derivatives pursuant to article 2427-bis of the Italian Civil Code

There are two hedging derivatives at the reporting date.

The first was subscribed with Unicredit in 2020 but with effect from 31 January 2021, while the second was subscribed with Intesa SanPaolo in 2021 but with effect from 15 March 2021.

Pursuant to the requirements of article 2427-bis of the Italian Civil Code, the following information is provided in compliance with the concept of a true and fair view of company commitments.

| Derivative type | Interest rate cap |
|-----------------------------|----------------------------|
| Purpose | Hedging |
| Amount | € 1,750,000 |
| Underlying financial risk | Interest rate risk |
| Start date | 31.01.2021 |
| End date | 30.10.2026 |
| Fair value – mark to market | € 51,534 |
| Hedged liability | Loan from Unicredit S.p.A. |

| Derivative type | Interest rate swap |
|-----------------|--------------------|
| Purpose | Hedging |
| Amount | € 1,000,000 |

| Derivative type | Interest rate swap |
|-----------------------------|-----------------------------------|
| Underlying financial risk | Interest rate risk |
| Start date | 15.03.2021 |
| End date | 15.03.2027 |
| Fair value – mark to market | € 41,404 |
| Hedged liability | Loan from Intesa San Paolo S.p.A. |

Summary of the financial statements of the company that carries out management and coordination activities

Pursuant to article 2497-bis.4 of the Italian Civil Code, it is noted that the company is not subject to management and coordination.

Disclosure pursuant to article 1.125 of Law no. 124 of 4 August 2017

In relation to the provisions of article 1.125-bis of Law no. 124/2017 on the requirement to show any amounts received in the year as subsidies, benefits, advantages, grants or aid, in cash or in kind, not of a general nature and which are not fees, remuneration or compensation of any kind, from the public administration and parties referred to in point 125-bis of the same article, the company confirms that such amounts are registered in the National Register of State Aid. The company confirms that it received the following contributions from public administrations in 2023:

- €3,000 as a grant to develop skills for the future, granted on 8 November 2023 by Fondimpresa;
- €500,000 as a grant for small and medium-sized enterprises starting a listing procedure in a regulated market, granted on 25 May 2023 by the Ministry of Enterprise and Made in Italy.

In addition, the company benefited from a €4 million guarantee granted by SACE S.p.A. in support of a new loan provided by Sparkasse and a further €1.8 million guarantee in support of the loan provided by Banca MPS.

Lastly, on 29 September 2023 the company was allocated €7,149,366 as a grant for new investments for the construction of a gigafactory for the production of storage systems and lithium ion batteries for stationary applications from LFP technology cells.

Proposal for the allocation of profit or coverage of losses

In light of the above, the board of directors proposes the allocation of the net profit for the year as follows:

- €250 to the legal reserve;
- €5,608,950 to retained earnings.

Notes — final part

We confirm that these financial statements, comprised of a balance sheet, profit and loss account, cash flow statement and these notes provide a true and fair view of the company's financial position, financial performance and cash flows and correspond to the accounting records. We therefore invite you to approve the draft financial statements at 31 December 2023 together with the proposal for the allocation of the net profit for the year, as formulated by the board of directors.

The financial statements are true and correspond to the accounting records.

Rovereto, 26 March 2024

On behalf of the board of directors

Alessandro Granuzzo, Chairman



KPMG S.p.A.
Revisione e organizzazione contabile
Piazza Salvemini, 20
35131 PADOVA PD
Telefono +39 049 8249101
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

*To the shareholders of
Energy S.p.A.*

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Energy S.p.A. (the "company"), which comprise the balance sheet as at 31 December 2023, the profit and loss account and cash flow statement for the year then ended and notes thereto.

In our opinion, the financial statements give a true and fair view of the financial position of Energy S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the company's directors and board of statutory auditors ("*Collegio Sindacale*") for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the



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directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The company's directors are responsible for the preparation of a directors' report at 31 December 2023 and for the consistency of such report with the related financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the company's financial statements at 31 December 2023 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the company's financial statements at 31 December 2023 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Padua, 4 April 2024

KPMG S.p.A.

(signed on the original)

Silvia Di Francesco
Director