

BOARD OF DIRECTORS' REPORT OF Palingeo S.p.A



SHAREHOLDERS' MEETING OF APRIL 29, 2024 IN ORDINARY SESSION ON FIRST CALL

REPORT FOR SHAREHOLDERS

Dear Shareholders,

Following the resolution adopted on March 28, 2024, by the Board of Directors of Palingeo S.p.A. (**Palingeo or the Company**), with the notice published on April 12, 2024, excerpted in "**Italia Oggi**" and in full on the Company's website, as well as on the website www.borsaitaliana.it, in the "Stocks/Documents" section, the shareholders' meeting of the Company (the Meeting) has been convened for April 29, 2024, in ordinary session, on first call, to discuss and resolve upon the following

AGENDA:

1. Examination and approval of the financial statements of Palingeo S.p.A. as of December 31, 2023; related resolutions and consequences;
2. Allocation of the net profit for the year: related resolutions and consequences;
3. Increase in the number of members of the Board of Directors from the current 5 to 7, by appointing two new directors, one of whom meets the independence requirements; related resolutions and consequences;
4. Redetermination of the remuneration due to the Board of Directors; related resolutions and consequences;
5. Redetermination of the remuneration due to the Board of Statutory Auditors; related resolutions and consequences.

This Report aims to explain the reasons underlying the proposal of the Board of Directors, as well as the terms and methods of execution of any resolutions adopted by the shareholders' meeting.

1 Agenda Item 1 - Examination and approval of the financial statements of Palingeo S.p.A. as of December 31, 2023; related resolutions and consequences.

Dear Shareholders,

With reference to the first item on the agenda, it is reminded that, in accordance with the law and the Articles of Association, the ordinary meeting for the approval of the financial statements must be convened, at least once a year, within one hundred and twenty days from the end of the fiscal year, or within one hundred and eighty days under the conditions required by law (Article 2364, paragraph 2, of the Civil Code).

The draft financial statements were approved by the Board of Directors on March 28, 2024.

During the 2023 fiscal year, the company achieved an EBITDA of Euro 13.1 million, an increase compared to the 2022 result of Euro 5.2 million (a growth of 65.12% YoY). Additionally, the EBIT showed growth, reaching Euro 9.4 million, compared to the 2022 result of Euro 4 million (a growth of 74.65% YoY). The company realized a pre-tax profit of Euro 8.9 million, with taxes amounting to Euro 2.2 million, resulting in a net profit for the year of Euro 6.7 million, an increase of 84.28% compared to 2022.

On the balance sheet side, the fixed assets increased, especially due to investments in tangible assets. The net working capital also increased, reflecting the growth in production value. Overall, the net invested capital increased by approximately Euro 7.8 million, in line with the company's development. The net financial position increased from Euro 6.6 million in 2022 to Euro 7.8 million in 2023, representing a growth of 17.39% YoY. Financial liabilities increased due to the need to finance working capital, while net medium and long-term debts (borrowings minus repayments) were negative, with a net delta in favor of repayments.

The financial statements for the year ended December 31, 2023, closed with a net profit of Euro 6,705,641.00.

Based on the aforementioned, it is proposed to approve the financial statements for the year ended December 31, 2023, along with their related attachments.

The draft financial statements for the year ended December 31, 2023, the Management Report, the report of the Audit Firm, and the report of the Board of Statutory Auditors will be available to the public for the 15 days preceding the date of the Meeting on first call at the registered office in Carpenedolo (BS), via Meucci n.26, and on the Company's website at www.palingeo.it (Investors/Financial Statements and Reports section).

Proposta di delibera

Dear Shareholders,

If you agree with the contents presented, the Board of Directors submits for your approval the following resolution:

- "The Shareholders' Meeting of Palingeo S.p.A.,

having examined the financial statements of Palingeo S.p.A. as of December 31, 2023, and the related reports presented by the Board of Directors, the Board of Statutory Auditors, and the Audit Firm;

Resolves

- 1) *to approve the financial statements of the Company for the year ended December 31, 2023, as presented by the Board of Directors, which show a net profit for the year of Euro 6,705,641 (six million seven hundred five thousand six hundred forty-one euros).*
- 2) *to authorize the Board of Directors, and on its behalf President Leonardo Spada, with the power of sub-delegation, to fulfill all the obligations and formalities of communication, filing, and publication related to the above resolution, in accordance with the applicable regulations, also granting them, individually, the power to make any purely formal corrections to the approved documentation, if necessary.*

Carpenedolo, 12 aprile 2024

The Chairman of the Board of Directors
Leonardo Spada

2 Agenda Item 2 - Allocation of the net profit for the year; related resolutions and consequences.

Dear Shareholders,

In relation to the second item on the agenda of the ordinary session, you are convened at the Meeting to deliberate on the allocation of the profit for the year. In particular, the financial statements of Palingeo S.p.A. as of December 31, 2023, show a net profit for the year of Euro 6,705,641 (six million seven hundred five thousand six hundred forty-one euros). In light of the achieved results, we propose to allocate the entire profit of Euro 6,705,641 (six million seven hundred five thousand six hundred forty-one euros) to the extraordinary reserve.

Proposal for resolution

Dear Shareholders,

If you agree with the contents presented, the Board of Directors submits for your approval the following resolution: *"L'Assemblea degli Azionisti di Palingeo S.p.A.,*

- *having examined the financial statements as of December 31, 2023, in the draft presented by the Board of Directors and accompanied by the related reports presented by the Board of Directors, the Board of Statutory Auditors, and the Audit Firm, which show a net profit for the year of 6,705,641 euros;*
- *having reviewed the explanatory report of the Board of Directors;*

Resolves

- 1) *to allocate the profit of 6,705,641 euros (six million seven hundred five thousand six hundred forty-one euros) in its entirety to the extraordinary reserve."*

Carpenedolo, 12 aprile 2024

The Chairman of the Board of Directors
Leonardo Spada

3. **Agenda Item 3 - Increase in the number of members of the Board of Directors from the current 5 to 7, by appointing two new directors, one of whom meets the independence requirements; related resolutions and consequences.**

Dear shareholders,

You have been convened to the Assembly to deliberate on the "**increase in the number of members of the Board of Directors from the current 5 to 7, by appointing two new directors, one of whom meets the independence requirements; related resolutions and consequences.**" The proposal is formulated to reflect the changing organizational needs of the Company resulting from its listing on the multilateral trading facility Euronext Growth Milan (EGM), organized and managed by Borsa Italiana S.p.A., as well as to ensure representation on the board for minority shareholders.

In accordance with Article 21 of the Company's Bylaws (the Bylaws), the Company is managed by a Board of Directors consisting of a number of members ranging from a minimum of 3 to a maximum of 9. The number of members of the Board of Directors, within the aforementioned limits, is determined by the Assembly.

The shareholders' Assembly, by resolution of March 31, 2023, determined the number of members of the Board of Directors to be 5. Subsequently, on November 9, 2023, the shareholders' assembly appointed Dr. Alberto Dell'Acqua as an independent director - replacing Dr. Alessio Minelli - supplementing the existing board of directors and specifying that all board members will remain in office until the date of the Assembly called to approve the financial statements for the year ended December 31, 2025.

Therefore, as of the date hereof, the board of directors consists of 5 members, one of whom meets the independence requirements provided for in Article 148, paragraph 3, of Legislative Decree 58/1998 (TUF) as referred to in Article 147-ter, paragraph 4, of the TUF.

In accordance with Article 22 of the Bylaws, all directors must meet the eligibility requirements provided for by law and other applicable provisions, as well as the integrity requirements set forth in Article 147-quinquies of the TUF. Furthermore, at least 1 (one) of the members of the board of directors, or 2 (two) directors if the board of directors consists of more than 7 (seven) members, must meet the independence requirements provided for in Article 148, paragraph 3, of the TUF, as referred to in Article 147-ter, paragraph 4, of the TUF. At least 1 (one) of the independent directors must be chosen based on any criteria in force from time to time pursuant to the EGM Issuers Regulation.

It is clarified that it will not be necessary to obtain the prior assessment of the Euronext Growth Advisor (EGA) on the proposed candidate meeting the independence requirements, as the obligation on the EGA ceased in the phase following the admission to trading of the Company's shares, following changes to the EGM Issuers Regulation, pursuant to notice no. 43747 of Borsa Italiana S.p.A. published on November 17, 2023.

In addition to the above, in compliance with the provisions of Article 6-bis of the EGM Issuers Regulation, on March 28, 2024, the Board of Directors approved the quantitative and qualitative criteria to be considered for the annual assessment of independence requirements for directors (the "Policy"). The Policy is available on the Company's website at www.palingeo.it, in the Governance section.

The appointment of the new members of the Board of Directors will be made by resolution of the Assembly according to the legal majorities, as it is a case of mere integration of the number of directors and therefore the deposit of lists for the reappointment of the entire administrative body is not provided for.

Considering the above, although there are no specific deadlines for the submission of proposals under legal or statutory provisions, shareholders entitled to vote who intend to submit nominations before the Assembly

must deposit appropriate documentation at the Company's registered office, also by registered letter with acknowledgment of receipt, or by sending the relevant documentation to the address palingeo@pec.it from a certified email address at least 7 days before the date set for the Assembly on first call; in this case, timely information about the submission of the proposal will be provided on the Company's website, in the section dedicated to the Assembly.

For the submission of the proposal, it is required to provide the Company with suitable certification, namely the communication proving the participation in the share capital and the legitimacy to intervene in the Assembly, issued by an authorized intermediary, specifying that the ownership of the share capital must be proven on the record date. The certification or communication must reach the Company no later than the start of the Assembly proceedings.

Together with each candidacy, the following documentation must be deposited: (i) the curriculum vitae containing the professional characteristics of the individual candidates and the list of administration and control positions held by them, along with the declarations in which the individual candidates accept their candidacy and attest, under their own responsibility, the absence of incompatibility or ineligibility causes, as well as the existence of the requirements prescribed by law and by the Bylaws, and (ii) any other additional declaration or information required by law or applicable regulatory provisions.

Based on the proposals submitted by the shareholders, the Board of Directors invites you to proceed with the appointment of two directors, one of whom meets the independence requirements established by Article 148, paragraph 3, of the TUF, as referred to in Article 147-ter, paragraph 4, of the TUF, as well as the Policy; the newly appointed directors will expire from office along with the other members at the Assembly to be convened for the approval of the financial statements as of December 31, 2025.

Carpenedolo, 12 aprile 2024

The Chairman of the Board of Directors
Leonardo Spada

4 Agenda item 4 - Redetermination of the remuneration due to the Board of Directors; related resolutions and consequences;

Ladies and Gentlemen Shareholders,

With reference to the agenda item, you have been convened for the Ordinary General Meeting to examine and approve the proposal to amend, for the year 2024 and until the expiry date of the term of office of the Board of Directors, set at the date of the Meeting called for the approval of the financial statements as of December 31, 2025, the overall compensation of the Board of Directors resolved upon by the Shareholders' Meeting on February 5, 2024.

On February 5, 2024, the ordinary meeting of the Company resolved to set the overall annual gross remuneration at Euro 565,000.00 (five hundred sixty-five thousand/00) and to grant to the directors Leonardo Spada, Paolo Franzoni, Gianbattista Lippi, and Sergio Lippi the right to reimbursement of flat-rate daily expenses for a maximum amount of Euro 46.48 for trips within Italy, excluding trips within the same Municipality where the company's registered office is located; or for a maximum amount of Euro 77.47 for trips abroad; as well as to award to the independent director Alberto Dell'Acqua reimbursement of expenses, duly justified, related to the position held. The Meeting also delegated to the Board of Directors the allocation among its members of the aforementioned remuneration pursuant to art. 2389 of the Italian Civil Code.

Subsequently, on February 9, 2024, the Board of Directors of the Company, considering the overall gross annual remuneration resolved by the Shareholders' Meeting as specified above, determined the individual compensations of the members of the Board of Directors as follows:

- (i) to Leonardo Spada, a gross remuneration for his position as Chairman of the Board of Directors, the total amount of Euro 140,000.00 (one hundred forty thousand/00), payable monthly;
- (ii) to Paolo Franzoni, he is awarded, as gross remuneration for his position as Managing Director, the total amount of Euro 140,000.00 (one hundred forty thousand/00) payable monthly;
- (iii) to Gianbattista Lippi, he is awarded, as gross remuneration for his position as Managing Director, the total amount of Euro 140,000.00 (one hundred forty thousand/00) payable monthly;
- (iv) to Sergio Lippi, he is awarded, as gross remuneration for his position as Managing Director, the total amount of Euro 130,000.00 (one hundred thirty thousand/00) payable monthly;
- (v) to Alberto Dell'Acqua, he is awarded, as gross remuneration for his position as Independent Director, the total amount of Euro 15,000.00 (fifteen thousand/00), payable monthly;

In light of the completion of the listing process, as well as the potential integration of the board of directors with the appointment of two new members, it is proposed to the shareholders' meeting to redetermine the compensation due to the administrative body for the performance of its functions, compared to what was already resolved by the meeting on February 5, 2024.

In consideration of the above, although there are no preventive deadlines for the submission of proposals by legal or statutory provisions, Shareholders entitled to vote who intend to submit the amount of the compensation due to the administrative body before the Meeting must deposit appropriate documentation at the registered office, also by registered letter with return receipt requested, or by sending the relevant documentation to the address palingeo@pec.it from a certified email address at least 7 days before the date set for the Meeting on first call; in this case, timely information regarding the submission of the proposal will be provided on the Company's website, in the section dedicated to the Meeting.

To submit the proposal, it is required to provide the Company with appropriate certification, i.e., the communication proving the ownership of the share capital and the legitimacy to intervene in the Meeting, issued by an authorized intermediary, specifying that ownership of the share capital must be proven as of

the record date. The certification or communication must be received by the Company no later than the start of the Meeting.

5 Item 5 on the agenda - Redetermination of compensation for the Board of Statutory Auditors; relevant resolutions and consequences.

Dear Shareholders,

With reference to the current item on the agenda, you have been convened for the Ordinary General Meeting to examine and approve the proposal to amend, for the year 2024 and until the expiry date of the term of office of the Board of Statutory Auditors, set at the date of the Meeting called for the approval of the financial statements as of December 31, 2025, the overall compensation of the Board of Statutory Auditors resolved upon by the Shareholders' Meeting on November 9, 2023, in accordance with article 2402 of the Italian Civil Code.

In particular, the ordinary meeting of the Company resolved to determine the gross annual remuneration of the statutory auditors, for the entire period of their office, as follows:

- 1) Euro 15,000 (fifteen thousand/00) for the Chairman of the Board of Statutory Auditors, while
- 2) Euro 10,000 (ten thousand/00) for the Statutory Auditors, with a pro-rata definition for the year 2023.

In light of the completion of the listing process, it is proposed to the shareholders' meeting to redetermine the compensation due to the supervisory body for the performance of its functions, compared to what was already resolved by the meeting on November 9, 2023, in order to align them with the market standards applied by companies of the same size and characteristics as Palingeo.

In consideration of the above, although there are no preventive deadlines for the submission of proposals by legal or statutory provisions, Shareholders entitled to vote who intend to submit the amount of the compensation due to the supervisory body before the Meeting must deposit appropriate documentation at the registered office, also by registered letter with return receipt requested, or by sending the relevant documentation to the address palingeo@pec.it from a certified email address at least 7 days before the date set for the Meeting on first call; in this case, timely information regarding the submission of the proposal will be provided on the Company's website, in the section dedicated to the Meeting.

To submit the proposal, it is required to provide the Company with appropriate certification, i.e., the communication proving the ownership of the share capital and the legitimacy to intervene in the Meeting, issued by an authorized intermediary, specifying that ownership of the share capital must be proven as of the record date. The certification or communication must be received by the Company no later than the start of the Meeting.