



Annual Financial Report

2020





## **RENCO GROUP**<sub>s.p.a.</sub>

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# Renco

## Annual Financial Report 2020

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## Corporate Bodies

### Board of Directors<sup>1</sup>

First Name and Surname	Office
GIOVANNI GASPARINI	Chairman
PASSERI LORENZO	Director
FREZZOTTI GIOVANNI	Director

### Board of Statutory Auditors<sup>2</sup>

First Name and Surname	Office
SILVESTRELLI ORIANA	Chairman
CAPECCI DANIELE	Statutory Auditor
LAURI ROBERTO	Statutory Auditor
CASALI GILBERTO	Alternate Auditor
CIARMATORI DARIO	Alternate Auditor

### Auditing Firm<sup>3</sup>

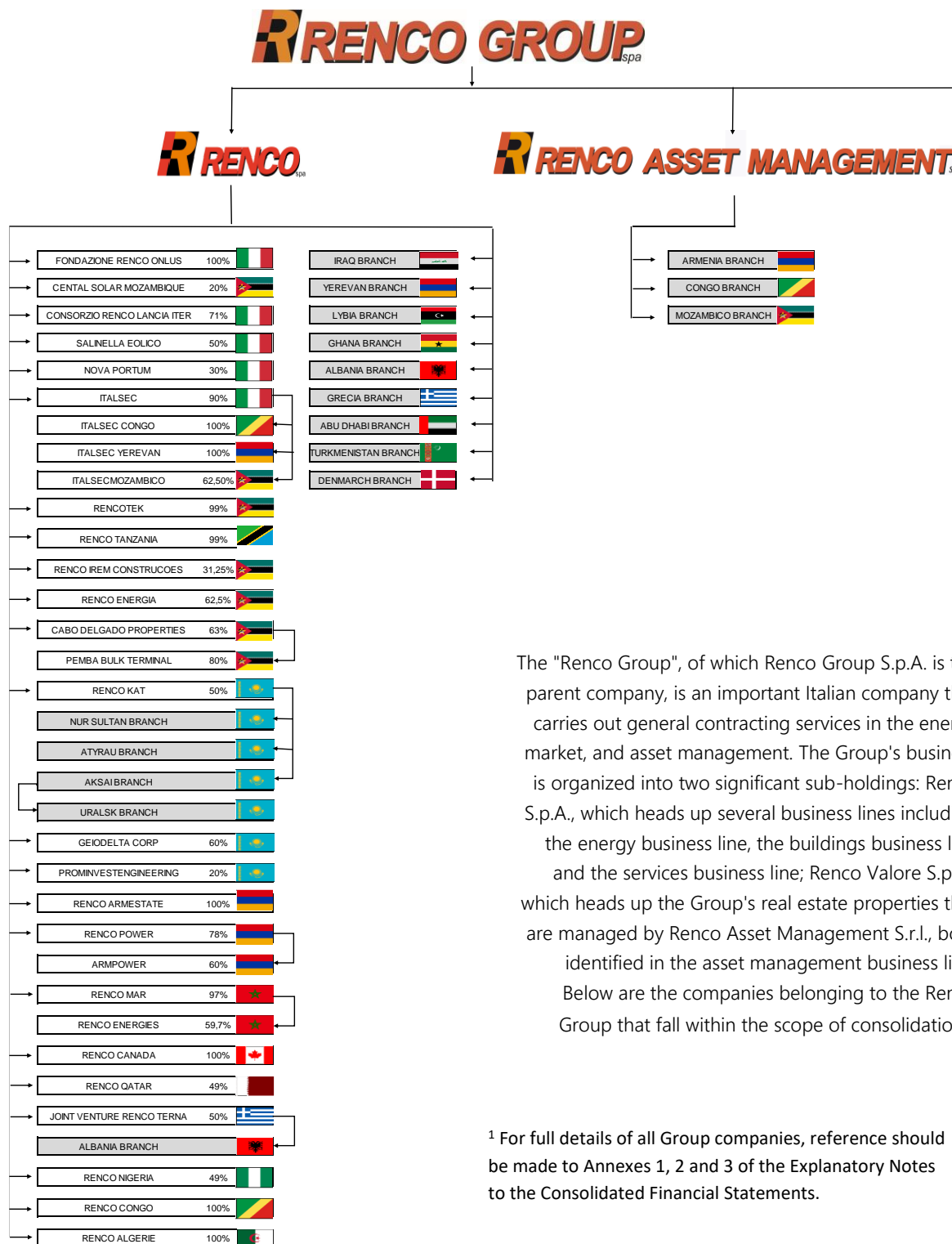
Deloitte & Touche S.p.A.

<sup>1</sup> Expiry of the term of office on the date of the Shareholders' Meeting to be called to approve the financial statements for the year ending 31 December 2020.

<sup>2</sup> Expiry of the term of office on the date of the Shareholders' Meeting to be called to approve the financial statements for the year ending 31 December 2020.

<sup>3</sup> The Shareholders' Meeting of 20 May 2019 has resolved to appoint Deloitte & Touche S.p.A. as the independent auditors for the 2019-2021 financial years.


## Shareholding structure of the Renco Group as at 31 December 2020



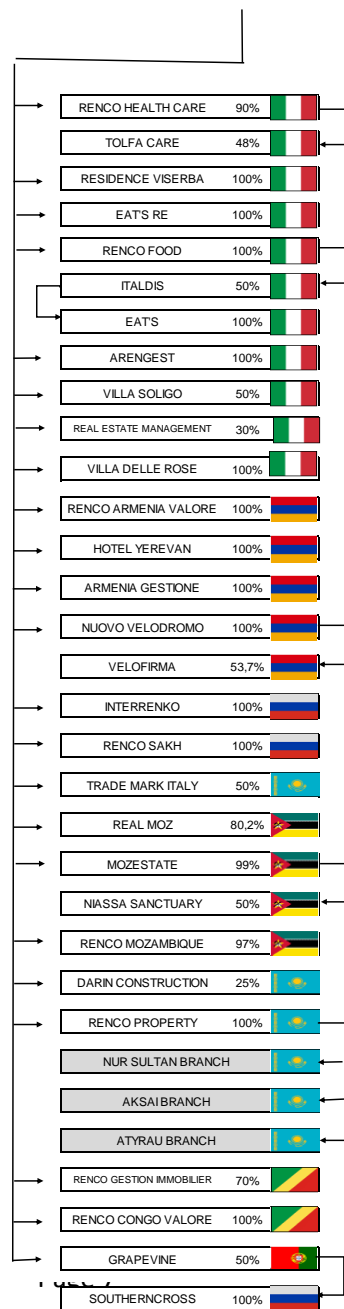
The "Renco Group", of which Renco Group S.p.A. is the parent company, is an important Italian company that carries out general contracting services in the energy market, and asset management. The Group's business is organized into two significant sub-holdings: Renco S.p.A., which heads up several business lines including the energy business line, the buildings business line and the services business line; Renco Valore S.p.A., which heads up the Group's real estate properties that are managed by Renco Asset Management S.r.l., both identified in the asset management business line. Below are the companies belonging to the Renco Group that fall within the scope of consolidation<sup>1</sup>:

<sup>1</sup> For full details of all Group companies, reference should be made to Annexes 1, 2 and 3 of the Explanatory Notes to the Consolidated Financial Statements.

# RENCO GROUP spa

RENCO CAPITAL SRL 99,99% 

# RENCOVALORE



From the previous year the following changes occurred in the Group structure:

- the extraordinary operation of partial proportional spin-off of Renco S.p.A. in favour of the beneficiaries Renco Immobiliare S.r.l. and Renco Asset Management S.r.l. and the simultaneous reverse merger of Renco Immobiliare S.r.l. into Renco Valore S.p.A. (formerly Renco Real Estate S.r.l.) was completed with effect from 1 January 2020, which now represents the participating company in the real estate business. In particular, as repeatedly presented, the operation has been put in place with the aim of achieving the separation of assets and liabilities of the Renco Group in the real estate and Ho.Re.Ca. (Hotel, Restaurant, Cafè) sectors, attributable to the "property" and "asset management" business lines, from those attributable to the services, buildings and energy business lines. All the related formalities were completed for the various Group companies involved, both in Italy and abroad.
- In this regard, during the period under review the Group initiated the simplified cross-border merger process of Baytree Investimentos e Servicos LDA and Renco Valore S.p.A. The elimination of Baytree Investimentos e Servicos LDA from the chain of control allows for simplification of the corporate structure and a more efficient shareholding structure of the Group, allowing for greater management efficiency even after completion of the reorganisation of the company. The transaction took place through merger by incorporation of Baytree Investimentos e Servicos LDA into Renco Valore S.p.A. and was completed in December 2020;
- as part of the project for the construction of the power plant in Armenia and in compliance with the agreements made with the counterparties involved in the project, during the period the subsidiary Renco Power Cjsc capitalized the company Armpower Cjsc for a further equivalent value of 19,644 thousand USD;

in February 2020, 50% of Villa Soligo S.r.l. was sold at a price of €2.4 million. The sale generated a capital gain of 1,367 thousand Euros for the seller, Renco Valore S.p.A., while in the consolidated financial statements the capital gain recorded was 1,469 thousand Euros. The Renco Group has retained control over the

company through the appointment by Renco of most Directors on the Board of Directors and with direct management of the hotel by Renco Asset Management S.r.l.;

- in order to provide the Mozambican company Real Moz LDA with the resources needed to carry out the investment aimed at building a camp for the accommodation of technical personnel in Palma, Mozambique, Renco Valore S.p.A. capitalised the Mozambican company for 10,890 thousand Euros during the period. The initiative is being implemented together with a local partner to whom 19.8% of the company has been sold. The sale has led to a consolidated capital gain of 180 thousand Euros.
- in July 2020, the Group acquired an additional 50% of Eat's Re, a company based in Conegliano that owns a property used by third parties as a distribution outlet. The purchase was completed as part of the broader operation to define and close all relationships with the previous shareholders of Eat's Re S.r.l., Italdis S.r.l. in liquidation and Eat's Italia S.r.l. in liquidation. This additional purchase brought Renco Valore S.p.A. to hold 100% of the company and the differential between the price paid and the shareholders' equity acquired generated a consolidation reserve of 80 thousand Euros;
- in December, Renco S.p.A. sold 100% of the shares held in Joint Green S.r.l., recording a capital gain of 608 thousand Euros. The sale underlines the core business of the Energy division, which also evaluates and concludes extraordinary transactions, such as acquisitions and disposals, for the benefit of the Renco Group;
- in the month of September, Renco Valore S.p.A. set up a new company under Italian law, called Villa Delle Rose S.r.l., with the purpose of proceeding with an investment in future aimed at the purchase of a healthcare structure called "Villa delle Rose", located in Vittorio Veneto (TV), its restructuring and subsequent use as a nursing home for the elderly. The initial share capital was 10 thousand Euros;
- During the period, Renco S.p.A. purchased a 20% interest in Central Solar Mozambique SA, a company incorporated under Mozambican law. The company



was established to provide funds to build and operate a photovoltaic power plant for the production of an initial 20 MW of electricity on a 14.5-hectare site located in Zemun, near Pemba, Mozambique. The energy produced will be sold to the national electricity company Electricidade De Mozambique (EDM). Based on the existing agreements with the local partner, Renco will hold 20% of the shares of this company. Construction work, which will begin in 2021 and last approximately 12 months, will be awarded to the Renco Group. The operational phase is expected to last 25 years from the date of start-up of the plant, and will be carried out, on the basis of a future operation and maintenance contract, by a local company that will be 50% owned by Renco S.p.A. On 30 September 2020, the power purchase agreement was signed by CSM and the national power company EDM. The term sheet for the project financing contract was then negotiated with the international multilateral bank under South African law, the African Export Import Bank (Afreximbank), which is willing to finance the initiative and is waiting to receive the signed document from the Bank in order to start the financial close phase;

- in order to carry out an important job in Denmark relating to the construction of a gas compressor station

and metering station, a branch of Renco S.p.A. called "Renco Denmark Branch" was created;

- in July 2020, Nova Portum S.r.l., a company incorporated under Italian law, in which Renco S.p.A. holds a 30% stake, was established. The company was set up in order to proceed with the construction of the new real estate complex to be built in the area of the former Consorzio Agrario located near the port of Pesaro, according to a building permit approved by the Municipality of Pesaro;
- at the end of the period, the decision was made to begin the process of liquidating the companies Renco Mar Sarl and Renco Energies Sa incorporated under Moroccan law;
- lastly, the process of liquidating Baytree Llc and Angorenco has been completed.





## FOREWORD

This report on operations refers to the consolidated financial statements of Renco Group S.p.A. (hereinafter also referred to as the "Group", "Renco" or "Renco Group").

The report should be read together with the financial statements and related explanatory notes that comprise the consolidated financial statements of Renco Group S.p.A. as at 31 December 2020.

Unless otherwise indicated, all amounts in this report are shown in thousands of euros.

## METHODOLOGICAL NOTE

Unless otherwise specified, all comments and comparisons in the remainder of this report refer to the economic and financial data for the 2020 financial year compared to the 2019 financial year. All figures in the report on operations and the related tables are expressed in thousands of Euros and all comments in the "Explanatory Notes" are also expressed in thousands of Euros. All percentage ratios (margins and deviations) are calculated with regard to values expressed in thousands of Euro.

Figures for the previous year are shown in brackets.

## SITUATION OF THE GROUP AND OPERATING PERFORMANCE

The year 2020 saw the Renco Group positively cope with the effects of the pandemic in an extraordinary and unprecedented context, thanks to the strength and diversification of its activities and its diverse geographical presence.

The 2020 financial year closed with a profit after tax of €3,242 thousand; by means of the following tables, we provide you with a summary of the economic performance and financial position of the company's operations during the 2020 financial year.

### Economic analysis

Income Statement	31/12/2020	%	31/12/2019	%	% Change
Revenues from sales	348,375	107.31%	98,372	31.21%	254.14%
Changes in inventories of work in progress	(56,707)	-17.47%	160,562	50.94%	-135.32%
Increases in assets for internal work	26,321	8.11%	17,348	5.50%	51.72%
Other operating income	6,660	2.05%	38,893	12.34%	-82.88%
Value of production	324,649	100.00%	315,175	100.00%	3.01%
Goods and consumable materials	(112,972)	-34.80%	(87,029)	-27.61%	29.81%
Costs for services	(109,237)	-33.65%	(103,261)	-32.76%	5.79%
Personnel costs	(58,588)	-18.05%	(61,181)	-19.41%	-4.24%
Other operating costs	(10,285)	-3.17%	(16,739)	-5.31%	-38.56%
Operating costs	(291,082)	-89.66%	(268,210)	-85.10%	8.53%
EBITDA	33,567	10.34%	46,965	14.90%	-28.53%
Amortisations, depreciations and write-downs	(13,116)	-4.04%	(13,135)	-4.17%	-0.14%
Provisions for risks and guarantees	(4,902)	-1.51%	-	0.00%	
EBIT	15,549	4.79%	33,830	10.73%	-54.04%
Income from equity investments	1,655	0.51%	418	0.13%	295.93%
Other financial income	437	0.13%	1,855	0.59%	-76.44%
Interest and other expenses	(6,341)	-1.95%	(7,014)	-2.23%	-9.60%
Foreign exchange gains (losses)	(1,258)	-0.39%	(1,710)	-0.54%	-26.43%
Adjustments to equity investments	(1,257)	-0.39%	(3,282)	-1.04%	-61.70%
Profit before tax	8785	2.71%	24,097	7.65%	-63.54%
Income taxes	(7,755)	-2.39%	(13,464)	-4.27%	-42.40%
Deferred and (prepaid) taxes	2213	0.68%	(2,547)	-0.81%	-186.89%
Profit (loss) for the year	3242	1.00%	8,088	2.57%	-59.92%

During the year ended 31 December 2020, the Group's value of production amounted to €324.6 million, recording an increase of approximately 3% compared to 31 December 2019. Operating revenues from third parties amounted to €291.3 million (+13% compared to 2019).

EBITDA amounted to €33.6 million (€46.9 million in 2019), with a margin on value of production of 10.3%. It should be noted that EBITDA in 2019 was affected by two non-recurring transactions: the sale of the Gemma dell'Est Resort in Zanzibar, which had contributed positively to EBITDA for €32.8 million and the termination transaction on the contract for the sale of the Yerevan Hotel which had a negative effect on EBITDA for €11.3 million. Normalised EBITDA of 2019, net of the two non-recurring transactions, was €25.7 million.

The economic components of a financial nature show a balance of net financial expenses of €6.7 million (€9.7 million in the corresponding comparative period), down by €2.7 million compared to 2019, due to the combined effect of the debt reduction that took place in the previous period and the decrease in the cost of new funding raised in the second

half of the year. Financial charges deriving from the Group's gross financial debt amounted to 6.2 million Euros (6.8 million Euros).

During the year, net exchange losses of €1.3 million were recorded, of which €5.1 million were unrealised net exchange losses.

With regard to value adjustments to financial assets, during the 2020 financial year a net negative value of €1.3 million (€3.3 million in 2019) was recorded, mainly due to the equity valuation of Armpower, which contributed a negative €1.8 million, offset by the positive effects of €0.7 million, of which Renco Food contributed €0.6 million.

The aforementioned operating dynamics generated a pre-tax profit of 8.8 million Euros.

Income taxes for the period amounted to €5.5 million (€16 million), the tax charge includes €0.5 million of taxes referring to previous periods recorded following the settlement of a tax assessment on the 2015 period in Renco S.p.A.

## RESULTS BY BUSINESS LINE

The results of the "business lines" are measured by analysing the trend in value of production and industrial margin, defined as the profit for the period before general costs, amortisation and depreciation, write-downs, provisions for risks and other write-downs, financial income and charges and taxes. In particular, the industrial margin is considered to provide a good indication of performance as it is not affected by tax regulations or depreciation policies.

The "business lines" that represent the entirety of the services provided to the Group's customers are:

- Energy business line: Engineering procurement and construction (EPC) services in the energy sector with a focus in the natural gas and power generation industries;
- Buildings business line: Construction of buildings for civil and industrial use with high technological content;
- Services business line: Field services and operation & maintenance in the energy sector;
- Asset management business line: Logistic services related to expatriate personnel, hotel services, management of Group-owned and third-party office buildings.



<i>Business Lines</i>	<i>2020</i>			<i>2019</i>		
	<i>VoP</i>	<i>Ebitda</i>	<i>% EBITDA</i>	<i>VoP</i>	<i>Ebitda</i>	<i>% EBITDA</i>
ASSET MANAGEMENT	39,032	18,936	48.5%	78,090	37,665	48.2%
ENERGY	152,896	8,171	5.3%	130,815	9,275	7.1%
BUILDINGS	64,456	13,045	20.2%	41,218	3,508	8.5%
SERVICES	41,944	10,499	25.0%	47,703	11,737	24.6%
GENERAL COSTS		-17,085			-15,220	
<b>Total vs Third Parties</b>	<b>298,328</b>	<b>33,567</b>	<b>11.3%</b>	<b>297,826</b>	<b>46,965</b>	<b>15.8%</b>
INVESTMENTS	26,321			17,438		
<b>Total</b>	<b>324,649</b>	<b>33,567</b>		<b>315,264</b>	<b>46,965</b>	

The last three business lines indicated above are related to the Renco S.p.A. sub-holding, while the asset management business line is made up of the Renco Valore S.p.A. sub-holding and the company Renco Asset Management S.r.l.

## Energy Business Line

During the year ended 31 December 2020, the business line's turnover was €152.9 million (€130.8 million in 2019), the industrial margin was €8.1 million and its incidence on the value of production was 5.3% (7.1% in 2019). Production increased as a result of new acquisitions at the end of 2019, in particular the order to build a gas compressor plant in Denmark worth €72 million and the order in Italy to build gas generators for the customer Baker Huges, worth €39.2 million.

The change in the business line's margins is exclusively attributable to the prudent reduction in the margin on the Sarir job order in Libya, which led to a reduction in the industrial margin of €3.5 million in the financial year, pending recognition of a claim presented to the customer for €8 million.

Specific commentary on the evolution of key investments in energy companies:



### Armpower CJSC

In August 2016, the Group established Armpower based on the memorandum of understanding signed with the Government of the Republic of Armenia. The company has the purpose of implementing the project for the construction



of a 250 MW gas-powered combined cycle power plant near the city of Yerevan, the capital of Armenia.

In April 2017, Armpower, Renco and the Government of the Republic of Armenia signed a framework agreement to regulate the relations and commitments of the parties on the project and entrusted Armpower with the financing,

construction and management of the plant for twenty years. Renco S.p.A. was assigned the role of project finance developer and EPC contractor for the construction of the plant. The investment amounts to approx. 300 million dollars to be financed by (non-recourse) project financing with a debt/equity ratio of approx. 70:30.

In order to raise the financial resources necessary for the implementation of the investment, Armpower appointed the International Finance Corporation (IFC) as the arranger bank and co-financier of the operation.

In August 2017, Renco S.p.A. and Siemens Venture Capital GmbH signed a collaboration agreement that envisages the entry of Siemens as Armpower's equity partner (with a 40% stake), technological partner for the supply of turbines and operator and maintainer of the plant. The corporate agreements with this partner provide for substantial joint management of the Company.

At the beginning of 2018, together with the government of Armenia the lending banks reviewed the content of the Framework Agreement signed with the government in 2017 in order to bring it into line with international standards for similar projects.

For negotiations with the banks the Armenian government involved the gas supplier Gazprom Armenia and the company ENA, which is committed to purchase electricity. The negotiations were successfully concluded in March 2018. The text of the Framework Agreement for the construction of the plant negotiated between the Government of the Republic of Armenia and the banks was approved by Renco, Siemens and Simest S.p.A. (CDP Group), and on 9 April 2018, the Board of Directors of IFC (World Bank) approved the investment. In the meantime, at the end of April 2018, pending the signing of the renegotiated Framework Agreement, Armenia experienced a political crisis caused by a popular movement of peaceful protest that led to the fall of the current government and the renewal of the country's political class. The new government did not take office with full powers until September 2018. Following further negotiation of the Framework Agreement with the new government in office, the Framework Agreement was then signed with the new government and all other parties involved on 13 November 2018.

Finally, on 15 February 2019, Armpower signed the loan agreements with IFC and the other financial institutions involved.

On 23 March 2019 Armpower signed the EPC contract with Renco S.p.A. for construction of the plant.

The Financial Close was reached on 14 June 2019; the financial institutions then disbursed the first tranche of the loan, and on the same date construction work began on the power plant, based on the EPC contract signed with Renco S.p.A.

Construction of the power plant has proceeded on schedule throughout 2019.

In 2020, the construction of the power plant was delayed, mainly due to the spread of the second wave of the Covid-19 pandemic in the country and mainly due to the war that started on 27 September 2020 and ended on 10 November 2020, involving Armenia and Azerbaijan in the territories of Nagorno Karabakh and the border line between the two countries.

With respect to the work schedule, delays are currently quantifiable at four and a half months, but they may be reduced to three months with the "acceleration plan" (worth USD 6 million) agreed between Armpower Cjsc and Renco S.p.A.

During the period under review, the overall progress on the total value of works was 78% (as at 31.12.2019 it was 32%).



During the year ended 31 December 2020, the business line's turnover was €64.1 million (41.2 million in 2019), the industrial margin was €13.1 million and its incidence on the value of production was 20% (8.5% in 2019). Orders in progress in Mozambique accounted for most of the increase in the business line's margins.

During the year, the business line acquired the following orders:

- Construction of temporary structures within the framework of the Afungi peninsula LNG investment (Mozambique) - client CCS JV Scarl, contract value €45.8 million. The works will be carried out by Renco S.p.A. for the supply and engineering services and by Rencotek LTD for the construction work in Mozambique;
- Order for the supply and transport of inert materials for the Afungi peninsula, customer Zacopec LTD, order value €14.6 million (value of Renco's share). The work will be carried out by the joint venture under Mozambican law consisting of Pemba bulk Terminal LLC, the Group company that operates and owns the Pemba Jetty, and Mozquerry LLC, a local inert material producer.
- Contract for construction of a residential complex of 86 apartments in Pesaro (PU), commissioned by Nuova Portum S.r.l., contract value €14.1 million.



Specific commentary on the evolution of key investments in companies in the building sector

#### Pemba Bulk Terminal

Pemba Bulk Terminal SA ("PBT"), a company under Mozambican law based in Pemba, was established to build a port ("Jetty") and a logistic base in Pemba, suitable for the unloading, storage and loading of inert material, which will then be transported by sea to Afungi, where oil companies have started work for the construction of gas liquefaction plants in 2019.

The company PBT is 80% owned by a Mozambican company called CD Properties Sa and 20% by a Mozambican company called Port of Cabo Delgado. In November 2019, Renco S.p.A. acquired indirect control of Pemba Bulk Terminal through the acquisition of 63% of CD Properties.

On 29 February 2020, an EPC contract was signed by PBT and the Mozambican law group company Rencotek Lda, for

the construction of the jetty, for an amount of €9.5 million; the work was completed in the second half of 2020.

During 2020 PBT also purchased the means for the operation of the jetty, for an amount of €1.3 million.

The jetty became operational in November 2020.

Services business line



During the year ended 31 December 2020, the business line's turnover was €41.9 million (€47.7 million in 2019), the industrial margin was €10.5 million and its incidence on the value of production was 25%, in line with that of the previous period. The loss of production of €5.8 million is attributable solely to the persistence of the pandemic, which has severely limited the movement of specialised personnel to the countries in which the business line operates.

## Asset Management Business Line

During the year ended 31 December 2020, the business line's turnover was €39.0 million (€43 million in 2019, net of extraordinary operations), the industrial margin was €18.9 million (€16.1 million in 2019) and its incidence on the value of production was 48.5%. The reduction in revenues is entirely attributable to the hotel sector. In fact, in the 2020 financial year, as a result of restrictive measures taken by local governments to prevent the spread of COVID-19, the following facilities were closed to the public: Yerevan hotel (Armenia); Mecufi Resort (Mozambique), Villa Soligo (Italy). Other hotels, such as the Hilton DouleTree in Pointe Noire (Congo) and the Hotel Mira in Sakhalin (Russia), have been operating for longer or shorter periods of time, hosting staff of oil & gas companies who were self-isolating themselves or on sick leave basis.



The following is a summary of the management economic situation, down to the EBITDA, as well as the net financial position at the end of the period for sub-consolidated financial statements. As a result of reorganisation of the company described above, which also facilitated financial economic management, 2020 is the first year in which this presentation is given.

Business Lines	SUB-CONSOLIDATED FINANCIAL STATEMENTS OF RENCO SPA			SUB-CONSOLIDATED FINANCIAL STATEMENTS OF RENCO VALORE			RENCO ASSET MANAGEMENT Srl		
	VoP	Ebitda	% EBITDA	VoP	Ebitda	% EBITDA	VoP	Ebitda	% EBITDA
ASSET MANAGEMENT	8,428	3,347	39.7%	32,401	14,955	46.2%	3,769	634	16.8%
ENERGY	152,896	8,171	5.3%						
BUILDINGS	82,111	13,124	16.0%						
SERVICES	41,944	10,499	25.0%						
GENERAL COSTS		-15,758			-1,327				
<b>Total vs Third Parties</b>	<b>285,379</b>	<b>19,383</b>	<b>6.8%</b>	<b>32,401</b>	<b>13,628</b>	<b>42.1%</b>	<b>3,769</b>	<b>634</b>	<b>16.8%</b>
INVESTMENTS	10,448			16,942					
<b>Total</b>	<b>295,827</b>	<b>19,383</b>		<b>49,343</b>	<b>13,628</b>		<b>3,769</b>	<b>634</b>	

	31/12/2020	31/12/2020	31/12/2020
<b>Net financial position</b>	(12,420)	22,330	(850)

The results of the sub-consolidated financial statements of the companies of Renco S.p.A. and Renco Valore S.p.A. are commented on below.

Comments on the sub-consolidated financial statements of Renco S.p.A.

During the year ended 31 December 2020, the value of production of the sub-consolidated financial statements of Renco S.p.A. amounted to 295.8 million Euros. Revenues from third parties amounted to 285.4 million Euros; EBITDA was 19.4 million Euros and its incidence on the value of production from third parties was 6.8%.

The sub-consolidated financial statements of Renco S.p.A. include the economic values of some camps that for contractual reasons were not directly transferred to the value branch, specifically the management of the 300-bed camp for the customer Tengizchevroil (TCO), in the Atyrau region, and management of the Djeno camp for the customer Total in Congo.

Capital expenditures for the period, which totalled 10.4 million Euros, focused on industrial projects in Mozambique for 7.9 million Euros, including 6.3 million Euros for the Pemba port "Jetty" and logistics base, in Congo for 0.6 million Euros, in Kazakhstan for 0.7 million Euros and in Italy for 1.3 million Euros.

Comments on the sub-consolidated financial statements of Renco Valore S.p.A.

During the year ended 31 December 2020, the value of production of the sub-consolidated financial statements of Renco Valore S.p.A. amounted to €49.3 million. Revenues from third parties amounted to 32.4 million Euros; EBITDA was 13.6 million Euros and its incidence on the value of production from third parties was 41.1%.

Investments of the period, which also include the extraordinary maintenance required to maintain the efficiency of the Group's real estate portfolio, amounted to 16.9 million Euros and were concentrated on real estate projects in Mozambique for 11.1 million Euros, of which 10.4 million Euros related to the 1,500-bed camp; in Congo for 0.9 million Euros; in Kazakhstan for 0.4 million Euros; in Armenia for 0.5 million Euros and in Italy, incurred almost exclusively for the renovation of the Villa Soligo hotel.

Group order book

The Renco Group's Order Book amounts to 1,019.2 million Euros, with a backlog of 563.7 million Euros.



JOB	COUNTRY	CLIENT	CONTRACT VALUE (€/Mil)	YEAR END	TO BE PRODUCED
YEREVAN PLANT	ARMENIA	ARMPower	174.1	2021	38.4
ENI CASSIOPEA	ITALY	ENI	18.3	2023	17.2
SARIR LIBIA	LIBYA	EMI FRANCE	55.2	2021	0.4
EVERDRUP COMPRESSOR STATION	DENMARK	ENERGYNET	72.0	2022	60.8
INTERNAL TAP ORDERS	ALBANIA/GREECE	RENCO TERNA JV	29.4	2021	0.5
SANNAZZARO TA7 REPLACEMENT	ITALY	ENI	4.6	2021	3.7
LNG MODULES CANADA	ITALY	NUOVO PIGNONE	39.5	2022	38.2
PHOTOVOLTAIC MOZAMBIQUE	MOZAMBIQUE	CSM	18.7	2022	18.7
SALINELLA EOLICO	ITALY	SALINELLA SRL	20.0	2022	20.0
OTHERS			7.8		0.5
<b>TOTAL ENERGY</b>			<b>439.6</b>		<b>198.5</b>

JOB	COUNTRY	CLIENT	CONTRACT VALUE (€/Mil)	YEAR END	TO BE PRODUCED
ACCADEMIA GDF	ITALY	CDP	22.4	2021	6.1
ARMENIAN CIVIL WORKS	ARMENIA	ARMPower	12.8	2021	3.4
VILLA ALMATY	KAZAKHSTAN	PRIVATE	13.5	2021	3.5
BUILDING CEC SAIPEM CONGO	CONGO	SAIPEM	9.0	2021	0.1
CCS JV FIELD	MOZAMBIQUE	CCS JV	71.5	2023	37.9
CCS JV TEMPORARY BUILDINGS	MOZAMBIQUE	CCS JV	45.8	2023	32.4
ENI ROVUMA	MOZAMBIQUE	ENI MOZAMBIQUE	3.7	2021	2.3
CONSTRUCTION CALATA 52 - PESARO PORT	ITALY	NUOVA PORTUM	14.1	2023	13.9
KAZ MINERAL C-5 BLOCK	KAZAKHSTAN	KAZ MINERAL	1.9	2021	0.5
PEMBA PORT MANAGEMENT	MOZAMBIQUE	ZACOPE	14.6	2024	13.4
OTHERS			2.8	2021	2.8
GROUP BUILDINGS			87.0		87.0
TOTAL BUILDINGS			299.2		203.4



JOB	COUNTRY	CLIENT	CONTRACT VALUE (€/Mil)	YEAR END	TO BE PRODUCED
ENI CONGO PERSONNEL + PSV	CONGO	ENI CONGO	78.1	2022	31.5
BAKER HUGES - GE	WORLD	GE	76.7	2024	52.5
NCOC	KAZAKHSTAN	NCOC	25.0	2023	25.0
OTHERS			14.5	2023	14.5
TOTAL SERVICES			194.3		123.5

JOB	COUNTRY	CLIENT	CONTRACT VALUE (€/Mil)	YEAR END	TO BE PRODUCED
TCO CAMP MANAGEMENT	KAZAKHSTAN	TENGIZ-CHEVROIL	41.9	2020	0.8
RENCO PROPERTIES' TENANT CONTRACTS	VARIOUS		44.2	2024	44.2
TOTAL ASSET MANAGEMENT			86.1		45.0



TOTAL PORTFOLIO

CONTRACT VALUE (€/Mil)  
**1019.2**

TO BE PRODUCED  
**570.4**

Distribution of assets by geographic area

The breakdown of value of production by geographic area is summarised below:

Geographic area	31.12.2019	%	31.12.2020	%	Change	Change %
Italy	48,568	15.4%	51,556	15.9%	2,988	6.2%
European Union	74,537	23.6%	30,509	9.4%	-44,028	-59.1%
Russia and former USSR countries	98,031	31.1%	128,022	39.4%	29,991	30.6%
Africa	79,600	25.3%	105,919	32.6%	26,319	33.1%
Middle East	6,572	2.1%	6,599	2.0%	27	0.4%
Other	7,867	2.5%	2,044	0.6%	-5,823	-74.0%
Total	315,175	100.0%	324,649	100.0%	9,474	3.0%

The table above shows the absolute value and the percentage weight of production by geographic area.

The increase in the countries of the former Soviet Union is due to the progress made on the Yerevan Power Plant order, while the change that occurred in Africa is due mainly to orders developed in Mozambique.

The decrease in the value of production recorded in Europe was due to the completion during the period of the TAP Greece and TAP Albania orders, whose progress during the period contributed less to the 2020 results.

## FINANCIAL ASPECTS OF OPERATIONS

Reclassified balance sheet	31/12/2020	31/12/2019	Change
Inventories	321,262	384,238	(62,976)
Current trade receivables	44,586	39,202	5,384
Current tax assets	22,556	19,199	3,357
Other current assets	15,508	16,852	(1,344)
(A) Current assets	403,912	459,491	(55,579)
Current trade payables	97,191	101,227	(4,036)
Current advances	331,789	398,886	(67,097)
Current tax liabilities	6,049	11,676	(5,627)
Other current liabilities	15,651	19,319	(3,668)
(B) Current liabilities	450,680	531,108	(80,428)
(A-B) Net working capital	(46,768)	(71,617)	24,849
Tangible fixed assets and usage rights	230,430	219,804	10,626
Intangible fixed assets and goodwill	7,582	8,793	(1,211)
Non-current financial assets	38,422	26,099	12,323
Prepaid tax assets	6,993	5,237	1,756
(C) Non-current assets	283,427	259,933	23,494
Employee benefits	2,983	2,886	97
Long-term provisions	5,587	1,074	4,513
Financial liabilities to shareholders	5,901	5,701	200
Deferred tax liabilities	14,942	13,779	1,163
Liabilities for derivatives	1,191	2,030	(839)
Other non-current liabilities	3,005	3,751	(746)
(D) Non-current liabilities	33,609	29,221	4,388
(NWC+C-D) Net invested capital	203,050	159,095	43,955
Share capital	9,013	9,013	-
Reserves	35,568	59,313	(23,745)
Treasury shares held in portfolio	(3,609)	(3,609)	-
Undivided profits	100,578	93,998	6,580
Net profit for the year	3,240	8,088	(4,848)
(SE) Total shareholders' equity	144,790	166,803	(22,013)
Other non-trade receivables	(6,930)	(5,178)	(1,752)
Cash and cash equivalents	(68,979)	(98,130)	29,151
Current financial assets	(4,088)	(2,079)	(2,009)
Non-current financial assets	(18,531)	(21,540)	3,009
Current financial liabilities	29,289	29,442	(153)
Non-current financial liabilities	70,317	31,395	38,922
Current liabilities to other lenders	282	979	(697)
Non-current liabilities to other lenders	12,324	12,874	(550)
Current bond loan	11,550	10,000	1,550
Non-current bond loan	33,026	34,530	(1,504)
(NFP) Net financial position	58,260	(7,707)	65,967
(SE+NFP) Total sources	203,050	159,095	43,955

The equity and financial structure of the Renco Group as at 31 December 2020 confirms a solid financial debt coverage and a debt equity ratio (NFP/SE ratio) of 40.2%, with a total equity of approximately 144.8 million Euros and a net financial position of 58.2 million Euros.

Financial payables to banks changed from 60.8 million Euros at 31 December 2019 to 99.6 million Euros at 31 December 2020.

Cash and cash equivalents at the end of 2020 amounted to 68.8 million Euros (98.1 million Euros at the end of 2019).

The net financial position at the end of the year was a negative 58.3 million Euros, compared to the positive 7.7 million Euros at the end of 2020, with a net absorption of resources of 66 million Euros in the year.

The cash generated from operations, attributable to an EBITDA of 33.6 million Euros, was absorbed by the increase in net working capital for 24.5 million Euros, by financial operations and taxes paid, for a further 13.6 million Euros.

The main contributors to cash absorption were the Yerevan gas-fired power plant and CCS's order for the 9500-bed camp in Palma, orders which had collected advance payments of 53 million Euros in the previous year.

Investing activities absorbed liquidity for a total of 61.5 million Euros, of which 44.1 million Euros for technical and production investments and 17.4 million Euros for financial investments.

The financial requirements for the year were met by 29.1 million Euros from available liquidity and 36.9 million Euros from new debt.

## INDUSTRIAL POLICY

Renco Group S.p.A.

In order to mitigate the risks inherent in the EPC business, especially at a time of shrinking investments with a consequent increase in competitiveness among companies, Renco S.p.A. has made important corrections to its industrial strategy.

The objective is to concentrate the service of EPC contractor in areas of business characterized by a high level of margin. The first strategy is represented by the decision to participate exclusively in tenders for carrying out highly complex projects for which Renco S.p.A.'s references represent an important competitive advantage.

The second strategy pursued is that of strengthening, with the necessary gradualness, participation in private and public sector partnership initiatives where Renco contributes with its own finance to the realisation of customers' projects. The need to bring finance to the project means that the companies that can contribute to the initiatives are selected. The most striking example of this new strategy is represented by the construction in JV with Siemens of the 250 MW combined cycle gas power plant under construction in Yerevan, Armenia.

These initiatives, designed to ensure a higher margin in the EPC phase, also guarantee revenues for the entire period of operation.

The third strategy is represented by the decision to make investments in collateral services to support projects related to the world of gas and energy production. An example of these services is the "Jetty" and the logistics base in Pemba to handle transport and storage of materials for the Palma facilities. These investments guarantee a flow of income over time and at the same time ensure high rates of return. Projects related to the construction of wind farms or the sale of energy to customers such as Eni Congo fall within the same logic.

Renco Valore Group S.p.A.

All the properties of Renco Valore around the world are characterized by the high usage of the projects and by the high quality of the services provided in them.

It is quality that differentiates Renco properties from those of local operators. And it is precisely because of the quality that customers around the world prefer to turn to our group.

Even in the poorest countries, buildings of great architectural value are built, using Italian materials for the finishes and with low energy consumption, an issue that is particularly relevant in some situations where the temperature range can vary by up to 80 degrees Celsius.

Another strength of Renco's real estate assets is ongoing upkeep. All properties are looked after with a scheduled maintenance managed with computer support. The level of upkeep allows customers globally to use buildings that maintain their level of efficiency over time.

Office buildings are leased exclusively with long-term contracts to leading clients such as embassies, banks, international organisations and oil and energy companies.

Hotels cater mainly to the business market and in some cases to the tourist market.

Finally, for both of the above groups, there is a growing focus on "green" both in terms of power generation projects and energy efficiency of buildings

## INVESTMENT POLICY

The investments made during the year 2020 are shown below:

Description	Amounts
Investments in intangible assets	2,441
Investments in tangible assets	42,531
<b>Total investments in fixed assets</b>	<b>44,972</b>

Investments made during 2020 are largely related to investments made in tangible assets in the industrial and real estate sectors, as listed below: for the construction of the Pemba Bulk Terminal Jetty, worth €8.1 million; for the purchase of plant and machinery in Pemba Bulk Terminal, worth €1.3 million, in Rencotek, worth €8.6 million, and in Renco Armestate, worth €1.1 million; for the purchase of industrial equipment in Renco Armestate for €1.4 million; for the purchase of trucks, vehicles and various equipment in Rencotek, for €1.8 million, and in Renco Armestate, for €0.5 million; for the construction of the 1,500-bed camp in Mozambique, for €7.3 million, as well as for the renovation of the Villa Soligo hotel, for €5.5 million, both of which are included in assets under construction.

Investments in intangible fixed assets are concentrated on development projects, for €1.1 million, as well as on upgrading IT platforms.

## ALTERNATIVE PERFORMANCE INDICATORS

The following are the main income statement, balance sheet and financial position ratios useful for understanding the Group's operating performance, calculated on the consolidated balance sheet figures for 2020 and 2019.

Return On Equity	31/12/2020	31/12/2019
Group profit (loss)	3,241	8,088
Shareholders' equity	144,790	166,803
ROE	2.24%	4.85%

Return On Investments	31/12/2020	31/12/2019
Operating profit	15,549	33,830
Net invested capital	203,050	159,095
ROI	7.66%	21.26%

Return On Sales	31/12/2020	31/12/2019
Operating profit	15,549	33,830
Revenues from contracts with customers	324,649	315,175
ROS	4.79%	10.73%

Return On Capital Employed	31/12/2020	31/12/2019
Operating profit	15,549	33,830
Total assets - Current liabilities	334,872	315,242
ROCE	4.64%	10.73%



Debt Equity	31/12/2020	31/12/2019
Net financial position	58,260	-7,707
Total shareholders' equity	144,790	166,803
Debt Equity	40.24%	-4.62%

NFP EBITDA	31/12/2020	31/12/2019
Net financial position	58,260	-7,707
Gross operating result	33,567	46,965
NFP EBITDA	1.74	-0.164

Debt Equity adjusted	31/12/2020	31/12/2019
Net Financial Position without PO	13,684	-52,237
Total shareholders' equity	144,790	166,803
Debt Equity	0.09	-0.31

NFP EBITDA adjusted	31/12/2020	31/12/2019
Net Financial Position without PO	13,684	-52,237
Gross operating result	33,567	46,965
NFP EBITDA	0.41	-1.11

## INFORMATION ON THE ENVIRONMENT

### Environmental litigation

The Group currently has no civil or criminal litigation with third parties for damage caused to the environment or environmental crimes.

The Group obtained ISO 14001 certification on 22/12/2000.

During the audit carried out in July 2020 by the certifying body, the Group passed the audit for the ISO 14001:2015 and is keeping the certification, which is now valid until 18 December 2021.



The commitment on the issues of corporate social responsibility and of the territory is now an integral part of the Group's principles and conduct, oriented towards technological excellence, maintenance of high levels of safety, environmental protection and energy efficiency, as well as training, awareness and involvement of personnel on corporate social responsibility issues.

The Group has always worked, in the markets in which it operates, with particular attention to the problems of pollution and environmental damage. During the year, no damage was caused to the environment for which Group companies were declared definitively guilty.

Following the audit carried out in November 2020 by the certifying body LSQA, the Group obtained certification on Social Accountability, SA8000:2014, thus attesting to Renco's commitment to social accountability. The same certificate must be maintained in the next verification audit scheduled for May 2021.

## INFORMATION ON PERSONNEL

Current regulations require that the analysis of the Group's position and performance, in addition to being consistent with the size and complexity of the Group's business, also contains "to the extent necessary for an understanding of the Group's position and performance and operating result, financial and, where appropriate, non-financial performance indicators relevant to the Group's specific business, including information relating to the environment and personnel".

As can be seen from the above standard, the Italian Civil Code requires the directors to consider whether or not the additional information on the environment can contribute to an understanding of the Group's situation. The Board of Directors, in light of the above, believes that it can omit the information in question as it is not currently significant and, therefore, it is not believed that it can contribute to an understanding of the Group's situation and the operating result. This information will be disclosed whenever there are concrete, tangible and significant environmental impacts,

such as to generate potential financial and income consequences for the Group.

### Safety

The Company operates in all its environments in compliance with the provisions of Italian Legislative Decree 81/08 for the safety of workers.

The Group obtained OHSAS 18001 certification on 19/12/2003.

During the audit carried out in July 2020 by the certifying body, the Group kept the certification and obtained compliance with the new ISO 45001:2018 standard and migration of the certificate, which is now valid until 18 December 2021

The activity carried out in this field includes:

- training of employees and collaborators;
- carrying out periodic medical examinations;
- organisation and training of intervention teams provided for by the standard;

- continuous company monitoring of the HSM;
- preparation and dissemination of the documents of Legislative Decree 81/08;
- Coordination and supervision of compliance with Health and Safety requirements in construction site.

In particular, during the year the following initiatives were undertaken:

- 25 different health and safety training courses were held and a total of 154 employees were trained. The main courses held are shown below;
- Worker training according to the State-Regions Agreement of 21/12/2011;
- WSRs took the 8-hour refresher course in March 2020;
- 20-hour H&S Officer refresher course in January 2020;
- Training courses envisaged in accordance with the provisions of Legislative Decree 81/08;
- Supervisor training;
- Supervisor refresher course;
- Senior manager refresher course;
- Forklift driver refresher course;
- First Aid and Firefighting refresher course for emergency management team members;

Further training for specific risks was organised mainly for service personnel:

- H2S training
- E-learning training on confined spaces
- E-learning training on working at height
- Seveso directive training
- E-learning first aid training

The courses were provided both in classrooms and using e-learning systems, adopting the different methods envisaged by the regulations.

Health and Safety supervision of the Buildings division construction sites was made more effective by appointing dedicated H&S Officers and carrying out periodic inspections and audits by the headquarters safety department.

The redefinition of safety and emergency procedures for expatriates located in foreign branches is currently in progress by the investee company Italsec.

With regard to the management of the road safety of personnel during working hours, the inclusion of a canteen in the new premises has significantly reduced the risks of road traffic and potential accidents on the move.

The provision of a free shuttle for commuting between the station and the workplace can be considered as an improvement from the safety standpoint (reducing the risk

of road accidents) as well as an improvement from the environmental point of view (reducing emissions from private cars).

Also in the area of environmental improvements, the reduction in plastic consumption due to the replacement of disposable bottles with water dispensers and the delivery of a stainless steel water bottle to all employees should be noted.

The new headquarters inaugurated in September 2019 unified the various Renco departments previously situated in different locations, thus improving the infrastructure (offices and systems, updated hardware and software, personal transport, parking, photovoltaic panels and electric charging stations for cars, etc.) and the environment (canteen, gym, laundry) for the functioning of its processes.

#### Injuries

In spite of the considerable effort made during the financial year, the following occurred:

- 0 work-related injuries;
- 5 non-work-related injuries (COVID-19 and malaria infections);
- 0 commuting accidents;
- 0 ascertained occupational diseases;
- 0 deaths.

#### Litigation

The Group does not currently have any kind of disputes with employees or former employees.

With reference to employees, the following information is provided:

- As at 31.12.2020, 393 employees were in the workforce, including 322 men and 71 women, 271 with open-ended contracts (212 men and 59 women) and 122 with fixed-term contracts + ongoing coordinated collaboration + period of on-the-job training (110 men and 12 women);
- average length of service is 7 years, the same as the previous year;
- 418 days of training were carried out during the year;
- 102 employees, collaborators and interns were hired, while 118 people terminated the employment relationship, with a net decrease of 16 units (annual average).

It should be noted that 29 employees have been transferred to Renco Asset Management S.r.l. since 01.01.2020 as a result of the partial spin-off and this partly justifies the reduction in the workforce compared to last year's figure.

## DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

In carrying out its activities, the Group is exposed to risks and uncertainties deriving from external factors related to the general or specific macroeconomic context of the operating sectors in which it operates, as well as to the risks deriving from strategic choices and to internal operating risks.

The identification and mitigation of these risks has been systematically carried out, allowing for timely monitoring and management of the risks occurring.

With reference to risk management, the Group has a centralised risk management function, while delegating identification, monitoring and mitigation of the same to the functional level, also in order to better measure the impact of each risk on business continuity, reducing the occurrence and/or limiting the impact according to the causal factor.

In the context of business risks, the main risks identified, monitored and managed by the Group are the following:

- risk of the spread of infectious diseases.
- risks depending on exogenous variables;
- risk linked to competitiveness;
- risks related to the evolution of the general economic situation;
- risk linked to financial management;
- risks associated with the activation of partnerships;

### Effects of the spread of infectious diseases

The occurrence of a pandemic can undermine people's health to the point of jeopardizing the resilience of the health and socio-economic systems of the countries involved. The duration and intensity of a pandemic depends, among other things, on the timeliness of health actions put in place globally. In relation to COVID-19, the performance of the Renco Group may be affected by the variability of certain risk factors, including: the instability of markets and the upturn in the economy; the ability of customers and suppliers to meet their contractual obligations and to undertake new ones; the revision by customers of their purchasing strategies; and restrictions arising from measures to protect the health of people, with repercussions on the Group's commercial and industrial action.

In addition to making every possible effort to keep its people safe and healthy, and in full compliance with the reference standards, the Renco Group has activated specific action plans to contain the possible repercussions induced by the risk factors related to the pandemic. The action plans concerned, among other things: proactive management of customer relations; adoption of suitable financial solutions and an even more selective approach to expenditure items in order to maintain financial elasticity in support of both current operations and development initiatives; timely reorganisation of production lines, together with handling certain technical functions remotely and ongoing monitoring of the company's supply chain.

### Risks depending on exogenous variables

The Group operates at an international level, and is therefore exposed to risk arising from the fluctuation of foreign currency exchange rates with which the Group operates, especially as regards the Kazakh Tenge, Armenian Dram, Ruble and USD. Currency risk derives from future business transactions, assets and liabilities recorded in the financial statements. The management policy stipulates that the Group will manage its exposure to currency risk by sometimes hedging its net foreign currency position. The approach is to cover the expected cash flows in the main currency of the Group's operations, in Euro.

The Group is exposed to Country risk by operating in "emerging" markets and countries; the continuous monitoring of local situations of reference and the continuous presence of managerial staff trained in Renco S.p.A. allows constant monitoring of the situation. At any rate, this diversification of markets in which the Group operates represents a precise strategy to limit risk.

### Risk linked to competitiveness

The Group operates on open, unregulated markets, not protected by any tariff barriers, administered regimes or public concessions, excluding the photovoltaic business partially linked to the existence of incentive policies promoted by local governments. The markets are highly

competitive in terms of product and service quality, innovation, price competitiveness, reliability and customer service.

On certain markets and services, the Group is faced with very fierce competitors, some of which are large operators and may have superior resources or cost positions, both due to economies of scale and to more competitive factor costs, allowing them to be able to implement very aggressive pricing policies.

The success of the Group's activities will depend on its ability to focus its efforts on specific industrial sectors, focusing on the solution of technological problems and on customer service, so as to provide a higher value to the customer in the market niches in which it competes.

Risks related to the evolution of the general economic situation

The performance of the sector in which the Group operates is related to the general economic situation and therefore any negative economic or recession periods may result in a consequent reduction in the demand for the products and services provided.

The Group operates through its subsidiaries in many international markets, such as in particular Africa, the Middle East, CIS countries as well as in European countries; this widespread geographical presence allows the Group as a whole to mitigate the effects of the recession, which has mainly affected the countries of the Eurozone and Italy. Diversification of the markets in which the Group operates and of the products and services that the Group offers mitigates and decreases its exposure to cyclical trends in certain markets; nevertheless, it is not possible to exclude that these cyclical trends may have a significant impact on the business and economic and financial situation of the Group.

Risk linked to financial management

The Group has a financial situation characterised by the presence of a controlled current financial indebtedness, in line with the growth in the volume of activity produced. This determines the presence of a positive net working capital without any sign of financial difficulties.

In exercising its activity, the Group is exposed to various financial or similar risks (liquidity, exchange rate, interest and credit).

Regarding the information required by art. 2428 of the Italian Civil Code par. 3 point 6 bis, the following is specified.

Liquidity risk

As at 31 December 2020, the Group had total bank credit facilities of approximately 332 million Euros (238.7 million Euros in 2019) of which 169.7 million Euros (146.7 million Euros in 2019) related to unsecured credit, and pursues a policy of careful liquidity risk management.

At the Group level, the correct and timely planning of short-term cash flows guarantees the ability to meet future financial commitments, through the availability of funds generated by current assets and through the use of an adequate amount of committed credit lines.

The bank credit facilities currently granted to the Group and the cash and cash equivalents and liquidity generated by ordinary activities are therefore deemed to be adequate and such as to be able to meet obligations in a timely manner on the due dates.

Liquidity is managed by the company through the use of short-term or easily disposable assets.

Exchange rate risk

The Group operates at an international level, and is therefore exposed to risk arising from the fluctuation of foreign currency exchange rates with which the Group operates, especially as regards the Kazakh Tenge, Armenian Dram, Ruble and USD. The policy adopted by the Group is based on a correct assessment of foreign exchange risks, deriving from future commercial and financial transactions in currencies other than the Euro, and is aimed at stabilizing the flows expected in Euros through the use of derivative instruments and forward contracts.

To this end, USD/Euro exchange rate option contracts have been stipulated to hedge future cash flows relating to the progress of the Yerevan Power Plant and CCS Camp construction orders, whose collection will be in USD.

On the basis of the financial statements for the year ended on 31 December 2020, the Group recorded losses on exchange rates for a total of 1.3 million Euros (loss of 1.7 million Euros in 2019).

These consist mainly of unrealised exchange rate losses, amounting to 5.1 million Euros, resulting from the conversion of intercompany trade receivables or payables denominated in foreign currency (transaction risk).

Finally, the Group, through its currency current accounts, hedges against the risk of fluctuations in exchange rates with certain foreign currencies with a natural hedging approach.

Credit risk

The Group's credit risk is mainly attributable to the amount of trade receivables from its customers, which mainly include large oil companies, international operators and institutions.

The credit management functions establish the quality of the customer, considering its financial position, past experience and other factors. In any case, the high standing of the commercial counterparties with which Renco operates determines a credit risk for customer exposure of limited amount.

Provisions for doubtful debts by Group companies accurately reflect the actual risk on receivables through the targeted quantification of the provision.

As a result of the current economic situation, the Group has improved its risk on receivables control through the strengthening of monitoring and reporting procedures, in order to promptly identify potential countermeasures in the event of identified causes. In order to control the risk on receivables, methods for monitoring and controlling the former have been defined along with the definition of strategies to reduce credit exposure, among which is a solvency analysis of customers being acquired and the management of legal disputes of receivables for services rendered.

#### Interest rate risk

The interest rate risk refers to the potential effects on the income statement that may result from any fluctuations in interest rates on Group loans.

The amount of debt of the company at variable rates not hedged by the interest rate risk represents the main risk element for the negative impact resulting from an increase in market interest rates. The interest rate risk to which the company is exposed mainly derives from medium/long-term financial payables.

The Renco Group's policy to manage this risk aims to achieve a properly balanced debt structure in order to, on the one

hand, reduce the amount of financial debt subject to variable rates and, on the other, at the same time limit the cost of the loan.

With regard to medium and long-term loans, the company has Interest Rate Swaps and Interest Rate Caps in place at 31 December 2020 with financial counterparties of primary standing for a total of 63.3 million Euros of notional amount. Such derivative instruments allow for coverage of the risk of increased interest rates by transforming variable rates into fixed rates.

At 31 December 2020, at Group level, 89% of medium/long-term gross debt with third parties was at a fixed rate (74% in 2019), while 11% at a variable rate (26% in 2018).

Risks associated with the activation of partnerships.

The increasing complexity of the works implemented and/or conditions of opportunities for sharing risks make recourse to models for the management of certain investments and projects in partnership with other operators in the sector in question increasingly frequent. This approach facilitates entry into new countries and/or sectors but, at the same time, determines potential risks and complexities related to cultural and organisational integration with partners which, in the worst case scenario, could even lead to a discrepancy between the vision of the Group and that of the partnership. There are also further problems related to the exposure to the economic-financial situations of the partners. The management of this type of risk is guaranteed through an effective assignment of roles and responsibilities within the individual strategic initiatives, as well as a correct application of the process of defining and subsequently managing contracts and any shareholders' agreements.

## INFORMATION PURSUANT TO ART 2428 NO. 6 BIS

The Group pursues the objective of containing financial risks, through hedging transactions with derivatives and by means of a control system managed by the Administrative Department.

The corporate policy for hedging financial risks consists: of hedging exchange risks on purchases and sales through the stipulation of derivative financial instruments without speculative purposes; of hedging credit risks through the periodic verification of the reliability of customers and insurance programs for guaranteeing trade receivables.

With reference to debt towards the banking system, fluctuations in interest rates affect the market value of the Group's financial assets and liabilities and net financial charges. The Group's policy is to seek to maintain a ratio between fixed and variable rate exposure such as to minimise the risk deriving from the fluctuation in interest rates without renouncing to exploit the particularly favourable economic situation in terms of low interest rates. In order to maintain this balance, the Group has entered into derivative contracts, typically interest rate swaps.

## RESEARCH AND DEVELOPMENT ACTIVITIES

The year 2020 saw an upgrade of the technology infrastructure due to the group's need for video communication and the pandemic emergency which required more intensive use of IT services. It led to greater investments in data connectivity and cloud systems for smart working / video-conferencing.

This year also, Renco maintained its commitment to improving its management processes by making substantial changes to its Oracle JD Edwards ERP.

Renco S.p.A. has retained its ISO/IEC 27001:2013 certification on the security of information systems, achieving an international standard of excellence, and has activated in 2020 a disaster recovery service decentralised with respect to its headquarters and hosted at TIM's data centres.

Finally, Renco S.p.A. has continued with its research project on the use of hazardous gases such as sulphuric acid in collaboration with Alma Mater Studiorum. In the last year tests have resumed at a good pace and to date all the tests envisaged under the current agreement reached by Renco S.p.A. and the Department of Civil, Chemical, Environmental and Materials Engineering (DICAM) have been completed. Work is currently in progress to draw up the final report that will lead to the conclusion of the current agreement. The

results of characterization have confirmed the potentials of the material considered, giving excellent results in terms of separation, both in tests with pure compounds and with mixtures, and also in the presence of higher hydrocarbons that usually tend to worsen the performance of polymeric membranes. The various tests conducted on the membrane have demonstrated promising permeability and selectivity values, corroborated by an excellent resistance of the membrane to plasticization due to its ageing in H2S.

## INFORMATION ON THE COVID-19 PHENOMENON

The year 2020 was dominated by the COVID-19 pandemic, which led to a state of health emergency in a large part of the world, which at the beginning of 2021 had not yet ended and to which the various countries, albeit with differences in the measures adopted, responded by closing all commercial, manufacturing and service businesses considered not strictly essential, in order to stem the spread of the contagion. The virus had an immediate impact on the global economy, causing a grave economic crisis.

At the end of 2020, the health and economic picture looked quite differentiated between Asia, Europe and the United States. On the one hand, China, India and Japan have seen a dramatic reduction in infections and a full recovery of economic activity. In contrast, the United States and Europe faced a resurgence of the virus and a new slowdown in GDP in the last quarter of the year, after a momentary acceleration during the third quarter.

The evolution of this phenomenon is significantly affecting global prospects for future growth, influencing the general macroeconomic framework and financial markets, with a significant impact on the Italian economic context in light of the decisions taken by government authorities to reduce the spread of the epidemic.

In this complex context, the Renco Group tackled the crisis situation promptly, by implementing a series of initiatives aimed primarily at protecting the health of our people, and then following up on business continuity practices.

In the face of the serious crisis that has hit the entire global economy, Renco confirms, on the other hand, its resilience with a commercial performance that has improved from last year.

The Group has immediately committed its efforts and means to help employees and collaborators handle the COVID-19 emergency to promote their well-being, health, engagement and development.

All this has been translated into concrete initiatives to help people stay in touch with the organisation and protect their health and safety, such as the immediate activation of smart working.

### TRANSACTIONS WITH ASSOCIATED, PARENT AND PARTNER COMPANIES

With regard to transactions with related parties and in particular the transactions with associated and partner companies, please refer to the detailed table included in the specific paragraph of the Explanatory Notes.

Transactions with associated and partner companies, which do not include any atypical and/or unusual operations, are regulated at normal market conditions.

### TREASURY SHARES AND SHARES/STOCKS IN PARENT COMPANIES

In compliance with points 3) and 4), par. 2, art. 2428 of the Italian Civil Code, we provide an appropriate summary table of the data relating to treasury shares held by the parent company Renco Group S.p.A., highlighting the changes during the year and we inform that the Company did not hold any shares and/or stocks of parent companies during the year.

With reference to treasury shares recognised as a reduction in equity, it should be noted that these were purchased in part in 2010 and in part in 2012. As at 31.12.2020 the Parent Company held 36,050 shares equal to a nominal 360,500 representing 4% of its share capital; the percentage share held respects the legal constraints set forth by articles 2357 and 2357-bis of the Code.

Description	No. of shares held at the beginning of the year	No. of new shares sold/cancelled during the year	No. of new shares subscribed during the year	Nominal value of new shares subscribed during the year
SHARES:				
- treasury shares	36,050			
Total	36,050			



## FORESEEABLE BUSINESS OUTLOOK

The year 2020 was full of external elements, such as the persistence of COVID-19, the conflict in Nagorno-Karabakh and the first acts of violence in the Afungi Peninsula in Mozambique, which greatly impacted the operating result and will affect the performance of the coming year. At the same time, in the 2020 financial year, the Renco Group achieved important objectives making it possible, in an uncertain and complex global environment, to achieve an excellent economic result.

In fact, with the conclusion of three important contracts for the client TAP, in accordance with the pre-established economic objectives, the Renco Group reports the consolidation of a growth process that has seen the acquisition of new skills in the field of project management of major projects in the natural gas industry.

In addition, also in 2020, by completing the industrial port of Pemba in Mozambique (jetty) and acquiring new orders for sea transport of inert materials, the Group concluded an important step towards a diversification strategy that aims to place alongside the more traditional EPC market, ancillary activities to the energy industry characterized by high remuneration.

Also as part of a diversification strategy aimed at achieving higher margins through project financing initiatives, it is worth noting that despite the pandemic and the Nagorno-Karabakh conflict in Armenia, the construction site for the Yerevan gas-fired power plant has not seen any interruptions and the plant is expected to start up by 2021. From 2022 onwards, the plant is expected to contribute higher annual revenues from electricity sales of USD 103.6 million and higher EBITDA of USD 29.4 million for the Group. Also from an organisational point of view, in the year the Group concluded the process started in 2019, equipping itself with a new structure that is more efficient and suitable for its strategy: Renco S.p.A. closed the year with an almost debt-free financial structure and a negative NFP, a prerequisite for expanding its business as a general contractor and proposing itself as a developer of project financing initiatives; through a €63 million loan, Renco Valore S.p.A. secured the support of important financial institutions for the implementation of its investment plan.

In the year 2020 Renco Valore S.p.A. started the construction of an important expatriate camp in the Palma area (Mozambique), a new residential compound in Pemba (Mozambique), and acquired a prestigious property in the Veneto region for the development of a new nursing home for the elderly. Also, in the same region, in 2020 the Group continued with the renovation of the Villa Soligo hotel, in Farra di Soligo, in the heart of the hills of the Prosecco di Valdobbiadene vineyards, which has become a UNESCO World Heritage Site.

Although the persistence of the pandemic has led to the closure for long periods of tourist hotels, with a loss of revenues and margins, most hotels and properties serving the business market in oil & gas countries have remained open and have recorded significant occupancy levels, because they have been chosen as refuge facilities by the main local operators in the energy business. The last few years of operation have been characterised by a clear and coherent strategy of diversification and growth, by increasing the efficiency of the facility and creating the conditions to boldly enter new markets characterised by less competitiveness and therefore higher margins. Unfortunately, uncontrollable environmental factors have slowed down the manifestation of the effects of this strategy but have not affected its soundness and potentials. The end of the pandemic, a return to normal conditions in Mozambique, with the resulting resumption of investments by major energy consortia, and the start-up of the power plant in Armenia will enable the Group to achieve its growth objectives.

## ORGANISATIONAL MODEL AND CODE OF ETHICS

In 2020, the Supervisory Body monitored the updating of the adopted Model, proceeding with constant verification of the company's activities and ascertaining the absence of any violations of and compliance with the Organisational Model adopted by the subsidiary Renco S.p.A.

Pesaro, 07 May 2021

On behalf of the Board of Directors  
The Chairman  
Gasparini Giovanni



# Consolidated financial statements 2020

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## Balance sheet assets

(€ thousands)	Notes	31.12.2020	31.12.2019
<b>A) Receivables due from shareholders for payments still due</b>			
I) Receivables due from shareholders for payments still due		2	3
II) (of which already called)		-	-
<b>Total Receivables due from shareholders for payments still due</b>		<b>2</b>	<b>3</b>
<b>B) Fixed assets</b>			
<i>I) Intangible fixed assets</i>			
1) Start-up and expansion costs		26	8
2) Development costs		1,688	755
3) Industrial patents and intellectual property rights		3,831	4,006
4) Concessions, licences, trademarks and similar rights		9	16
6) Fixed assets under construction and advances		1,931	3,516
7) Others...		97	492
<b>Total intangible fixed assets</b>		<b>7,582</b>	<b>8,793</b>
<i>II) Tangible fixed assets</i>			
1) Land and buildings		195,032	201,129
2) Plants and machinery		11,120	5,556
3) Industrial and commercial equipment		3,367	3,029
4) Other assets		6,009	5,982
5) Fixed assets under construction and advances		14,902	4,108
<b>Total tangible fixed assets</b>		<b>230,430</b>	<b>219,804</b>
<i>III) Financial fixed assets</i>			
1) Equity investments in:			
a) Subsidiary companies		32,820	24,026
b) Associated companies		2,217	1,348
d bis) Other companies		48	53
<b>Total equity investments</b>		<b>35,085</b>	<b>25,428</b>
2) Receivables			
a) Due from subsidiary companies			
1) Due within 12 months		9	275
2) Beyond 12 months		-	-
b) Due from associated companies			
1) Due within 12 months		4,088	2,079
2) Beyond 12 months		18,531	21,540
d-bis) from others			
1) Due within 12 months		67	77
2) Beyond 12 months		12	14
<b>Total Receivables</b>		<b>22,707</b>	<b>23,985</b>
3) Other securities		-	-
4) Derivative financial asset instruments		3,249	306
<b>Total fixed assets</b>		<b>299,053</b>	<b>278,316</b>
(€ thousands)	Notes	31.12.2020	31.12.2019

**C) Current assets**

*I) Inventories*

1) Raw and ancillary materials and consumables	4,236	7,601
2) Products under construction and semi-finished products	49	22
3) Contract work in progress	304,222	367,356
4) Finished products and goods	12,747	9,235
5) Advances	8	24
<b>Total inventories</b>	<b>321,262</b>	<b>384,238</b>

*II) Receivables*

1) Trade receivables		
1) Due within 12 months	38,397	35,010
2) Beyond 12 months	-	-
2) From subsidiary companies		
1) Due within 12 months	321	217
2) Beyond 12 months	-	-
3) From associated companies		
1) Due within 12 months	5,868	3,975
2) Beyond 12 months	-	-
5-bis) Tax receivables		
1) Due within 12 months	22,446	19,199
2) Beyond 12 months	110	0
5-ter) Prepaid taxes		
1) Due within 12 months	6,993	5,237
2) Beyond 12 months	-	-
5-quater) from others		
1) Due within 12 months	9,909	10,172
2) Beyond 12 months	9,078	7,726
<b>Total Receivables</b>	<b>93,122</b>	<b>81,536</b>

*IV) Cash and cash equivalents*

1) Bank and post office deposits	68,172	97,826
2) Cheques	-	-
3) Cash-in-hand and cash equivalents	807	303
<b>Total Cash and cash equivalents</b>	<b>68,978</b>	<b>98,129</b>

**Total Current assets**

**483,363**      **563,903**

**D) Accruals and deferrals**

**3,451**      **4,132**

**Total Assets**

**785,869**      **846,354**

## Balance sheet liabilities

(€ thousands)	Notes	31.12.2020	31.12.2019
<b>A) Shareholders' equity</b>			
I) Share capital		9,013	9,013
II) Share premium reserve		25,987	25,988
III) Revaluation reserves		4,697	4,696
IV) Legal reserve		1,438	1,367
V) Statutory reserves		-	-
VI) Other reserves		3,878	27,593
- Extraordinary reserve		23,049	21,685
- Payments towards capital		25,026	25,041
- Conversion reserves from foreign consolidation		(50,150)	(25,005)
- Consolidation reserve		5,952	5,872
VII) Reserve for hedging operations for expected financial flows		(3,562)	(1,227)
VIII) Profits (losses) carried forward		100,578	93,998
IX) Profit (loss) for the year		5,867	8,017
X) Negative reserve for own shares held in portfolio		(3,609)	(3,609)
Total Shareholders' equity		<b>144,288</b>	<b>165,834</b>
Minority interest		504	967
Minority interests in capital and reserves		3,130	896
Income (Loss) pertaining to minority interests		(2,627)	71
Total minority interest		<b>504</b>	<b>967</b>
<b>Total Group Shareholders' equity</b>		<b>144,792</b>	<b>166,801</b>
<b>B) Provisions for risks and charges</b>			
1) Provision for pensions and similar obligations		-	-
2) Provisions for taxes, including deferred taxes		14,942	13,779
3) Derivative financial liability instruments		1,191	2,030
4) Others		5,587	1,074
<b>Total provisions for risks and charges</b>		<b>21,720</b>	<b>16,883</b>
<b>C) Employee severance indemnity</b>		<b>2,983</b>	<b>2,886</b>
<b>D) Payables</b>			
1) Bonds			
1) Due within 12 months		11,550	10,000
2) Beyond 12 months		33,026	34,530
3) Payables to shareholders for loans			
1) Due within 12 months		5,901	5,701
2) Beyond 12 months		-	-
4) Payables to banks			
1) Due within 12 months		29,289	29,442
2) Beyond 12 months		70,317	31,395
5) Payables to other lenders			
1) Due within 12 months		282	979
2) Beyond 12 months		12,324	12,874
6) Advances			
1) Due within 12 months		234,712	223,227

(€ thousands)	Notes	31.12.2020	31.12.2019
2) Beyond 12 months		97,077	175,659
7) Trade payables			
1) Due within 12 months		94,343	98,431
2) Beyond 12 months		-	-
9) Payables to subsidiary companies			
1) Due within 12 months		84	54
2) Beyond 12 months		60	0
10) Payables to associated companies			
1) Due within 12 months		2,764	2,742
2) Beyond 12 months		-	-
12) Tax payables			
1) Due within 12 months		6,049	11,676
2) Beyond 12 months		1,157	1,150
13) Payables to social security and welfare institutions			
1) Due within 12 months		1,710	1,987
2) Beyond 12 months		-	-
14) Other payables			
1) Due within 12 months		13,140	16,419
2) Beyond 12 months		1,788	2,601
<b>Total payables</b>		<b>615,573</b>	<b>658,866</b>
<b>E) Accruals and deferrals</b>		<b>801</b>	<b>917</b>
<b>Total Liabilities</b>		<b>785,869</b>	<b>846,354</b>

## Income Statement

(€ thousands)	Notes	31.12.2020	31.12.2019
<b>A) Value of production</b>			
1) Revenues from sales and services		348,375	98,372
2) Change in inventories of products under construction, semi-finished and finished products		326	99
3) Changes in contract work in progress		(57,033)	160,463
4) Increases in fixed assets for in-house works		26,321	17,348
5) Other revenues and income, with separate indication of operating grants			
a) Various items		6,606	38,745
b) Operating grants		54	148
<b>Total Value of production</b>		<b>324,649</b>	<b>315,175</b>
<b>B) Costs of production</b>			
6) Raw and ancillary materials, consumables and goods		112,972	87,029
7) For services		109,237	103,261
8) For use of third party assets		6,626	5,831
9) For personnel		58,588	61,181
a) Wages and salaries		48,501	49,087
b) Social security contributions		8,886	10,088
c) Severance indemnity		1,161	1,711
d) Pensions and similar commitments		-	-
e) Other costs		39	295
10) Amortisation/depreciation and write-downs		13,116	13,135
a) Depreciation of intangible fixed assets		1,297	729
b) Depreciation of tangible fixed assets		11,084	9,666
c) Other write-downs of fixed assets		543	1,271
d) Provision for doubtful debts included in current assets and cash and cash equivalents		192	1,469
11) Changes in inventories of raw and ancillary materials, consumables and goods		407	(4,762)
12) Provision for risks		-	-
13) Other provisions		4,902	-
14) Other operating expenses		3,252	15,670
<b>Total costs of production</b>		<b>309,100</b>	<b>281,344</b>
<b>Difference between value and cost of production (A-B)</b>		<b>15,549</b>	<b>33,831</b>
<b>C) Financial income and charges</b>			
15) Income from equity investments		1,655	418
a) From subsidiary companies		1,655	418
16) Other financial income		437	1,855
a) From receivables recorded as fixed assets			
b) From securities included under fixed assets not comprising equity investments		-	-
c) From securities included under current assets not comprising equity investments		-	-
d) Income other than the above			
1) From subsidiary companies		2	-
2) From associated companies		184	170



(€ thousands)	Notes	31.12.2020	31.12.2019
5) Others		251	1,685
<b>17) Interest and other financial charges</b>			
a) Due from subsidiary companies		6,341	7,014
e) Others		10	-
17 bis) Exchange gains and losses		6,332	7,014
<b>Total financial income and charges</b>		<b>(1,258)</b>	<b>(1,710)</b>
<b>D) Value adjustments to financial assets and liabilities</b>			
<b>18) Revaluations</b>			
a) Of equity investments		710	109
b) Of financial fixed assets (not comprising equity investments)		431	7
c) Of securities included under current assets (not comprising equity investments)		279	101
d) Of derivative financial instruments		-	-
e) Of financial assets for centralised cash management		-	-
<b>19) Write-downs</b>			
a) Of equity investments		1,967	3,391
b) Of financial fixed assets		1,882	2,919
c) Of securities included under current assets (not comprising equity investments)		-	354
d) Of derivative financial instruments		-	-
e) Of financial assets for centralised cash management		86	118
<b>Total value adjustments to financial assets</b>		<b>(1,257)</b>	<b>(3,283)</b>
<b>Result before taxes (A-B+C+D)</b>		<b>8,784</b>	<b>24,098</b>
<b>20) Income taxes for the year, current, deferred and prepaid</b>			
a) Current taxes		7,464	6,966
b) Prior year taxation		937	6,901
c) Deferred and prepaid taxes		(2,213)	2,547
d) income (charges) from compliance with the tax consolidation / tax transparency regime		646	403
<b>Profit (Loss) for the year</b>		<b>3,241</b>	<b>8,088</b>
Group profit (loss) for the year		5,867	8,017
Profit (loss) for the year relating to minority interests		(2,627)	71

The Chairman of the Board of Directors  
 Giovanni Gasparini

## Cash flow statement

(€ thousands)	31.12.2020	31.12.2019
<b>A. Cash flow from operating activities (indirect method)</b>		
Profit (loss) for the year	3,241	8,088
Income taxes	5,543	16,010
Interest expense / (interest income)	5,904	5,159
Value adjustments to financial assets	1,168	2,885
Write-downs for impairment losses	543	1,271
(Gains)/losses from the sale of assets	(2,202)	(24,213)
<i>1. Profit (loss) before income tax, interest, dividends and capital gains/losses from sale</i>	14,197	9,200
Adjustments for non-monetary items not offset in net working capital		
Allocations to provisions	5,293	2,377
Amortisation/depreciation of fixed assets	12,381	10,395
Adjustments to the value of derivative financial instruments	(53)	69
Other upward or downwards adjustments for non-monetary elements	(1,324)	(1,742)
<i>2. Cash flow before changes in NWC</i>	16,298	11,099
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	(725)	4,660
Decrease/(increase) in trade receivables	(5,577)	5,480
Increase/(decrease) in trade payables	(3,885)	36,564
Decrease/(increase) in accrued income and prepaid expenses	620	(1,004)
Increase/(decrease) in accrued expenses and deferred income	(350)	(165)
Other changes in net working capital	(8,951)	(3,096)
<i>3. Cash flow after changes in NWC</i>	(18,869)	42,439
<i>Other adjustments</i>		
Interest collected/(paid)	(5,666)	(4,908)
(Income tax paid)	(10,046)	(5,770)
(Use of provisions)	(169)	(1,160)
<i>4. Financial flow after other adjustments</i>	(15,881)	(11,837)
Cash flow generated by income management (A)	(4,255)	50,900
<b>B. Cash flow from investment activities</b>		
<i>Tangible fixed assets</i>		
(Investments)	(42,531)	(19,840)
Disposals	714	797
<i>Intangible fixed assets</i>		
(Investments)	(2,441)	(5,182)
Disposals	172	23
<i>Financial fixed assets</i>		
(Investments)	(21,410)	(28,719)
Disposals	3,752	1,649
<i>Total current financial assets</i>		
(Acquisition of business units, net of cash and cash equivalents)	(564)	104
Sale of business units, net of cash and cash equivalents	811	48,858

<i>Cash flow from investment activities (B)</i>	(61,498)	(2,311)
(€ thousands)	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>C. Cash flow from financing activities</b>		
<i>Minority interest means</i>		
Increase (decrease) in short-term payables to banks	(663)	(16,642)
Loans taken out	51,814	49,483
Loans repaid	(14,436)	(55,294)
Repayment of loans to shareholders	0	(500)
Increase (decrease) in short-term payables to bondholders	47	162
Increase (decrease) in short-term payables to other lenders	(12)	19
<i>Own resources</i>		
Dividends paid	(147)	(166)
<i>Cash flow from financing activities (C)</i>	36,602	(22,938)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(29,151)	25,652
Cash and cash equivalents at beginning of year	98,129	72,478
Cash and cash equivalents at end of year	68,979	98,129

As shown in the cash flow statement, prepared using the indirect method, there was a decrease in liquidity of 29,151 thousand Euros during the year. Please refer to the Consolidated Report on Operations for more information on the financial dynamics that affected the Group in 2020.

The main changes in the cash flow statement are shown below.

Change in trade receivables, inventories, trade payables - This item includes the cash absorption or cash generation relating to net working capital, therefore changes in trade receivables, inventories and trade payables. It should be noted that changes in inventories refer to the item in question and include change in advances. The change in inventories and advances is directly linked to the life cycle of orders, for the analysis of which reference should be made to the paragraph "Inventories" of these explanatory notes.

Other changes in net working capital - This item includes the change in all other assets and liabilities both current and non-current, net of the effects produced in the same by the allocations of non-monetary charges or income, i.e. the change that had a direct effect on cash absorption or generation.

Disbursements for investments in tangible fixed assets and collections for disinvestments in tangible fixed assets - For detailed information on the cash flow for investments in tangible fixed assets please refer to the paragraph "Tangible fixed assets" in these explanatory notes.

Disbursements for investments in intangible assets - The cash flow for investments in intangible assets is related to the investments made in the new Oracle JD Edwards ERP system and to development costs.

Collections for disinvestments in financial fixed assets and Disbursements for financial fixed assets - For a precise representation of the cash flow for disinvestments and investments in financial fixed assets please refer to the paragraph "Financial fixed assets" in these explanatory notes.

Increase/(decrease) in payables to banks - This item includes the change in payables due to banks which during the period underwent a positive change of 36.7 Euros due to taking out new loans for the amount of 51.8 million Euros and the repayment of loans for the amount of 14.4 million Euros.

Sale of business units, net of cash and cash equivalents - The item contains the effect of the sale of 100% of Joint Green (Italy). The transaction was completed on the basis of a price of 565 million Euros, the whole of which was collected during 2020. In compliance with OIC 17, the book values of the related assets/liabilities sold are shown below:

JOINTGREEN			
Fixed assets	2,278	Shareholders' Equity	225
Receivables and Inventories	172	Derivative liability instruments	37
Cash and cash equivalents	155	Payables	2,343
Total Assets	2,605	Total Liabilities	2,605

The Chairman of the Board of Directors

Giovanni Gasparini

## Notes to the consolidated financial statements

### FOREWORD

Dear Shareholders,  
These consolidated financial statements, submitted for your examination, show a period profit of 3,241 thousand Euros.

### ACTIVITIES CARRIED OUT AND SIGNIFICANT EVENTS REGARDING THE GROUP

The "Renco Group", of which Renco Group S.p.A. is the parent company, is an important Italian company in the industrial plant engineering sector and in the general contracting area. The Group operates various business lines, which include the Energy business line, the Buildings business line, the Asset Management business line and the Services business line.

### THE COVID-19 EFFECT

The year 2020 was dominated by the COVID-19 pandemic, which led to a state of health emergency in a large part of the world, which at the beginning of 2021 had not yet ended and to which the various countries, albeit with differences in the measures adopted, responded by closing all commercial, manufacturing and service businesses considered not strictly essential, in order to stem the spread of the contagion. The virus had an immediate impact on the global economy, causing a grave economic crisis. At the end of 2020, the health and economic picture looked quite differentiated between Asia, Europe and the United States. On the one hand, China, India and Japan have seen a dramatic reduction in infections and a full recovery of economic activity. In contrast, the United States and Europe faced a resurgence of the virus and a new slowdown in GDP in the last quarter of the year, after a momentary acceleration during the third quarter. The evolution of this phenomenon is significantly affecting global prospects for future growth, influencing the general macroeconomic framework and financial markets, with a significant impact on the Italian economic context in light of the decisions taken by government authorities to reduce the spread of the epidemic. In this complex context, the Renco Group tackled the crisis situation promptly, implementing a series of initiatives aimed primarily at protecting the health of our people, and then following up

on business continuity practices. The Group has immediately committed its efforts and means to help employees and collaborators handle the COVID-19 emergency to promote their well-being, health, engagement and development. All this has been translated into concrete initiatives to help people stay in touch with the organisation and protect their health and safety. The Group conducted in-depth analyses on the most sensitive issues subject to variability related to the current emergency situation, and used social shock absorbers such as COVID-19 ordinary income support. There were no significant impacts on financial items; while monitoring the evolution of the situation, the Group maintains a solid equity, economic and financial profile.

### PREPARATION CRITERIA

These consolidated financial statements consisting of balance sheet, income statement, cash flow statement and explanatory notes have been prepared in accordance with Art. 29 of Legislative Decree 127/91 as emerges from these explanatory notes, drawn up in accordance with Art. 38 of the same decree. Where necessary, the accounting standards issued by the OIC (Italian Accounting Body) have been applied in the version revised at the end of 2016 and, where lacking, the accounting standards recommended by IASB and incorporated by CONSOB.

The presentation currency of the financial statements is the Euro. The balances are expressed in thousands of Euros, unless specifically stated otherwise. It should also be noted that any differences found in certain tables are due to the rounding of the values expressed in thousands of Euros.

The consolidated financial statements show the figures from the previous year for comparison, indicated in the following notes in parentheses.

The criteria used in the preparation and valuation of the financial statements as at 31.12.2020 take into account the modifications introduced into national law by Legislative Decree 139/2015, which from 2016 implemented Directive 2013/34/EU. As a result of Legislative Decree 139/2015 the OIC national accounting standards were amended.

The consolidated financial statements have been prepared in view of continuation of the business, despite the significant uncertainties and doubts still present in the macroeconomic

context arising from the pandemic for the spread of COVID-19.

With these explanatory notes we highlight the data and disclosures provided by Art. 38 of the same decree, and therefore the financial statements consist of the following documents:

- Balance Sheet;
- Income Statement;
- Cash Flow Statement;
- Explanatory Notes

In addition to the schedules provided for by law, the statement reconciling the net profit and shareholders' equity of the consolidating company with the respective values resulting from the consolidated financial statements is presented.

## SCOPE AND METHODS OF CONSOLIDATION AND SIGNIFICANT EVENTS DURING THE YEAR

The consolidated financial statements originate from the financial statements of RENCO GROUP S.P.A. (Parent Company) and of the Companies in which the Parent Company directly or indirectly holds the controlling interest or exercises control. The financial statements of the Companies included in the scope of consolidation were consolidated by using the line-by-line method. The list of these companies is shown in Annex 1.

From the previous year the following changes occurred in the Group structure:

- the extraordinary operation of partial proportional spin-off of Renco S.p.A. in favour of the beneficiaries Renco Immobiliare S.r.l. and Renco Asset Management S.r.l. and the simultaneous reverse merger of Renco Immobiliare S.r.l. into Renco Valore S.p.A. (formerly Renco Real Estate S.r.l.) was completed with effect from 1 January 2020, which now represents the participating company in the real estate business. In particular, as repeatedly presented, the operation has been put in place with the aim of achieving the separation of assets and liabilities of the Renco Group in the real estate and Ho.Re.Ca. (Hotel, Restaurant, Cafè) sectors, attributable to the "property" and "asset management" business

lines, from those attributable to the services, buildings and energy business lines. All the related formalities were completed for the various Group companies involved, both in Italy and abroad.

In this regard, during the period under review the Group initiated the simplified cross-border merger process of Baytree Investimentos e Servicos LDA and Renco Valore S.r.l. The elimination of Baytree Investimentos e Servicos LDA from the chain of control allows for simplification of the corporate structure and a more efficient shareholding structure of the Group, allowing for greater management efficiency even after completion of the reorganisation of the company. The transaction took place through merger by incorporation of Baytree Investimentos e Servicos LDA into Renco Valore S.r.l. and was completed in December 2020. Since they took place within the scope of consolidation, the transactions described above did not have any effect on the Group's financial statements in terms of accounting presentation;

- as part of the project for the construction of the power plant in Armenia and in compliance with the agreements made with the counterparties involved in the project, during the period Renco Power Cjsc further capitalized the company Armpower Cjsc for an equivalent value of USD 19,644 thousand;
- in February 2020, 50% of Villa Soligo S.r.l. was sold at a price of €2.4 million. The sale generated a capital gain of 1,367 thousand Euros for the seller, Renco Valore S.p.A., while in the consolidated financial statements the capital gain recorded was 1,469 thousand Euros. The Renco Group has retained control over the company through the appointment by Renco of most Directors on the Board of Directors and with direct management of the hotel by Renco Asset Management S.r.l.;
- in order to provide the Mozambican company Real Moz LDA with the resources needed to carry out the investment aimed at building a camp for the accommodation of technical personnel in Palma, Mozambique, Renco Valore S.p.A. capitalised the Mozambican company for €10,890 thousand during the period. The initiative is being implemented

together with a local partner to whom 19.8% of the company has been sold. The sale has led to a consolidated capital gain of 180 thousand Euros.

- in July 2020, the Group acquired an additional 50% of Eat's Re, a company based in Conegliano that owns a property used by third parties as a distribution outlet. The purchase was completed as part of the broader operation to define and close all relationships with the previous shareholders of Eat's Re S.r.l., Italdis S.r.l. in liquidation and Eat's Italia S.r.l. in liquidation. This additional purchase brought Renco Valore S.p.A. to hold 100% of the company and the differential between the price paid and the shareholders' equity acquired generated a consolidation reserve of 80 thousand Euros;
- in December, Renco S.p.A. sold 100% of the shares held in Joint Green S.r.l., recording a capital gain of €608 thousand. The sale underlines the core business of the Energy division, which also evaluates and concludes extraordinary transactions, such as acquisitions and disposals, for the benefit of the Renco Group;
- in the month of September, Renco Valore S.p.A. set up a new company under Italian law, called Villa Delle Rose S.r.l., with the purpose of proceeding with an investment in future aimed at the purchase of a healthcare structure called "Villa delle Rose", located in Vittorio Veneto (TV), its restructuring and subsequent use as a nursing home for the elderly. The initial share capital was 10 thousand Euros;
- During the period, Renco S.p.A. purchased a 20% interest in Central Solar Mozambique SA, a company incorporated under Mozambican law. The company was established to provide funds to build and operate a photovoltaic power plant for the production of an initial 20 MW of electricity on a 14.5-hectare site located in Zemun, near Pemba, Mozambique. The energy produced will be sold to the national electricity company Electricidade De Mozambique (EDM). Based on the existing agreements with the local partner, Renco will hold 20% of the shares of this company. Construction work, which will begin in 2021 and last

approximately 12 months, will be awarded to the Renco Group. The operational phase is expected to last 25 years from the date of start-up of the plant, and will be carried out, on the basis of a future operation and maintenance contract, by a local company that will be 50% owned by Renco S.p.A. On 30 September 2020, the power purchase agreement was signed by CSM and the national power company EDM. The term sheet for the project financing contract was then negotiated with the international multilateral bank under South African law, the African Export Import Bank (Afreximbank), which is willing to finance the initiative and is waiting to receive the signed document from the Bank in order to start the financial close phase;

- in order to carry out an important job in Denmark relating to the construction of a gas compressor station and metering station, a branch of Renco S.p.A. called "Renco Denmark Branch" was created;
- in July 2020, Nova Portum S.r.l., a company incorporated under Italian law, in which Renco S.p.A. holds a 30% stake, was established. The company was set up in order to proceed with the construction of the new real estate complex to be built in the area of the former Consorzio Agrario located near the port of Pesaro, according to a building permit approved by the Municipality of Pesaro;
- at the end of the period, the decision was made to begin the process of liquidating the companies incorporated under Moroccan law, Renco Mar Sarl and Renco Energies Sa;
- lastly, the process of liquidating Baytree Llc and Angorencio has been completed.

Significant events that occurred during the year included the fact that, following the reorganisation project described above, Renco Valore was able to access the financial market directly and, at the end of June, signed a loan agreement for a maximum amount of €63 million with a pool of high-standing banks. The loan was useful to make the structure of its financial sources more solid as part of the development of existing business and investments to be made by the real estate BU. The pool of banks consists of Intesa Sanpaolo

S.p.A., Banca Monte dei Paschi di Siena S.p.A., MPS Capital Services Banca per le Imprese S.p.A. and Cassa Depositi e Prestiti S.p.A., and as at 31 December 2020, the loan had been disbursed for €45 million.

In August, work began on the renovation of the Pesaro buildings that were previously used by Renco as management offices. The sites will be converted into residential units and offered on the local housing market, with completion scheduled for the first half of 2021.

At the end of August the Villa Soligo hotel was officially opened in Farra di Soligo (TV) located on the hills of Prosecco of Conegliano and Valdobbiadene, an area recently added to the UNESCO World Heritage Site list. It is a 4-star superior hotel, affiliated with the brand Small Luxury Hotels of the World, with 40 rooms, wellness centre, swimming pool and restaurant, which was completely renovated by the Group in the search of a perfect combination of classic and modern.

For more significant events, please refer to the explanations given in the Report on Operations.

The Companies for which, due to legal or factual reasons, consolidation is irrelevant for the Group, are excluded from the consolidation. The list is provided in Annex 3 to the explanatory notes.

It should be noted that the Armenian company Velofirma Llc as at 31.12.2020, although 53.7% indirectly owned through Nuovo Velodromo, is not controlled by the Group on the basis of agreements with the local partner. Among other things, the agreements provide for the gradual acquisition of the majority by the local partner and the permanence of the Renco Group with a final shareholding of 20%.

The Companies over which joint control is exercised pursuant to art. 37 of Italian Legislative Decree 127/91 are included in the consolidation in proportion to the shareholding held. A list of these Companies is provided in Annex 2.

Associated companies, over which the Parent Company exercises either directly or indirectly significant influence and holds between 20% and 50% of the share capital, are valued according to the equity method or, in the absence of appropriate information for the correct application of this

method, to the cost method net of impairment losses. A list of these Companies is provided in Annex 3.

The other subsidiary companies excluded from consolidation pursuant to Italian Legislative Decree 127/91 are valued according to the cost method, net of impairment losses. These companies are listed in Annex 3, with an indication of the reasons for their exclusion.

The Companies having a shareholding greater than 50% but with shareholders' agreements that demonstrate joint control, as defined in paragraph 13 of OIC 17, are recorded under Investments in subsidiary companies and valued using the equity method. Specifically, this is the case of the Armenian company Armpower Cjsc where the Shareholders' Agreement signed with Siemens highlights a joint governance of the company.

For the consolidation, the financial statements of the individual companies were used, already approved by the Shareholders' Meetings or prepared by the Boards of Directors for approval, reclassified and adjusted, in order to standardise them with the accounting standards and presentation policies used by the Group.

## CONSOLIDATION CRITERIA

The book value of the equity investment in the consolidated company is eliminated against the corresponding fraction of shareholders' equity. The differences resulting from the elimination are attributed to the individual financial statement items that justify them and, the residual amount, if positive, is recognised in an asset item called "goodwill", unless it must be fully or partially charged to the income statement under item B14. The amount recognised under assets is depreciated in the period provided for by the first paragraph, point 6, of article 2426. If negative, the difference is recognised, where possible, as a deduction from the assets recognised for values above their recoverable value and to liabilities recognised at a value lower than their repayment value. The residual negative difference is recognised under the shareholders' equity item "Consolidation reserve" or in the specific "Consolidation provision for future risks and charges", in compliance with the criterion of art. 33, paragraph 3 of Italian Legislative Decree 127/91.



The provision is used in subsequent years to reflect the assumptions made for its estimate at the time of purchase.

The portions of shareholders' equity pertaining to minority interest are recorded under a specific item of the balance sheet. The portion of profit pertaining to minority interest is highlighted separately on the income statement.

Equity and economic relations between the Companies included in the scope of consolidation are eliminated.

Gains and losses on transactions between consolidated Companies, not realised on transactions with third parties, are eliminated.

Gains and losses on transactions between group companies and relating to values included in the assets of one of them at the closing date of the consolidated financial statements are not eliminated since they are irrelevant for the purposes of a true and correct representation of the equity, financial and operating position of the group.

Prior to consolidation entries relevant solely for taxes were eliminated and the related deferred taxes allocated to a fund. In the case of acquisition or loss of control of investee companies, the related effects of consolidation or deconsolidation, respectively, are made starting from the date on which the transaction was finalised.

The conversion of the financial statements of foreign subsidiary and associated companies in currencies other than the Euro was carried out using the spot exchange rate at the balance sheet date for assets and liabilities while, for income statement items, the average exchange rate for the period was used. The net effect of the translation of the financial statements of the investee company into the accounting currency is recognised in the "Reserve for translation differences".

For the conversion of financial statements expressed in foreign currencies, the rates stated in the table below were applied:

<b>(amount of currency per €1)</b>	<b>Exchange rate as at 31.12.2020</b>		<b>Exchange rate as at 31.12.2019</b>	
	<b>as at 31.12.2020</b>	<b>2020 average</b>	<b>as at 31.12.2019</b>	<b>2019 average</b>
Algerian dinar	162.11	144.85	133.89	133.68
Libyan dinar	1.64	1.58	1.57	1.57
US Dollar	1.23	1.14	1.12	1.12
Armenian dram	640.80	558.44	538.11	537.88
CFA franc	655.96	655.96	655.96	655.96
Lek (Albania)	123.70	123.79	122.05	123.02
N. Metical (Mozambique)	91.70	79.28	69.59	69.94
Russian Ruble	91.47	82.72	69.96	72.46
Tanzanian shilling	2,844.79	2,641.78	2,582.48	2,581.99
Tenge Kazakhstan	517.04	473.00	429.51	428.79

## MEASUREMENT CRITERIA

The criteria used for preparation of the consolidated financial statements as at 31.12.2020 are those used for the financial statements of the parent company that prepares the consolidated financial statements and are consistent with those used for the preparation of the previous years' consolidated financial statements, particularly with regard to measurements and continuity of said criteria.

In application of the principle of materiality, pursuant to Art. 2423, paragraph 4, of the Italian Civil Code, the Explanatory Notes do not contain comments to financial statement items, even if specifically provided for in Art. 2427 of the Italian Civil Code or by other provisions, in cases where the amount of such items and the related information are irrelevant in providing a true and fair view of the equity and financial

position and operating profit of the Company and the Group.

The recognition and presentation of the financial statement items was performed taking into consideration the substance of the transaction or contract.

The valuation of item lines was performed according to the general criteria of prudence and competence, in view of continuation of the company, although bearing in mind the relevant uncertainties and doubts caused by the pandemic due to the spread of COVID-19; the recording and presentation of items was made taking into account the substance of the transaction or contract, where compatible with the provisions of the Italian Civil Code and the OIC accounting standards;

More specifically, the following measurement criteria were adopted.

#### Intangible fixed assets

Intangible fixed assets have been recorded at their purchase or internal production cost, inclusive of directly related accessory charges.

These amounts were stated net of amortisation, calculated systematically with reference to the rates indicated below and taking their residual use into account.

Description	Rates or criteria applied
Start-up and expansion costs	20%
Development costs	20%
Industrial patents and intellectual property rights	20%
Concessions, licences, trademarks and similar rights	33.33%
Other intangible fixed assets	Rates depending on the residual duration of the contract

Special treatment was reserved for investment in the integrated Oracle - JD Edwards management system implemented by Renco S.p.A. operational from 2017 for which a depreciation rate of 10% was used considering a very long useful life; a choice corroborated by a market analysis

on the main companies of the international scenario that for decades have been using this ERP system, which in fact turns out to be one of the most used.

There have been no changes in depreciation rates compared to the previous year.

If an asset suffers lasting impairment independently of the depreciation already entered, the asset will be written down accordingly. If the reasons for the write-down no longer apply in subsequent years, the assets' original value will be restored, adjusted to reflect depreciation only.

Development costs incurred for making new investments are recognized as assets when the company can demonstrate:

- (a) the technical feasibility of completing the intangible asset and using or selling it;
- (b) the intention to complete the intangible asset so that it will be available for use or sale;
- (c) the ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial or other resources to complete the development and to use or sell the intangible asset;
- (f) the ability to measure reliably the cost attributable to the intangible asset during its development.

Expenses that are capitalised include internal and external design costs (including personnel expenses). Capitalised development costs are considered intangible assets with a finite life and are amortised in relation to the period over which the economic benefits deriving from them are obtained, generally identified as 5 years, and are adjusted for any impairment losses that may arise after initial recognition. Other development costs are recognised in the income statement in the year in which they are incurred.

#### Tangible fixed assets

Tangible assets have been recorded in the financial statements at their purchase cost or internal production cost. This cost is inclusive of related costs, as well as directly attributable costs.

Other costs in the amount that were reasonably related to the asset were also included, incurred during manufacturing and up to the time from which the asset may be used.

Any financial charges incurred in the acquisition or construction of capitalised assets for which a certain period of time normally elapses to make the asset ready for use or sale, are capitalised and depreciated over the life of the class of assets to which they refer. All other financial charges are recognised in the income statement during the year to which they refer.

The amounts are stated net of accumulated amortisation, and calculated systematically with reference to the rates indicated below, in relation to their remaining useful life in consideration of their use, destination, and the economic-technical useful life of the assets.

Description	Rates applied
Buildings	3%
Plant and machinery	10%
Plant and machinery (photovoltaic systems part related to the system)	9%
Industrial and commercial equipment	12.5%
Other assets:	
- Furniture and fixtures	12%
- Electronic office machines	20%
- Cars and motorcycles	25%
- Motor vehicles	20%

There have been no changes in depreciation rates compared to the previous year.

For photovoltaic systems, being complex systems and following the accounting principle OIC 16, the cost was broken down according to the nature of the related components (component approach) with a different useful life. Therefore, starting from 2016, the part relating to photovoltaic systems was reclassified from "Land and buildings" to "Plant and machinery".

If an asset suffers lasting impairment independently of the depreciation already entered, the asset will be written down accordingly. If the reasons for the write-down no longer

apply in subsequent years, the assets' original value will be restored, adjusted to reflect depreciation only.

#### Financial fixed assets

Financial assets consisting of investments in non-consolidated subsidiary and associated companies have been valued according to the equity method, adjusted for the intercompany profits/losses, including ancillary charges, or, in the absence of appropriate information for the correct application of this method, to the cost method; the recording value in the financial statement is determined on the basis of the purchase or subscription price or the value attributed to the assets.

Changes in the value of investments arising from the application of the equity method are presented in line with the provisions of paragraph 175 of OIC 17.

Investments that are expected to be sold within one year are classified as current assets under financial assets not held as fixed assets.

Investments in other non-subsidiary and/or associated companies were recorded at their acquisition cost, adjusted on the basis of the losses recorded by investee companies and therefore exposed to a value less than their acquisition cost.

Receivables posted under financial fixed assets are recognised in the financial statements according to the amortised cost criterion, taking into account the time factor and estimated realisable value. This criterion is applied for receivables recognised from 1 January 2016, as permitted by OIC 15.

The amortised cost criterion is not applied when the effective interest rate is not significantly different from the market interest rate or when the effects of applying this criterion are irrelevant compared to the criterion adopted.

#### Inventories, securities and current financial assets

Inventories, securities and financial assets not held as fixed assets are stated at the lesser purchase cost, including any directly attributable expenses and the estimated realisable value based on market conditions.

Raw materials, ancillary materials and finished products have been recorded using the specific cost method because they are not interchangeable and are correlated to the specific nature of the materials used in the job orders.

Products in progress have been recorded according to the expenses incurred during the year.

Work in progress (projects of duration within the year) are recognised based on the costs incurred during the year or on the completed contract criterion: the project revenues and margin are recognised only when the contract is completed, i.e. when the works are completed and delivered.

Works in progress (projects of duration beyond the year) are recognised according to percentage completion or progress status: project costs, revenues and margins are recognised according to effective progress of production activities. For the application of this criterion the cost to cost method is adopted.

Any reasonably estimated losses on projects have been fully charged to the income statement in the year in which they become known.

#### Receivables

Receivables are recognised in the financial statements according to the amortised cost criterion, taking into account the time factor and estimated realisable value.

In the initial recognition of receivables with the amortised cost criterion, the time factor is complied with by comparing the effective interest rate with the market interest rates. If the effective interest rate is significantly different from the market interest rate, the latter is used to discount future cash flows deriving from the receivable in order to determine its initial recognition value.

At the end of the financial year, the value of receivables measured at amortised cost is equal to the present value of future cash flows discounted at the effective interest rate. In the event that the contractual rate is a fixed rate, the effective interest rate determined at the time of initial recognition is not recalculated. If, on the other hand, it is a floating rate based on market rates, then the future financial flows are

periodically recalculated to reflect changes in market interest rates, recalculating the effective interest rate.

The discounting of receivables was not made for receivables due within less than 12 months.

With reference to the receivables recognised in the financial statements prior to the financial year starting from 1 January 2016, these are recognised at their presumed realisable value since, as envisaged by the accounting standard OIC 15, it was decided not to apply the criterion of amortised cost and discounting.

The nominal value of receivables is adjusted to their estimated realisable value by means of a specific provision for doubtful debts, taking into account the existence of indicators of a permanent loss. The receivables originally collectible by the end of the year and subsequently turned into long-term receivables have been listed under financial fixed assets in the balance sheet.

These are taken off the balance sheet when contractual rights on cash flows resulting from the receivable are extinguished or if all risks related to the liquidated receivable have been transferred.

#### Securities

Securities held as fixed assets expected to remain in the Group's portfolio until their maturity are recorded at acquisition cost. The book value takes into account the directly chargeable related costs.

#### Cash and cash equivalents

The item consists of liquid availability of cash in both national and in foreign currency, stamps and cash holdings resulting from the accounts held by the company with credit institutions, all expressed at nominal value, specially converted into the national currency if it concerns accounts in foreign currency.

#### Accruals and deferrals

Accruals and deferrals were determined on an effective accruals basis.

With regard to accrued expenses and deferred income, steps were taken to verify the retention of the original registration; necessary changes were made where appropriate.

#### Treasury shares

Treasury shares held by the parent company in its financial statements are also recognised in the consolidated financial statements as treasury shares of the group and follow the accounting treatment envisaged by OIC 28.

#### Derivative financial instruments

Derivative financial instruments, even if incorporated into other financial instruments, were initially recognised when the related rights and obligations were acquired; their measurement was made at fair value both at the initial recognition date and at each financial statements closing date. The changes in fair value compared to the previous year were recognised in the income statement; in the case of instruments that hedge the risk of changes in the expected cash flows of another financial instrument or of a planned transaction and in line with the requirements of OIC 32, the changes were recognised in a positive reserve in shareholders' equity.

Derivative financial instruments with a positive fair value were recognised in balance sheet assets. Their classification in fixed assets or current assets depends on the nature of the instrument itself:

- a derivative financial instrument hedging cash flows or the fair value of an asset follows the classification, under current assets or fixed assets, of the asset hedged;
- a derivative financial instrument hedging cash flows and the fair value of a liability, an irrevocable commitment or a highly probable planned transaction is classified under current assets;
- a non-hedging derivative financial instrument is classified under current assets within 12 months.

Changes in the fair value of the effective component of derivative financial instruments hedging financial

assets were recognised in the reserve for hedging operations for expected financial flows.

Derivative financial instruments with negative fair value were recognised in the financial statements under provisions for risks and charges.

#### Provisions for risks and charges

These were allocated to cover known or likely losses or liabilities of a determined or probable nature, the timing and amount of which cannot be determined at year end.

The general principles of prudence and accruals were observed when valuing these reserves and no steps were taken to form general risk reserves without economic justification.

Potential liabilities are stated in the financial statements and recorded in the reserves since they are believed to be probable and the amount of the related charge can be reasonably estimated.

#### Employee severance indemnities (TFR)

The provision for employee severance indemnities reflects the actual liability of the Company for each employee, determined in accordance with current legislation and in particular, the matters laid down by Article 2120 of the Italian Civil Code and by the collective labour agreements and supplementary in-house ones.

This liability is subject to revaluation by ratios.

The provision reflects the total of the individual indemnities accrued in favour of the employees until 31 December 2006, net of any advances paid out, and is equal to that which would have to be paid to the employees in the event of the termination of the employment contract as of that date.

The provision does not include indemnities matured as from 01 January 2007, destined to additional pension forms in accordance with legislative decree no. 252 dated 05 December 2005 (namely transferred to the INPS treasury fund).

#### Payables

These are recognised according to the amortised cost criterion, taking into account the time factor.

In the initial recognition of payables with the amortised cost criterion, the time factor is complied with by comparing the effective interest rate with the market interest rates.

At the end of the financial year, the value of payables measured at amortised cost is equal to the present value of future cash flows discounted at the effective interest rate.

The discounting of payables was not carried out for payables due within less than 12 months (and/or if the effects are insignificant compared to the discounted value).

With reference to the payables recognised in the financial statements prior to the financial year starting from 1 January 2016, these are recognised at their nominal value since, as envisaged by the accounting standard OIC 19, it was decided not to apply the criterion of amortised cost and discounting.

In March 2019, the share capital of Renco Power Cjsc was increased by DRAM 6,083 million, equal to 11 million Euros, through subscription by Simest S.p.A. and the Venture Capital Fund of 22.37% of the share capital. In compliance with the reference accounting standards and in consideration of Renco S.p.A.'s commitment to repurchase the shares subscribed by Simest S.p.A., to be carried out by 30 June 2026, this share capital increase was represented as a payable to other lenders.

#### Translation of foreign currency balances

Receivables and payables originally in foreign currency are converted into Euro at the exchange rates in force on the day on which they arose. The exchange differences arising from foreign currency debt payments and the collection of receivables are recorded in the income statement.

As regards receivables in foreign currency existing at the year-end, these were converted into Euros at the exchange rate of the closing date of the financial statements; gains and losses on foreign exchange identified as such were disclosed in the financial statements under the item par. 17-Bis "Exchange gains/losses".

Property acquired and/or held through leasing contracts (so-called "Leasing")

Properties held under leasing, through which all the risks and benefits of ownership are substantially transferred to the Group, are presented as Group assets and classified under property, while the corresponding liability towards the lessor is shown under financial payables; the cost of the leasing fee is decomposed into its components of financial charges, charged to the income statement, and capital repayment, recognised as a reduction of the financial payable. The value of the leased asset is determined on the basis of the fair value of the asset itself.

Capitalised leased assets are depreciated over the estimated useful life of the asset.

#### Accounting of revenues and costs

Revenues and income are recorded net of returns, discounts, allowances, as well as the taxes directly associated with the sale of products and the provision of services.

Specifically:

- revenues from services are recognised on the basis of the service itself and in accordance with the relevant contracts. Revenues related to contract work in progress are recorded in proportion to the progress of the work;
- revenues from the sale of goods are recognised when the property is transferred, which normally coincides with the shipment or delivery of the goods;
- revenues from increases in fixed assets for internal works are recognised on the basis of the cost incurred for the construction of the fixed asset;
- costs are accounted on an accruals basis;
- financial income and expenses are recognised on an accruals basis.

#### Income taxes

Taxes are allocated on the basis of the accrual principle; they therefore represent:

- the provisions for taxes paid or to be paid for the year, determined in accordance with current rates and legislation in force in the individual countries;
- the sum total of deferred taxes or prepaid taxes relating to timing differences which have arisen or been cancelled during the year;
- the amount of the deferred and prepaid taxes is also subject to recalculation in the event of changes in the tax rates originally considered.

## INFORMATION ON FINANCIAL STATEMENT ITEMS

The following is an analysis of the financial statement items, in compliance with the contents of art. 2427 of the Italian Civil Code. Figures for the previous year are shown in brackets.

### (1) INTANGIBLE FIXED ASSETS

The item consists of the following.

(€ thousands)	Start-up and expansion costs	Development costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and	Fixed assets under construction and advances	Other intangible fixed assets	Total
<b>Net opening value 31.12.2019</b>	<b>8</b>	<b>755</b>	<b>4,006</b>	<b>16</b>	<b>3,516</b>	<b>492</b>	<b>8,793</b>
Acquisitions	24	117	695	3	1,595	7	<b>2,441</b>
Reclassifications	-	1,347	314	(2)	(2,424)	-	<b>(765)</b>
Sales	-	-	(2)	-	(169)	-	<b>(172)</b>
Write-downs	-	-	-	-	(543)	-	<b>(543)</b>
Translation differences	(3)	(196)	(418)	(1)	(43)	(2)	<b>(663)</b>
Amortisation and depreciation	(5)	(336)	(764)	(6)	-	(186)	<b>(1,297)</b>
Change in the scope of consolidation	2	-	-	-	-	(215)	<b>(213)</b>
<b>Net closing value 31.12.2020</b>	<b>26</b>	<b>1,687</b>	<b>3,830</b>	<b>10</b>	<b>1,931</b>	<b>97</b>	<b>7,582</b>

Intangible assets also include the accounting results of the foreign permanent establishments.

#### Development costs

The Group pursues a development goal aimed at obtaining and using new initiatives in order to improve the sustainability and diversification of the business. The net balance amounts to 1,687 thousand Euros (755 thousand Euros) and increases due to the reclassification from assets under construction of development costs aimed at the realisation of new investments that took place during the financial year, including the construction of the port of Pemba. The amount also includes assets incurred by Renco Power in previous years for the realization of the investment in Armpower.

Amortisation for the period amounted to 336 thousand Euros.

#### Industrial patents and intellectual property rights

The net balance amounts to 3,830 thousand Euros (4,006 thousand Euros), and includes the rights to use third-party software. The increase of 1,009 thousand Euros in the year just ended mainly relates to the costs incurred for implementation of the Oracle JD Edwards management system in Mozambique, on which the country-specific localisations required to comply with local regulations were also developed.

The investment in Oracle of previous years was made within the scope of improvement of the administrative structure in Group companies and to make the systems adopted in the main companies homogeneous, and required, in addition to the use of external consultants, the use of internal resources dedicated to the project.

Based on the option granted by the OICs, this category of intangible assets is depreciated on a straight-line basis over a period of 5 years, with the exception of the Oracle JD Edwards ERP system which was depreciated over a period of 10 years, for the reasons indicated above.

Amortisation for the period amounted to 764 thousand Euros.



#### Fixed assets under construction and advances

Investments in progress and advances amount to 1,931 thousand Euros and refer to the capitalisation of development costs on projects not yet completed, including development costs relating to initiatives in Italy for 885 thousand Euros, in Mozambique for 724 thousand Euros and in Armenia, Congo and Kazakhstan for 322 thousand Euros.

The reclassification of 2,424 thousand Euros relates for 311 thousand Euros to costs incurred during 2019 for the Mozambican companies for the implementation of the Oracle management system, and for 2,112 thousand Euros to development costs for projects in progress at the end of the 2019 financial year and completed during the current financial year.

The write-down occurring in the year and amounting to 543 thousand Euros, refers to development costs capitalised in 2019 and related to projects considered no longer strategic for the Group.

#### Other intangible fixed assets

The net balance amounts to 97 thousand Euros (492 thousand Euros), and is mainly made up of capitalisation of ancillary charges and approval expenses for taking out medium-long term bank financing by Renco S.p.A. before 2016. The balance for the previous year included ancillary charges for the purchase of surface rights for photovoltaic fields held by Joint Green (234 thousand Euros) sold at the end of the current year. Amortisation for the period amounts to 186 thousand Euros.

## (2) TANGIBLE FIXED ASSETS

The item consists of the following.

(€ thousands)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Fixed assets under construction and advances	Total
<b>Net opening value 31.12.2019</b>	<b>201,129</b>	<b>5,556</b>	<b>3,029</b>	<b>5,982</b>	<b>4,108</b>	<b>219,804</b>
Acquisitions	13,044	11,177	1,748	2,862	13,700	<b>42,531</b>
Reclassifications	403	(1)	2	-	(1,359)	<b>(955)</b>
Disposals/decreases during the year	(1,337)	(140)	(237)	(272)	-	<b>(1,987)</b>
Amortisation and depreciation	(6,590)	(2,262)	(676)	(1,556)	-	<b>(11,084)</b>
Translation differences	(15,181)	(1,635)	(499)	(1,006)	(1,547)	<b>(19,869)</b>
Change in the scope of consolidation	3,564	(1,575)	-	-	-	<b>1,989</b>
<b>Net closing value 31.12.2020</b>	<b>195,032</b>	<b>11,120</b>	<b>3,367</b>	<b>6,009</b>	<b>14,902</b>	<b>230,430</b>

#### Land and buildings

These amount to 195,032 thousand Euros (201,129 thousand Euros as at 31 December 2019).

The increase deriving from the acquisitions for the year amounts to 13.1 million Euros and consists of:

- 8.1 million Euros to the completion of the construction of the port ("jetty") and the annexed logistics base in Pemba, Mozambique, suitable for the unloading, storage and loading of inert material, which became operational in November 2020;
- 4.6 million Euros for improvements to the Group's facilities, including 1.1 million Euros in Kazakhstan (where the Group owns three hotels and has 59 thousand square meters of residential/office space), 1.6 million Euros in Mozambique (for fit-out work on the Pemba building needed to accommodate new tenants), 1.5 million Euros in Congo (for industrial base and extraordinary maintenance of the Hilton Hotel in Pointe Noire) and 0.5 million Euros in Armenia.

The increases of 3.6 million Euros in "Changes in the scope of consolidation" during the year refers mainly to the first-time consolidation of EAT'S RE, which owns property in Conegliano (TV).

The reclassifications mainly refer to properties held by Renco Capital and recorded under current assets in the item Finished Products as they are available for sale.

Decreases during the year, totalling 1.4 million Euros, include 1.2 million Euros for the proportional decrease in the capital gain allocated to the item "Properties" on first-time consolidation of Villa Soligo, 50% of whose shares were sold during the year.

Amortisation for the period amounted to 6.6 million Euros (6.5 million Euros) and the foreign exchange effect was negative in the year for 15.2 million Euros.

This item also includes the building area of the company Residence Viserba S.r.l. On the basis of the information available to date and the valuations made by the directors, there are no problems relating to the recoverability of the amounts recorded considering the importance of the investment which, despite the slowdowns of the underlying project and expected to start soon, continues to be considered strategic by the Group.

In compliance with OIC Accounting Standard No. 16, the value of the land on which the buildings exist has been spun off and recognised separately.

#### Plant and machinery

These amount to 11,120 thousand Euros (5,556 thousand Euros as at 31 December 2019).

The increases for the period equal to 11.2 million Euros are due to the purchase of machinery used to carry out the orders or for the functionality of the structures. Specifically, 8.6 million Euros refer to Rencotek and is related to the construction of the CCS camp in Mozambique, 1.1 million Euros to Renco Armestate, a company involved in the construction of the works of the Yerevan Power Plant, and 1.3 million Euros to the functional plants of the Port of Pemba.

Amortisation for the period amounted to 12.3 million Euros (1.3 million Euros) and the foreign exchange effect was negative by 1.7 million Euros. The year's decreases in "Changes in the scope of consolidation", amounting to 1.6 million Euros, refer to the sale of the company Joint Green and the related photovoltaic systems.

#### Industrial and commercial equipment

These amount to 6,009 thousand Euros (5,982 thousand Euros as at 31 December 2019).

The increases, equal to 1.8 million Euros, are due to the purchase of equipment for the implementation of the operational contracts by the Group. In particular, the increases relate to Renco Armestate for 1.5 million Euros, and connected to the construction of the Yerevan Power Plant.

Amortisation for the period amounted to 676 thousand Euros (836 thousand Euros as at 31 December 2019) and the foreign exchange effect was negative by 499 thousand Euros.

#### Other assets

These amount to 6,009 thousand Euros (5,982 thousand Euros as at 31 December 2019).

The increase of 2,862 thousand Euros is attributable to the purchase of vehicles and motor vehicles by Rencotek (for 1,254 thousand Euros) and Renco Armestate (for 491 thousand Euros), and the purchase of technical office equipment for a total of 777 thousand Euros, mainly by the Mozambican companies.

Amortisation for the period amounted to 1.6 million Euros (1 million Euros) and the exchange rate effect was negative by 1 million Euros.

#### Fixed assets under construction and advances

This item amounted to 14.9 million Euros (4.1 million Euros):

- 6.2 million Euros for the construction of a 1,500-bed camp ("Men Camp Hotel") in Palma, Mozambique, owned by Real Moz;
- 5.8 million Euros for the renovation of the Villa Soligo hotel in Farra di Soligo, in the province of Treviso;
- 2.9 million Euros for other ongoing investment initiatives.

### (3) FINANCIAL FIXED ASSETS

The item consists of the following.

(€ thousands)	31.12.2019	Increases	Decreases	31.12.2020
Equity investments in:				
b) Subsidiary companies	24,026	17,832	(9,038)	32,820
b) Associated companies	1,348	869	-	2,217
d) other companies	53	-	(5)	48
Receivables from:				
a) Subsidiary companies	275	673	(939)	10
b) Associated companies	23,619	2,781	(3,781)	22,619
d) other companies	91	19	(31)	79
Derivative asset instruments	306	3,249	(306)	3,249
Total	49,718	25,425	(14,101)	61,043

#### Equity investments

The changes which took place in equity investments are the consequence of the following:

(€ thousands)	Investments in subsidiary companies	Investments in associated companies	Investments in other companies
Balance as at 31.12.2019	24,026	1,348	53
Increases during the year	17,553	798	-
Translation differences	(7,155)	-	(5)
Change in the scope of consolidation	(1)	-	-
Decreases during the year	-	-	-
Revaluations during the year	279	70	-
Write-downs during the year	(1,882)	-	-
Balance as at 31.12.2020	32,820	2,217	48

#### Non-consolidated subsidiary companies

The following information relating to the equity investments held directly or indirectly for subsidiary and associated companies, is provided below (art. 2427, first paragraph, point 5 of the Italian Civil Code).

Changes in investments in non-consolidated subsidiary companies are shown in the table below:

(€ thousands)	31.12.2019	Increases	Decreases	Exchange Effect	Other adjustments	31.12.2020
CONSORZIO RENCO-LANCIA-ITER	65		-	-		65
RENCO FOOD SRL	-	136	-	-	279	415
ARMPower	23,955	17,407	-	(7,155)	(1,882)	32,325
PEMBA BULK TERMINAL	1	-	-	-	(1)	-
SALINELLA EOLICO	5	-	-	-		5
VILLA DELLE ROSE	-	10	-	-		10
TOTAL	24,026	17,553	-	(7,155)	(1,604)	32,820

During the 2020 financial year, the share capital of the investee company Armpower Cjsc was further increased by a total of 17.4 million Euros (USD 19.4 million) in order to equip it with the means necessary for the construction of the Yerevan power plant. For a complete description on the progress of the project, please see the Report on Operations.

The other adjustments to Armpower, amounting to -1.9 million Euros, derive from the valuation of the company, presented using the equity method as a result of the shareholders' agreements, as described in greater detail in the paragraph "Preparation criteria", to which reference should be made.

(€ thousands)	Registered office	Share capital	Shareholder s' equity as at 31.12.2020	Profit (loss) as at 31.12.2020	% ownership	Book value
CONSORZIO RENCO-LANCIA-ITER (1)	ITALY	100	100	-	71.0%	65
RENCO FOUNDATION (1)	ITALY	104	(37)	(26)	100.0%	-
SALINELLA EOLICO (1)	ITALY	10	10	-	50.0%	5
RENCO FOOD S.R.L. (2)	ITALY	10	10	-	100.0%	415
VILLA DELLE ROSE S.R.L. (1)	ITALY	10	na	na	100.0%	10
PEMBA BULK TERMINAL (2)	MOZAMBIQUE	100	415	315	100.0%	-
ARMPower (2)	ARMENIA	73,464	53,835	(3,134)	60.0%	32,325
Total						32,820

(1) Measured with the cost method

(2) Measured with the equity method

The equity investment in Renco Food, which is not consolidated, has seen an increase of 136 thousand Euros due to the reinstatement of the share capital with the use of the provision to cover losses allocated last year; furthermore, during the course of the period the equity investment was revalued at 279 thousand Euros in order to align it with the value of the relevant shareholders' equity. The company in question has in fact implemented a series of actions that have made it possible to streamline the disposals of the subsidiaries' businesses, causing the directors to no longer consider the impairment losses on them that had emerged in previous years to be permanent.

Villa delle Rose S.r.l. is a new company incorporated under Italian law by Renco Valore S.p.A. in September. The purpose of the company is to make an investment in future aimed at purchasing a health facility called "Villa delle Rose", located in Vittorio Veneto (TV), restructuring it and then using it directly as a nursing home for the elderly. The initial share capital is 10 thousand Euros.

Pemba Bulk Terminal during the year completed the construction of the port ("jetty") and logistics base in Pemba and the facilities became operational in November 2020. For further information on the company, please see the consolidated "Report on Operations".

Associated companies

Changes in investments in associated companies are shown in the table below:

(€ thousands)	31.12.2019	Increases	Decreases	Exchange Effect	Other adjustments	31.12.2020
RENCO IREM CONSTRUCCOES	-	-	-	-	-	-
RENCO NIGERIA	8	-	-	-	-	8
RENCO QATAR	43	-	-	-	-	43
REAL ESTATE MANAGEMENT	9	-	-	-	-	9
DARIN CONSTRUCTION	642	-	-	-	-	642
TRADEMARK ITALY LLP	0	-	-	-	-	0
TOLFA CARE	646	-	-	-	70	716
NOVA PORTUM	-	3	-	-	-	3
CENTRAL SOLAR MOZAMBIQUE	-	795	-	-	-	795
VELOFIRMA	-	-	-	-	-	-
TOTAL	1,348	798	-	-	70	2,217

In July 2020, the shares in the share capital of the newly formed Nova Portum S.r.l., in which Renco S.p.A. holds a 30% interest, were paid. The company is under Italian law and was set up in order to proceed with the construction of the new real estate complex to be built in the area of the former Consorzio Agrario located near the port of Pesaro, according to a building permit approved by the Municipality of Pesaro.

During the period, Renco S.p.A. purchased a 20% interest in Central Solar Mozambique SA, a company incorporated under Mozambican law. After closing the contract for the sale of the energy produced with the national electricity company EDM and the financial closing with the financial institutions interested in financing the initiative with a view to project financing, the company will develop a 20 MW photovoltaic plant in Pemba. The increase in the shareholding of 795 thousand Euros relates to the purchase of the shareholding.

The other Tolfa Care adjustments, amounting to a positive 70 thousand Euros, derive from the valuation of the company using the equity method.

(€ thousands)	Registered office	Share capital	Shareholders' equity as at 31.12.20	Profit (Loss) as at 31.12.20	% ownership	Book value
DARIN CONSTRUCTION (1) (3)	KAZAKHSTAN	44	(6,403)	(1,017)	25.0%	642
REAL ESTATE MANAGEMENT (1) (3)	ITALY	10	3,134	288	30.0%	9
RENCO IREM CONSTRUCCOES (2)	MOZAMBIQUE	203	(1,355)	(1,403)	31.3%	-
RENCO NIGERIA (1)	AFRICA	na	na	na	49.0%	8
TRADEMARK ITALY LLP (1)	KAZAKHSTAN	0	(2,993)	(1,788)	50.0%	0
NOVA PORTUM (1)	ITALY	10	na	na	30.0%	3
CENTRAL SOLAR MOZAMBIQUE (1)	MOZAMBIQUE	na	na	na	20.0%	795
RENCO QATAR (1)	QATAR	52	4,559	364	49.0%	43
TOLFA CARE (2)	ITALY	813	1,672	164	47.6%	716
VELOFIRMA (1)	ARMENIA	7	(8,270)	(4,505)	58.1%	-
Total						2,217

- (1) Measured with the cost method
- (2) Measured with the equity method.
- (3) Values as at 31.12.2019

It should be noted that, if it was impossible to obtain the information necessary for application of the equity measurement method required by Article 36 of Legislative Decree 127/91, the cost method was used. In this case, the value of the booking in the financial statements is determined on the basis of the purchase or subscription price.

The cost as described above is reduced in the event that impairment is ascertained; should the reasons for the adjustment cease to exist, the value of the investment shall be reset within the limit of the acquisition cost.

Pursuant to Article 2426, paragraph 2 of the Italian Civil Code, the recording of the following equity investments at a higher value than the corresponding share of equity is justified as specified below.

#### Darin Construction

Darin Construction is a vehicle company for the development of a real estate operation in the centre of Almaty, the economic capital of Kazakhstan, consisting of a multifunctional complex. The complex was completed in 2018 and is spread over 11 floors above ground and 3 floors underground for a total gross area of 51 thousand square metres divided into two blocks. The first block is dedicated to a 4-star hotel affiliated with the Accor brand, which went into operation in 2018 and occupies a total area of 8,287 square metres. The second block, dedicated to the executive and commercial part, contains a shopping centre, apartments, executive offices, a sky restaurant on the top floor and underground car parks on which the company is carrying out fit-out work as the spaces are rented. The percentage occupancy of the office part in April 2020 was roughly 85%.

The investment is going well, despite the slowdown caused by the impact of the pandemic, and the first economic returns on the investment are expected from 2022.

The higher recognition value of the investment is mainly justified by the higher value of the fixed assets owned by the investee company. Once the investments are fully operational, it is expected that the company will develop cash flows that will rebalance its economic and financial situation. To date, the company is still in the advanced start-up phase of the management and rental of the property, therefore the directors consider the impact in the consolidated financial statements of the failure to adjust the equity investment to shareholders' equity to be insignificant, given its insignificance in the current operations of the Group and as regards the company's shareholders' equity, it has been considerably affected by unrealised exchange loss recorded on the shareholders loan received in Euros.

#### Velofirma

Velofirma is a vehicle company for the development of an important buildable lot near the historical centre of the capital of Armenia, Yerevan. The company that owns the lot completed the first development phase in 2015 with the inauguration of the Yerevan City Center hotel associated with the Double Tree by Hilton chain. The higher recognition value of the investment is mainly justified by the higher value of the fixed assets owned by the investee company. Once the investments are fully operational, it is expected that the company will develop cash flows that will rebalance its economic and financial situation. The profit for the period arises from the unrealized foreign exchange loss and depreciation on the property which was not covered as the hotel was closed for almost the entire period due to the COVID-19 pandemic.

Finally, it should be noted that the company Velofirma is not consolidated since the Group, based on the shareholders' agreements with the other shareholders, does not control said investee company. Furthermore, the agreements provide for the gradual acquisition of the majority by the local partners and the permanence of the Renco Group with a 20% interest.

For the Renco Nigeria companies, Nova Portum and Central Solar Mozambique at the date of preparation of this document no definitive data were available. However, based on the information in their possession, the directors consider that the impact on the consolidated financial statements of the failure to adjust the equity investment to shareholders' equity is insignificant in view of its irrelevance in the current operations of the Group.

Other companies

Changes in investments in other companies are shown in the table below:

(€ thousands)	31.12.2019	Increases	Decreases	Exchange Effect	Other adjustments	31.12.2020
CEDECORP SA-CAMERUN	23	-	-	-	-	-
PROM INVEST ENGIN ATYRAU	0	-	-	-	-	0
CONAI INVESTMENT	0	-	-	-	-	0
JSC AstanaEnergService	30	-	-	(5)	-	25
TOTAL	53	-	-	(5)	-	48

Receivables

(€ thousands)	Receivables from subsidiary companies	Receivables from associated companies	Receivables from others
Balance as at 31.12.2019	275	23,619	91
Increases during the year	673	2,781	19
Decreases during the year	(939)	(3,781)	(31)
Balance as at 31.12.2020	10	22,619	78

Receivables from non-consolidated subsidiary companies, amounting to 9 thousand Euros (275 thousand Euros as at 31 December 2019), consist of receivables from the subsidiary Villa delle Rose S.r.l. claimed by the company Renco Valore S.p.A.

The increase of 673 thousand Euros is due to the disbursements made during the period, for 385 thousand Euros to Renco Food and for 7 thousand Euros to Villa delle Rose S.r.l., as well as to the release of 279 thousand Euros of the write-down provision previously booked for Renco Food. The decrease of 939 thousand Euros was due to the reimbursements received from Renco Food, carried out through the offsetting of debt items that arose following the transfer of 50% of the equity investment in Eat's Re S.r.l. to Renco Valore S.p.A. For further information on the transaction, see the opening paragraph "Scope and methods of consolidation" and "Significant events during the year".

Receivables from associated companies, equal to 22,619 thousand Euros (23,619 thousand Euros as at 31 December 2019) consist of:

- receivables from the associated company Velofirma claimed by the company Renco Valore S.p.a. for 3,127 thousand Euros (6,510 thousand Euros as at 31 December 2019), which decreased only due to the partial refund during the period; in light of the refund received in 2020, the directors consider the receivable to be fully recoverable by virtue of the investments made and the new initiatives relating to the investee company, already described in the paragraph relating to equity investments;
- receivables from the associated company Real Estate Management S.r.l. amounting to 2,094 thousand Euros (1,744 thousand Euros as at 31 December 2019) claimed by Renco Valore S.p.A. The administrators consider this position to be completely recoverable due to the expected cash flows of the Hotel Palazzo Castri 1874 in Florence;
- receivables from the associated company Darin Construction amounting to 13,311 thousand Euros (13,286 thousand Euros as at 31 December 2019) claimed by Renco Valore S.p.A. The Group owns 25% of Darin Construction and the financial loan was disbursed in order to finance the pertinent portion of the real estate development transaction, as better described in

the paragraph "Associated companies" of these explanatory notes, whose expected cash generation will also be used for the repayment of loans received from shareholders;

- receivables due from the associate companies Trade Mark Italy LLP, amounting to 1,355 thousand Euros (1,155 thousand Euros as at 31 December 2019), and Niassa Sanctuary LTD, amounting to 139 thousand Euros, disbursed to support the start-up phase of the companies;
- receivables from Renco Irem Construcoes for 1,034 thousand Euros (813 thousand Euros as at 31 December 2019). The company is leading the local consortium that is overseeing major construction work for the CCS client;
- receivables from Nova Portum S.r.l. for 1,560 thousand Euros, disbursed during the period to support the real estate investment in the area of the former Consorzio Agrario located near the port of Pesaro.

The changes in the item receivables consist of the following:

(€ thousands)	31.12.2019	New disbursements	Repayments	Exchange Effect	Other changes	31.12.2020
Due from subsidiary companies	275	394	-	-	(660)	10
Due from associated companies	23,619	2,781	(3,728)	(53)	-	22,619
Due from others	91	19	(24)	(8)	(1)	78
<b>TOTAL</b>	<b>23,984</b>	<b>3,195</b>	<b>(3,752)</b>	<b>(61)</b>	<b>(661)</b>	<b>22,707</b>

Receivables from others, equal to 79 thousand Euros (91 thousand Euros), consist of security deposits.

The overall decrease of the item equal to 1,277 thousand Euros is due to reimbursements received during the period, for 3,752 thousand Euros, and to the closure of the position with Renco Food through the offsetting of debt items that arose during the period following the purchase by Renco Valore of 50% of Eat's Re S.r.l., as better described above.

The breakdown of receivables as at 31.12.2020 by geographic area is shown in the following table (Article 2427, first paragraph, no. 6, of the Italian Civil Code).

(€ thousands)	Italy	Europe	Africa and Middle East	Rest of the World	Total
Due from subsidiary companies	10	-	-	-	10
Due from associated companies	3,654	-	4,299	14,666	22,619
Due from others	19	4	24	30	79
<b>Total</b>	<b>3,683</b>	<b>4</b>	<b>4,324</b>	<b>14,696</b>	<b>22,707</b>

Other securities and derivative asset instruments

(€ thousands)	Other securities	Derivative asset instruments
Balance as at 31.12.2019	-	306
Increases during the year	-	3,249
Decreases during the year	-	(306)
<b>Balance as at 31.12.2020</b>		<b>3,249</b>



The item derivative asset instruments, amounting to 3,249 thousand Euros, represents the valuation of derivatives as at 31 December 2020. For a more detailed description of derivative instruments, please refer to the appropriate section of these explanatory notes.

#### (4) INVENTORIES

(€ thousands)	31.12.2019	31.12.2020	Changes
Inventories:			
1) Raw and ancillary materials and consumables	7,601	4,236	(3,365)
2) Products under construction and semi-finished products	22	49	27
3) Contract work in progress	367,356	304,222	(63,134)
4) Finished products and goods	9,235	12,747	3,512
5) Advances	24	8	(16)
Total	384,238	321,262	(62,976)

The measurement criteria adopted are consistent with those used in the previous year, as are described in the initial part of these explanatory notes.

As for the work in progress of a multi-year duration, it should be noted that as outlined in the first part of the explanatory notes, they are measured according to their percentage of completion. The advances and payments on account received from clients are recorded under liabilities in the balance sheet under item 6 of class D; advances for work to be performed amounted to 8 thousand Euros (24 thousand Euros as at 31 December 2019).

On the acquisition of contracts, the Group undertakes to release both bank guarantees and insurance guarantees for clients for the completion of said contracts; the extent of the commitments undertaken by the Group is shown in "Off-balance sheet commitments, guarantees and contingencies" paragraph of these explanatory notes.

The decrease of 63,134 thousand Euros in contract work in progress is due to the recognition of the final milestones of important contracts acquired in previous years, specifically the contracts related to TAP Italy, TAP Greece and TAP Albania. The effect of the closure of these contracts is partly offset by the progress of existing contracts, in particular the contract for the construction of the combined cycle power plant in Yerevan, work on which is progressing at 78% (at 31.12.2019 it was 32%).

The order portfolio as at 31 December 2020 with reference to work in progress of the Buildings and Energy divisions amounts to 1,019.2 million Euros of which 570.4 million Euros to be produced.

Finished products and goods for sale include a building located in Rome with a value of 5,900 thousand Euros (5,900 thousand Euros as at 31 December 2019), used as a residential building, purchased for resale by Renco Real Estate S.r.l. in May 2015; the property was granted to third parties on the basis of a rent-to-buy contract. The asset is recorded at its estimated realisable value, corresponding to the amount agreed in the rent-to-buy contract in the event the purchase option is exercised.

With regard to the progress of orders in progress and the related valuation of inventories, it should be noted that the situation created by the pandemic at the national and international level could also have consequences on the year 2021. The Directors constantly monitor developments in the situation and, with reference to projects lasting beyond the year, it should be noted that

the Coronavirus had limited effects only on the timing of completion of certain projects, agreed with the respective customers, as better specified in the section "Foreseeable business outlook" in the Report on Operations, to which reference should be made.

#### (5) RECEIVABLES

The balance of consolidated receivables included under current assets, after eliminating intercompany values, are divided up as follows according to due dates.

(€ thousands)	31.12.2019	31.12.2020	Changes
Receivables			
1) Trade receivables	35,010	38,397	3,387
2) from subsidiary companies	217	321	104
3) from associated companies	3,975	5,868	1,893
5-bis) Tax receivables	19,199	22,556	3,357
5-ter) Prepaid taxes	5,237	6,993	1,756
5-quater) from others	17,898	18,987	1,089
Total	81,536	93,122	11,586

The balance is divided up according to due dates (Article 2427-bis, point 6 of the Italian Civil Code).

(€ thousands)	Within 12 months	Beyond 12 months	Beyond 5 years	Total
Receivables				
1) Trade receivables	38,397	-	-	38,397
2) from subsidiary companies	321	-	-	321
3) from associated companies	5,868	-	-	5,868
5-bis) Tax receivables	22,446	110	-	22,556
5-ter) Prepaid taxes	6,993	-	-	6,993
5-quater) from others	9,909	9,078	-	18,987
Total	83,934	9,188	-	93,122

Receivables are broken down as follows, according to the geographic areas of operation of the debtor (art. 2427, point 6 of the Italian Civil Code).

(€ thousands)	31.12.2019	31.12.2020
Italy	13,192	26,875
European Union	25,987	21,574
Russia and former USSR countries	19,965	14,545
Africa	20,423	29,476
Middle East	1,697	96
Other	271	557
Total	81,536	93,122

Finally, a detail of the most significant receivable items is provided.

#### Trade receivables

The item "Trade receivables" amounting to 38,397 million Euros (35,010 million Euros) is shown net of the provision for doubtful debts amounting to 2,051 thousand Euros (2,341 thousand Euros), which decreased in the course of 2020 by the amount of 482 thousand Euros and increased by 192 thousand Euros compared to the previous year.

Compared to 31 December 2019, the net balance of trade receivables increased in absolute terms by 3,387 thousand Euros. Trade receivables as a percentage of production value for the last 12 months increased from 11.1% at 31 December 2019 to 11.8% at 31 December 2020, essentially in line with the previous year. It is also pointed out that in the first months of 2021, despite the persistence of the Covid-19 pandemic, collection of third party receivables has not had any problems. In addition, the Directors continue to monitor the status of outstanding receivables in light of the continuing impact of the pandemic.

The adjustment of the presumed nominal loan value has been obtained by means of a specific provision for doubtful debts, that has been affected as follows during the year:

(€ thousands)	31.12.2019	Use	Provisions	Translation differences	31.12.2020
Provision for doubtful debts in current asset	2,341	(457)	192	(24)	2,051

The provision for doubtful debts, which amounted to 2,051 Euros, showed a net decrease of 290 thousand Euros compared to 31 December 2019, a consequence of some uses for the closure of doubtful positions we were sure would not be collected.

The provision, set up on 31 December 2020, is deemed appropriate to cover both specific situations, which have already seen write-offs in the current period, as well as implicit risks implicit in uncollectable *in bonis* receivables.

#### Receivables from non-consolidated subsidiary companies

The item "Receivables from non-consolidated subsidiary companies", equal to 321 thousand Euros (217 thousand Euros as at 31 December 2019), consist of trade receivables and include 244 thousand Euros (144 thousand Euros) in receivables from the subsidiary Armpower and 77 thousand Euros (73 thousand Euros) in receivables from Renco Food S.r.l.

#### Receivables from associated companies

The item "Receivables from associated companies", equal to 5,868 thousand Euros (3,975 thousand Euros as at 31 December 2019), consists exclusively of receivables of a commercial nature and specifically:

- receivables from the associated company Velofirma of 811 thousand Euros (950 thousand Euros as at 31 December 2019), claimed for the amount of 658 thousand Euros (895 thousand Euros as at 31.12.2019) by the subsidiary Renco Armestate, for the amount of 88 thousand Euros (52 thousand Euros as at 31.12.2019) by Renco S.p.A., for the amount of 52 thousand Euros by Renco Valore S.p.A. and for 13 thousand Euros by Renco Asset Management S.r.l.;
- receivables from the associated company Renco Nigeria amounting to 742 thousand Euros (1,096 thousand Euros the previous year as at 31 December 2019);
- receivables from the associated company Tolfa Care S.r.l. for the amount of 42 thousand Euros (40 thousand Euros the previous year) claimed by Renco Asset Management S.r.l.;
- receivables from the associated company Darin Construction for the amount of 1,658 thousand Euros (1,123 thousand Euros the previous year as at 31 December 2019), of which 700 thousand Euros claimed by Renco Valore S.p.A., 870 thousand Euros by Renco Kat and 87 thousand Euros by Renco Property;

- receivables from the associated company Real Estate Management S.r.l. for the amount of 24 thousand Euros (18 thousand Euros the previous year) claimed entirely by Renco Asset Management S.r.l.;
- receivables from the associated company Renco Irem Construcoes Lda for the amount of 1,605 thousand Euros (41 thousand Euros as at 31 December 2019) claimed by Renco S.p.A. for 1,317 thousand Euros and by Rencotek Lda for 288 thousand Euros;
- receivables from the associated company Trademark Italy for the amount of 811 thousand Euros (706 thousand Euros as at 31 December 2019), claimed by Renco Valore S.p.A. for 538 thousand Euros, by Renco Kat for 55 thousand Euros and by Renco Property for 219 thousand Euros;
- receivables from the associated company Niassa Sanctuary for the amount of 175 thousand Euros, claimed by Renco S.p.A.

#### Tax receivables

The item "tax receivables" amounting to 22.6 million Euros (19.2 million Euros as at 31 December 2019) is made up as follows.

(€ thousands)	31.12.2019	31.12.2020	Changes
Tax receivables			
Foreign tax receivables	908	1,182	274
Tax receivables	1,983	4,297	2,314
VAT receivables	14,468	16,292	1,824
Other tax receivables	1,840	786	(1,054)
Total	19,199	22,556	3,358

The item foreign tax receivables is solely attributable to Renco Group S.p.A. and refers to taxes paid abroad through the operational branches of Italian subsidiaries.

The increase in tax credits for a total of 2,314 thousand Euros is mainly due to the higher advances on income taxes paid by Renco Group S.p.A. and its subsidiaries, which in the previous financial year had achieved particularly positive results.

VAT receivables refer to the annual VAT credit accrued on ordinary commercial transactions. The increase in the item for a total of 1,824 thousand Euros is mainly attributable to the investments made in the Mozambican companies, Real Moz Lda and Pemba Bulk Terminal, and to the increase recorded by Renco S.p.A.

#### Receivables for prepaid taxes

Receivables for prepaid taxes of 6,993 thousand Euros (5,237 thousand Euros as at 31 December 2019) refer to temporary differences deductible also on tax losses carried forward, for a description of which reference should be made to the appropriate paragraph in the last part of these Explanatory Notes. They are considered to be recoverable with reasonable certainty through future taxable profits.

(€ thousands)	31.12.2019	Provisions	Uses	Translation differences	Other changes	31.12.2020
Receivables for prepaid taxes	5,237	4,060	(1,351)	(409)	(544)	6,993

#### Receivables from others

The item "receivables from others" amounting to 18,987 thousand Euros (17,898 thousand Euros as at 31 December 2019) is made up as follows.

(€ thousands)	31.12.2019	31.12.2020	Changes
Receivables from others			
Advances and payments on account to suppliers	3,241	4,861	1,620
Receivables from employees	1,667	1,448	(219)
Deposits	319	396	77
Receivables from the sale of equity investments	5,178	6,930	1,752
Receivables for rent-to-buy	2,731	2,306	(425)
Loan receivables	1,420	1,438	18
Receivables from social security institutions	25	96	71
Receivables from Terna	3,013	1,218	(1,795)
Other receivables	304	294	(10)
Total	17,898	18,987	1,089

Receivables from the sale of equity investments amounted to 6,930 thousand Euros (5,178 thousand Euros as at 31 December 2019) and include:

- for receivables, equal to 4,740 thousand Euros deriving from the sale of 50% of the Kazakh investee company Renco Kat, which took place during 2015; compared to the previous year, the aforementioned receivables did not change and the only differences refer to exchange differences. According to the contractual agreements, the receivable will be collected by bank transfers equal to a determined percentage of the profits distributed to the buyer as shareholders of Renco Kat for a number of years such as to allow total payment of the selling price. As a result of Renco Kat's development plans and the agreements in place, the directors do not currently have any critical issues with regard to the recoverability of these receivables;
- 2,189 thousand Euros in receivables arising from the sale of a 19.8% interest in Real Moz. According to the contractual arrangements, the credit will be collected via bank transfers in a manner similar to the distribution of profits of the investee company.

Receivables for rent-to-buy of 2.3 million Euros (2.7 million Euros as at 31 December 2019) are recorded under Renco Real Estate and relate to the amendment made to the rent-to-buy contract in 2016. Amendment which provides for a further down payment by the buyer for the part of consideration agreed for the sale of the property, assuming the amount of 3.7 million Euros. Since this is an external assumption with the consent of the bank but not constituting a release, already in 2016 the amount of 3.7 million Euros was recognised among other receivables and other payables, an amount that was reduced to 2.3 million Euros over the years;

Receivables from Terna of 1.2 million Euros (3 million Euros as at 31 December 2019) relate to the trade receivable from the Renco Terna JV. The company is consolidated using the proportional method and the trade receivable still outstanding after the consolidation elimination entry was reclassified among receivables from others.

Loan receivables of 1.4 million Euros are recorded in Grapevine and relate to receivables from minority shareholders.

## (6) CASH AND CASH EQUIVALENTS

(€ thousands)	31.12.2019	31.12.2020	Changes

Cash and cash equivalents			
Bank and post office deposits	97,826	68,172	(29,654)
Cash-in-hand and cash equivalents	303	807	504
Total	98,129	68,978	(29,150)

The balance represents cash and cash equivalents in existence as at the end of the year.

#### (7) ACCRUED INCOME AND PREPAID EXPENSES

These represent the connecting items for the accounting period reckoned on an accruals basis. The composition of the caption is analysed as follows.

(€ thousands)	31.12.2019	31.12.2020	Changes
<i>Accrued income</i>	176	12	(164)
- Bank interest income	19	4	(15)
- Interest income on taxation	-	8	8
GSE contribution	157	-	(157)
<i>Prepaid expenses</i>	3,956	3,439	(517)
- Rents and leases	191	33	(158)
- Insurance	147	633	486
- Surety charges	1,729	965	(764)
- Villa Molaroni lease fees	192	132	(60)
- others	1,537	1,488	(49)
Total	4,132	3,451	(681)

These represent income and expense whose pertinence is advanced or deferred with respect to the cash and/or documental manifestation and are irrespective of the date of payment or collection of the related income and expense spanning two or more accounting periods which can be spread over time.

#### (8) SHAREHOLDERS' EQUITY

Shareholders' equity pertaining to the Group

(€ thousands)	31.12.2019	Increases	Decreases	31.12.2020
Group shareholders' equity				
Share capital	9,013	-	-	9,013
Share premium reserve	25,988	-	-	25,988
Revaluation reserve	4,696	-	-	4,696
Legal reserve	1,367	72	-	1,439
Other reserves	27,593	1,444	(25,159)	3,878
Reserve to cover expected cash flows	(1,227)	-	(2,335)	(3,562)
Profit (loss) carried forward and other reserves	93,998	6,580	-	100,578

Reserve for the purchase of own shares	(3,609)	-	-	(3,609)
Group profit (loss) for the year	8,017	5,867	(8,017)	5,867
Total	165,834	14,417	(35,965)	144,288

The item Other Reserves is broken down as follows

(€ thousands)	31.12.2019	Increases	Decreases	31.12.2020
Other reserves				
Extraordinary or optional reserve	21,685	1,364	-	23,049
Payments towards capital	25,041	-	(15)	25,026
Conversion reserves from foreign consolidation	(25,005)	-	(25,144)	(50,149)
Consolidation reserve	5,872	80	-	5,952
Total	27,593	1,444	(25,159)	3,878

The translation reserve from foreign consolidation includes the effect of consolidation of foreign subsidiary companies, with financial statements in currencies other than the Euro, and is determined according to the consolidation criteria indicated above. The translation reserve decreased by 25,144 thousand Euros as a result of the depreciation at closing exchange rates of currencies, the main changes in which at year-end were recorded in Metical (-32%), Ruble (-31%), Kazakh tenge (-20%) and Armenian dram (-19%).

At the balance sheet date, there were 901,250 ordinary shares outstanding with a nominal value of 10 Euros each.

Shareholders' equity pertaining to minority interest

(€ thousands)	31.12.2019	31.12.2020	Changes
Minority interest			
Capital and reserves	896	3,130	2,234
Profit (loss) for the year	71	(2,627)	(2,698)
Total	967	504	(4,643)

The statement of changes in shareholders' equity and the statement of reconciliation between the net profit and the shareholders' equity of the consolidating company and the respective values resulting from the consolidated financial statements are shown in Annexes 3 and 4 to these Explanatory Notes.

#### (9) PROVISION FOR RISKS AND CHARGES

(€ thousands)	31.12.2019	Increases	Decreases	31.12.2020
Provisions for risks and charges				
2) Provisions for taxes, including deferred taxes	13,779	3,003	(1,840)	14,942
3) Derivative financial liability instruments	2,030	973	(1,811)	1,191
4) Others	1,074	4,904	(391)	5,587
Total	16,883	8,879	(4,042)	21,720

#### Provisions for taxes

The provision for taxes, equal to 14,942 thousand Euros (13,779 thousand Euros as at 31 December 2019), includes 14,724 thousand Euros (13,779 thousand Euros as at 31 December 2019) for the temporary differences recorded in Group companies as well as the tax effects deriving from the consolidation entries; all described in detail in the specific paragraph "deferred/prepaid taxation" of these Explanatory Notes.

Furthermore, tax provisions include probable liabilities for taxes and penalties of 218 thousand Euros for tax audits on Renco S.p.A. conducted by the tax authorities for the year 2015.

Changes to this provision are as follows:

(€ thousands)	31.12.2019	Provisions	Uses	Translation differences	Other changes	31.12.2020
Provisions for taxes, including deferred						
Tax provision, to be probably assessed	-	218	-	-	-	218
Deferred tax provision	13,779	2,785	(1,108)	(392)	(340)	14,724
Total	13,779	3,003	(1,108)	(392)	(340)	14,942

The changes during the year were the following:

- allocation of 218 thousand Euros to the tax provision for audits conducted by the tax authorities for the year 2015;
- change of a total of 945 thousand Euros in the provision for deferred taxes. In the section of these explanatory notes on the exposure of the effects of deferred taxes, details related to deferred tax liabilities are provided.

#### Other provisions for risks and charges

The balance amounts to 5,587 thousand Euros (1,074 thousand Euros as at 31 December 2019) and is made up as follows:

(€ thousands)	31.12.2019	Use for the year	Provision for the year	31.12.2020
Other provisions				
Provision for guarantees on job orders/plants	749	(66)	4,902	5,587
Provision to cover losses of investee companies	325	(325)	-	-
Total	1,074	(391)	4,902	5,587

#### *Provision for guarantees on job orders/plants*

The provision for guarantees takes into account updated contractual practices for orders for industrial plants. It represents an estimate of the costs to be incurred for service under warranty between the issue of the Preliminary Acceptance Certificate ("PAC") and the Final Acceptance Certificate ("FAC"). The PAC is the moment in which the ownership of the plant passes to the customer and the guarantee period commences (established on a contractual basis which usually lasts 24 months), and the FAC is issued at end of the guarantee period. The provision is calculated on the basis of the historical incidence of guarantee costs for similar job orders.



Movements in the period, both increases and decreases, were tied to normal management of the guarantee offered following achievement of the PAC for plant orders. In particular, the provision relates to the works of TAP Italy, TAP Greece and TAP Albania, which were completed during the period. At 31 December 2020, this provision amounted to 5,587 thousand Euros.

*Provision to cover losses of investee companies*

The change in the year refers to the use for the coverage of losses of investee companies. Additional information about the position of Renco Food is provided in the section of these Explanatory Notes entitled "Non-consolidated subsidiary companies" and "Receivables" under Financial fixed assets.

(10) EMPLOYEE SEVERANCE INDEMNITY (TFR)

(€ thousands)	Opening balance	TFR paid during the year	Provisions	Change in the scope of consolidation	Other changes (+/-)	Closing balance
Employee severance indemnity	2,886	(103)	200	-	-	2,983

The provision allocated represents the amount effectively payable by the Group as at 31 December 2019 to its employees in the workforce as at that date, net of advance payments made.

(11) PAYABLES

The composition and changes in the individual items are shown in the table below (Article 2427, point 4 of the Italian Civil Code).

(€ thousands)	31.12.2019	31.12.2020	Changes
Payables			
1) Bonds	44,530	44,576	46
3) Payables to shareholders for loans	5,701	5,901	200
4) Payables to banks	60,837	99,606	38,769
5) Payables to other lenders	13,853	12,606	(1,247)
6) Advances	398,886	331,789	(67,097)
7) Trade payables	98,431	94,343	(4,088)
9) Payables to non-consolidated subsidiary companies	54	144	90
10) Payables to associated companies	2,742	2,764	22
12) Tax payables	12,826	7,206	(5,620)
13) Payables to social security and welfare institutions	1,987	1,710	(277)
14) Other payables	19,020	14,928	(4,092)
Total	658,866	615,573	(43,294)

The tables relating to the breakdown of payables by due date and by geographic areas, respectively, based on the combined provisions of art. 2427, point 6 of the Italian Civil Code are provided below.

(€ thousands)	Within 12 months	Beyond 12 months	Beyond 5 years	Total
Payables				
1) Bonds	11,550	33,026	-	44,576
3) Payables to shareholders for loans	5,901	-	-	5,901
4) Payables to banks	29,289	43,649	26,668	99,606
5) Payables to other lenders	282	796	11,528	12,606
6) Advances	234,712	97,077	-	331,789
7) Trade payables	94,343	-	-	94,343
9) Payables to non-consolidated subsidiary companies	84	60	-	144
10) Payables to associated companies	2,764	-	-	2,764
12) Tax payables	6,049	1,157	-	7,206
13) Payables to social security and welfare institutions	1,710	-	-	1,710
14) Other payables	13,140	1,788	-	14,928
Total	399,824	177,554	38,195	615,573

(€ thousands)	31.12.2019	31.12.2020
Italy	258,408	261,198
European Union	187,272	31,039
Russia and former USSR countries	123,789	166,872
Africa	88,348	145,685
Middle East	463	4,155
Other	586	6,624
Total	658,866	615,573

#### Bonds

The item "bonds" refers to the following bond loans:

- bond loan issued on 16 October 2020 by the parent company Renco Group S.p.A. for the nominal amount of 10 million Euros consisting of 100 bonds of 100,000 Euros each and maturing on 01 January 2027, in private placement.
- bond loan issued on 23 November 2017 by the parent company Renco Group S.p.A. for the nominal amount of 35 million Euros consisting of 350 bonds of 100,000 Euros each and maturing on 23 November 2023, admitted to trading on the professional segment ExtraMOT PRO, interest rate 4.75%.
- It should be noted that the previous bond loan issued on 31 August 2015 was fully repaid on its contractual maturity date of 13 August 2020.

It should be noted that the regulations of the bond loans contain the following financial covenants that must be respected at group level. At the closing date of the financial year the envisaged covenants were respected.

Financial equilibrium ratios	Covenant	Consolidated result
NFP/Equity	≤ 1.5	0.4

Net financial position		
-----		
Shareholders' Equity		
NFP/EBITDA	≤ 3.5	1.74
Net financial position		
-----		
EBITDA		
Interest Coverage Ratio (ICS)	≥ 4.5	5.45
Ebitda		
-----		
Financial charges		

#### Payables to shareholders for loans

Payables to shareholders for loans consist of the conversion in 2009 of the total coupon on bond loans matured in favour of the shareholders of the Parent Company Renco Group S.p.A. at 31 December 2008 and not yet paid by the company. The loan expiring on 31 December 2014 has been extended from time to time. As a result of new guarantees given by the Parent Company to the subsidiary, the shareholder loans are subject to distribution restrictions. No reimbursements were recognised during the year.

#### Payables to banks

The balance of payables to banks as at 31.12.2020 equal to 99.6 million Euros (60.8 million Euros as at 31 December 2019), inclusive of loans, represents the effective liability in terms of principal, interest and related charges accrued and due.

During the year, the Group took out new loans of 51.6 million Euros (23.5 million Euros as at 31 December 2019), of which 43.6 million Euros related to loans obtained by Renco Valore S.p.A., as better specified below, 3 million Euros for restructuring of the Villa Soligo Hotel and 5 million Euros in the form of a credit line contracted by Renco S.p.A. The average weighted duration of the new loans acquires is 88 months (73 months until 31 December 2019). Some of the loans granted to the Company envisage the observance of covenants which, as at the balance sheet date, were observed.

In order to make the structure of its financial sources more solid and in the context of the development of its existing business and the investments to be made in the real estate BU, Renco Valore S.p.A. has signed a loan agreement for a maximum amount of 63 million Euros granted by a pool of banks consisting of Intesa Sanpaolo S.p.A, for a share of 21 million Euros, Banca Monte dei Paschi di Siena S.p.A., for a share of 10 million Euros, MPS Capital Services Banca per le Imprese S.p.A., for a share of 17 million Euros, and Cassa Depositi e Prestiti S.p.A., for a share of 15 million Euros. The contract was signed on 17 June 2020 and consists of Term Loan A, for 35 million Euros, and Term Loan B, for 28 million Euros, both of which have a pre-amortisation period of 24 months and a duration of 7 years. At 31 December 2020, Term Loan A had been disbursed in full, while only 10 million Euros of Term Loan B had been disbursed.

Details are given below:

(€ thousands)	Nominal value	Remaining debt	Amortised cost	Expiry	Rate	Hedging operations
Credit Line Term Loan A	35,000	35,000	34,701	17/06/2027	Change	IRS
Credit Line Term Loan B	28,000	10,000	9,876	17/06/2027	Change	IRS
Total	63,000	45,000	44,576			

On 10 July 2020, the company Villa Soligo S.r.l. took out a loan of 3 million Euros aimed at supporting the radical renovation works of the hotel. The loan has a term of 10 years and matures on 5 July 2031, indexed to the 3-month Euribor interest rate plus a spread of 2.5%, a floor rate of 0% and will be repaid from 5 August 2021.

It should be noted that the subsidiary and consolidated company, Renco Capital S.r.l., has the following loans for the construction of the new headquarters of Pesaro:

- Floating rate loan of 1 million Euros maturing on 30 June 2025, indexed to the 6-month Euribor interest rate and with a spread of 1.85%, with a residual amortised cost as at 31 December 2020 of 0.6 million Euros;
- Floating rate loan of 2 million Euros maturing on 30 June 2022, indexed to the 6-month Euribor interest rate and with a spread of 1.75%, whose amortisation cost as at 31 December 2020 amounts to 1 million Euros;
- Floating rate loan of 12 million Euros maturing on 30 June 2032, indexed to the 6-month Euribor interest rate and with a spread of 2.3%. The remaining amount of the amortised cost as at 31 December 2020 amounted to 11.9 million Euros.

Details are given below:

(€ thousands)	Nominal value	Remaining debt	Amortised cost	Expiry	Rate	Hedging operations
Loan 1 mln	1,000	643	640	30/06/2025	Change	
Loan 2 mln	2,000	1,000	996	30/06/2022	Change	
Loan 12 mln	12,000	12,000	11,904	30/06/2032	Change	IRS
Total	15,000	13,643	13,540			

As at 31.12.2020, there were no payables for loans in foreign currency.

The balance of payables to banks beyond 12 months totalling 70.3 million Euros (31.4 million Euros as at 31 December 2019) is broken down as follows:

- 4.8 million Euros (5.5 million Euros as at 31 December 2019) is represented by a mortgage credit line granted to the subsidiary Residence Viserba S.r.l. in view of the start of construction work for the area located in Viserba (Rimini);
- 4.8 million Euros (11.5 million Euros as at 31 December 2019) is represented by the residual payable with maturity beyond 12 months of the loans to Renco S.p.A.;
- 11.6 million Euros (13.2 million Euros as at 31 December 2019) is represented by the residual payable with maturity beyond 12 months of the loans to Renco Capital S.r.l.;
- 2.9 million Euros is represented by the residual payable with maturity beyond 12 months of the loans to Villa Soligo S.r.l.;
- 2.2 million Euros is represented by the residual payable with maturity beyond 12 months of the loans to Eat's Re S.r.l.;
- 44 million Euros is represented by the residual payable with maturity beyond 12 months of the loans to Renco Valore S.p.A.;

The balance of payables to banks beyond 5 years is 26.7 million Euros (10.5 million Euros as at 31 December 2019) and is represented by the residual debt of the loans held by Renco Capital S.r.l. for 7.4 million Euros, Residence Viserba S.r.l. for 1.8 million Euros, Villa Soligo S.r.l. for 1.8 million Euros, Eat's Re S.r.l. for 1.5 million Euros and Renco Valore S.p.A. for 16 million Euros.

Group companies are currently in line with the payment of overdue instalments.

#### Payables to other lenders

The item "Payables to other lenders" amounting to 12.6 million Euros (13.9 million Euros as at 31 December 2019) comprises:

- payables of 1.6 million Euros (1.9 million Euros as at 31.12.2019) to leasing companies. The payable refers to the leasing contract entered into by Renco Capital S.r.l. for a property located in Pesaro, for which the residual value amounts to 852 thousand Euros, and to contracts entered into by Renco S.p.A. for equipment and cranes for works in Mozambique, for which the residual value amounts to 797 thousand Euros.

- payables of 11 million Euros to Simest. During the year 2019, a share capital increase in Renco Power Cjsc was carried out by Simest S.p.A. and the Venture Capital Fund through the subscription of a shareholding corresponding to 22.37% of the share capital. In compliance with the reference accounting standards and in consideration of Renco S.p.A.'s commitment to repurchase the shares subscribed by Simest and FVC, to be carried out by 30 June 2026, this share capital increase was represented as a payable to other lenders.

During the period, payables to the previous shareholders of Villa Soligo S.r.l. were paid, which amounted to 0.7 million Euros (position in the name of Villa Soligo S.r.l. and already present before the acquisition).

#### Advances

The balance of the item "Advances" includes advances already collected from customers when ordering, advances received from customers on job orders in progress and advances relating to the rent-to-buy contract. Specifically, advances amount to 4.5 million Euros (2.9 million Euros), advances on job orders in progress amount to 321 million Euros (388 million Euros), advances to others relating to the rent-to-buy contract stipulated in 2015 amount to 5.6 million Euros (5.8 million Euros). The change in "Advances" is mainly related to the completion of TAP contracts (Italy, Greece and Albania) as well as to the invoicing of advances on contracts in progress (in particular for services performed in Armenia and Mozambique).

The amount of foreign currency advances is USD 261.7 million, LYD 12.5 million, AMD 321 million and MZN 1.6 million.

#### Trade payables

"Trade payables" amounting to 94,343 thousand Euros (98,431 thousand Euros as at 31.12.2019) are recognised net of commercial discounts; cash discounts, on the other hand, are recognised at the time of payment. The nominal value of these payables has been adjusted, at the time of returns or allowances (invoicing adjustments), to an extent corresponding to the amount agreed with the counterpart.

#### Payables to non-consolidated subsidiary companies

Payables to non-consolidated subsidiary companies, equal to 144 thousand Euros (54 thousand Euros as at 31.12.2019). The balance includes payables that the Group companies owe Renco Food for 93 thousand Euros and Renco Lancia Iter Consortium for approximately 51 thousand Euros.

#### Payables to associated companies

The item payables to associated companies of 2,764 thousand Euros (2,742 thousand Euros as at 31.12.2019) includes short-term positions that are frequently transacted with Group companies. Specifically, they consist of payables to the associated companies Renco Qatar for 2,659 thousand Euros (2,523 thousand Euros as at 31.12.2019), to Renco Irem Construcoes for 70 thousand Euros (161 thousand Euros as at 31.12.2019) and various payables to other associated companies for 35 thousand Euros (58 thousand Euros as at 31.12.2019).

#### Tax payables

The item "Tax payables" amounting to 7,206 thousand Euros (12,826 thousand Euros as at 31.12.2019) includes only those payables representing certain taxes of known amount, as tax liabilities which are probable or uncertain in amount or due date and deferred taxes are entered under item B.2 in the liabilities (Tax provision).

In particular, tax payables include:

(€ thousands)	31.12.2019	31.12.2020	Changes
Tax payables			

Payables for withholding taxes	1,598	1,117	(481)
Tax payables	2,877	1,749	(1,128)
Payables for taxes to be assessed	1,747	1,899	152
Payables for VAT	6,492	2,202	(4,290)
Other tax payables	112	239	127
Total	12,826	7,206	(5,621)

## Other payables

The balance of "Other payables" includes the following items:

(€ thousands)	31.12.2019	31.12.2020	Changes
Payables to others			
Payables to employees	5,617	5,941	324
Payables for rent-to-buy	2,584	2,194	(390)
Payables for the purchase of equity investments	5,194	410	(4,784)
Dividends payable	500	500	-
Payables to factoring companies	4,920	5,692	772
Other sundry payables	205	192	(13)
Total	19,020	14,929	(4,091)

Amounts due to employees represent the payable for wages and salaries and holidays accrued by employees.

The item "Payables for rent-to-buy" refers to the rent-to-buy contract stipulated in 2015 and relates to the property in question included in the inventories. In this regard, it should be noted that in 2016 a deed amending the rent-to-buy contract was signed. With the amendment to the contract, the buyer paid a further advance for the portion of the consideration agreed for the sale of the property, taking over the amount of 3,729 thousand Euros of the remaining portion of the mortgage loan taken out with MPS bank. Since this is an external transaction with the bank's consent but not in full discharge of its obligations, the increase in advances paid and the cancellation of the loan payable to the bank were offset by the recognition of the amount of 3,729 thousand Euros under other receivables and payables (amounts reduced in 2020 as a result of the payment of loan instalments due during the year). In fact, in the event of default by the buyer, the bank could request performance directly from Renco Real Estate S.r.l. as it is obliged to do so on a subsidiary basis.

The balance of "Payables for the purchase of equity investments" shows a decrease of €4.8 million compared to the 2019 figure due solely to the fact that during the year the payment of the amounts set aside as at 31 December 2019 in relation to the repurchase of the investment in the company Hotel Yerevan was made. The residual balance of 410 thousand Euros refers to the debt relating to the purchase of the equity investment in Villa Soligo.

## Accrued expenses and deferred income

These represent the connecting items for the accounting period reckoned on an accruals basis, and are comprised as follows:

(€ thousands)	31.12.2019	31.12.2020	Change
<i>Accrued expenses</i>	725	647	(78)
- Interest expense and commissions	380	419	39
- Bond interest	345	155	(190)

- Derivatives	-	-	-
- Others	-	73	73
<i>Deferred income</i>	<i>192</i>	<i>153</i>	<i>(39)</i>
- Revenues from asset management	-	-	-
- Others	192	153	(39)
Total	917	801	(116)

These represent income and expense whose pertinence is advanced or deferred with respect to the cash and/or documental manifestation and are irrespective of the date of payment or collection of the related income and expense spanning two or more accounting periods which can be spread over time.

## (12) VALUE OF PRODUCTION

Indication is made of the composition of the value of production, as well as the changes in the individual items, with respect to the previous year:

(€ thousands)	31.12.2019	31.12.2020	Change	Change %
Sales of goods and services	98,372	348,375	250,003	254.14
Changes in inventories of work in progress,	99	326	227	na
Change in contract work in progress	160,463	(57,033)	(217,496)	na
Increases for in-house works	17,348	26,321	8,973	51.72
Other revenues and income	38,893	6,660	(32,233)	na
Total	315,175	324,649	9,474	3.01

### *Revenues by category of activity*

Below we provide the breakdown of value of production by production division.

(€ thousands)	31.12.2019	31.12.2020	Change	Change %
Services business line	47,704	41,944	(5,760)	(12.07)
Buildings business line	58,566	90,777	32,211	55.00
Asset management business line	78,090	39,032	(39,058)	(50.02)
Energy Business Line	130,815	152,896	22,081	16.88
Total	315,175	324,649	9,474	3.01

The Renco Group achieved a "Value of Production" of 324,649 thousand Euros in 2020 (315,175 thousand Euros in the same period of 2019) with an increase of 9,474 thousand Euros (+3.01%).

The increase in value of production was supported by the contribution of the buildings business line, which recorded an increase of 23.2 million Euros, and the energy business line, which recorded an increase of 22.1 million Euros. The value of production of the services business line decreased by 5.8 million Euros due to the restrictions on transfers imposed by COVID and the consequent postponement of scheduled work on customers' plants, and the asset management business line decreased by 39.1 million Euros. It should be noted that in 2019, the 35.1 million Euros gained from the sale of the company that owns the Gemma dell'Est resort was a key driver within the 2019 value of production.

For a complete analysis of the business performance, please refer to the Report on Operations.

*Revenues by geographic area*

Below we provide the breakdown of value of production by geographic area.

(€ thousands)	31.12.2019	31.12.2020	Change	Change %
Italy	48,568	51,556	2,988	6.15
European Union	74,537	30,509	(44,028)	(59.07)
Russia and former USSR countries	98,031	128,022	29,991	30.59
Africa	79,600	105,919	26,319	33.06
Middle East	6,572	6,599	27	0.40
Other	7,867	2,044	(5,823)	(74.02)
Total	315,175	324,649	9,474	3.01

The table above shows the absolute value and the percentage weight of production by geographic area.

For a more in-depth analysis of the foreseeable business outlook and on the industrial and commercial strategies, reference should be made to the Report on Operations.

Other revenues and income

The balance of "Other revenues and income" includes the following items:

(€ thousands)	31.12.2019	31.12.2020	Change
Other revenues and income			
Capital gains from the sale of assets	35,586	843	(34,743)
Income from insurance	48	3	(45)
Revenues for contributions	676	471	(205)
Other sundry revenues	2,583	5,344	2,761
Total	38,893	6,660	(32,233)

In 2019 the item "Capital gains from asset disposals" mainly consisted of the capital gain from the sale of the Zanzibarian company Renco Zanzibar, which owns the Gemma dell'Est resort. The transaction had generated a capital gain of 35.1 million Euros.

"Other sundry revenues" consist of items not directly related to the Group's production activities, but nevertheless connected with its core business. They mainly include contingent assets, relating to obligations no longer due, capital gains on disposals and other miscellaneous income. At 31 December 2020, they amounted to 5.3 million Euros, an increase of 2.8 million Euros compared to 31 December 2019. During the period, the sale of the investee company Joint Green contributed a capital gain of 0.6 million Euros.

**(13) COSTS OF PRODUCTION**

Indication is made of the composition of the costs of production, as well as the changes in the individual items, with respect to the previous year:

(€ thousands)	31.12.2019	31.12.2020	Changes
Costs of production			
Raw and ancillary materials and goods	87,029	112,972	25,943



Services	103,261	109,237	5,976
Use of third party assets	5,831	6,626	795
Wages and salaries	49,087	48,501	(586)
Social security contributions	10,088	8,886	(1,202)
Employee severance indemnity	1,711	1,161	(550)
Other personnel costs	295	39	(256)
Depreciation of intangible fixed assets	729	1,297	568
Depreciation of tangible fixed assets	9,666	11,084	1,418
Other write-downs of fixed assets	1,271	543	(728)
Provision for doubtful debts included in current assets	1,469	192	(1,277)
Change in raw material inventories	(4,762)	407	5,169
Provision for risks	-	-	-
Other provisions	-	4,902	4,902
Other operating expenses	15,670	3,252	(12,418)
Total	281,344	309,100	27,754

"Other provisions" amounted to 4.9 million Euros and refer to allocations to plant guarantee provisions recorded following completion of a number of important job orders in the period. For further information, please read the section "Provision for guarantees on job orders/plants" in these explanatory notes.

#### Costs of raw materials

The balance of "Costs of raw materials" includes the following items:

(€ thousands)	31.12.2019	31.12.2020	Change
Raw and ancillary materials and goods			
Raw materials	77,625	108,673	31,047
Production components and materials	1,190	60	(1,130)
Capital goods valued less than €516	458	609	151
Miscellaneous tools and equipment (repair parts, spare parts, etc.)	3,686	926	(2,759)
Fuel	2,166	1,293	(873)
Stationery and printed matter	323	263	(59)
Working clothes	423	442	19
Customs clearance materials	1,189	672	(518)
Other costs for raw materials	(32)	35	67
Total	87,029	112,972	25,944

The item "Costs for raw and ancillary materials and goods", equal to 108.7 million Euros, consists of 105.3 million Euros of costs incurred by Renco S.p.A. The increase in raw material purchase costs is attributable to the greater incidence of procurement activity recorded in 2020 by the Company.

#### Costs for services

The balance of "Costs for services" includes the following items:

(€ thousands)	31.12.2019	31.12.2020	Change
Services			
Works performed by third parties and general services	61,976	65,279	3,303

Project collaborations	10,270	3,176	(7,095)
Transport costs	2,903	13,156	10,252
Property maintenance and repair	153	103	(49)
Motor vehicle maintenance and repair	228	200	(28)
Cleaning costs	327	359	32
Lighting	1,237	1,194	(43)
Other utilities	593	443	(150)
Postal and telephone charges	1,088	1,215	127
Security expenses	754	658	(96)
Technical and commercial consulting	5,748	2,780	(2,968)
Legal, administrative and tax consulting	2,253	2,125	(128)
Insurance	1,193	1,991	798
Travel expenses	4,262	4,257	(5)
Reimbursement of expenses	16	8	(8)
Other maintenance and repair	318	205	(113)
Advertising and promotional expenses	543	171	(372)
Personnel refresher courses	345	323	(22)
Software licenses and production licenses	1,356	981	(374)
Remuneration of corporate bodies	282	369	87
Company canteen	824	1,192	367
Health services	1,731	1,616	(114)
Bank commission	3,348	4,527	1,179
Other costs for services	1,515	2,909	1,394
Total	103,261	109,237	5,976

The amount for the financial year mainly includes 10.5 million Euros relating to the TAP Greece and TAP Albania contracts of the Renco Terna Joint Venture and 87.5 million Euros relating to contract costs of Renco SpA and 9.7 million Euros relating to costs incurred by Renco Congo Sarlu.

#### Costs for use of third party assets

The balance of "Costs for use of third party assets" includes the following items:

(€ thousands)	31.12.2019	31.12.2020	Change
Use of third party assets			
Rental of premises and offices	2,984	1,864	(1,120)
Rental of vehicles and equipment	2,771	4,699	1,927
Other costs for use of third party assets	76	63	(13)
Total	5,831	6,626	795

The amount mainly consists of rents for offices and warehouses and rental costs, of which 5.2 million Euros for Renco S.p.A. and 0.6 million Euros incurred by the Renco Terna JV.

#### Personnel costs

"Personnel costs", which totalled 58.6 million Euros (61.2 million Euros as at 31 December 2019), mainly includes the personnel costs of Renco S.p.A. for 23.2 million Euros and Renco Congo Sarlu for 18.5 million Euros.

Below is the average number of employees of companies included in the consolidation with the line-by-line method broken-down according to category.

	31.12.2019	31.12.2020	Change	Average number
Executives and Managers	72	53	(19)	63
Ordinary employees	651	681	30	666
Workers	2,569	2,959	390	2,764
Others	68	59	(10)	63
Total	3,360	3,751	391	3,556

#### Other operating expenses

The balance of "Other operating expenses" includes the following items:

(€ thousands)	31.12.2019	31.12.2020	Change
Other operating expenses			
Miscellaneous taxes	1,929	1,297	(632)
Membership fees	93	66	(27)
Rounding down	9	-	(9)
Administrative sanctions	616	256	(359)
Losses on receivables not covered by a specific provision	253	53	(199)
Capital losses from the sale of assets	25	289	265
Other sundry expenses	12,746	1,290	(11,456)
Total	15,670	3,252	(12,417)

The item "Miscellaneous taxes" consists mainly of 0.5 million Euros in ground occupancy tax paid by Renco Kat on the TCO field and 0.8 million Euros in taxes on property owned by various Group companies.

In 2019, the item "Other sundry expenses" consisted mainly of the capital loss of 11.3 million Euros from the repurchase of 100% ownership of the Armenian company, which owns Yerevan hotel.

#### (14) FINANCIAL INCOME AND CHARGES

The item consists of the following:

(€ thousands)	31.12.2019	31.12.2020	Changes
Financial income and charges			
Income from equity investments due from subsidiary companies	418	1,655	1,237
Income other than the above	1,855	437	(1,418)

(Interest and other financial charges)	(7,014)	(6,341)	673
Exchange gains (losses)	(1,710)	(1,258)	452
Total	(6,450)	(5,507)	944

The item Interest and other financial charges equal to 6.3 million Euros includes interest of 5.7 million Euros of interest charges on the financial payable.

With regard to foreign exchange losses of 1.3 million Euros (1.7 million Euros as at 31 December 2019), it should be noted that these include both the monetary changes on the items closed during the year as well as "Unrealised exchange gains and losses" since they relate to transactions not yet closed at the end of the period.

The economic result relating to realised and unrealised exchange differences reflects the trend of the foreign exchange market that characterised 2020. In fact, with regard to the average exchange rates for the period there was a consolidation of the Euro against all currencies used by the Group which again this year negatively impacted the exposure in these currencies of Group companies present in these markets.

"Exchange gains (losses)" can be broken down as follows:

(€ thousands)	31.12.2019	31.12.2020	Changes
Exchange gains	9,104	18,144	(9,040)
Exchange losses	(8,569)	(14,282)	5,712
Unrealised exchange gains	1,811	6,660	(4,849)
Unrealised exchange losses	(4,056)	(11,781)	7,725
Total	(1,710)	(1,258)	(452)

#### (15) VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES

The item consists of the following:

(€ thousands)	31.12.2019	31.12.2020	Changes
Revaluations	108	710	602
Of equity investments	7	431	424
Of financial fixed assets	101	279	178
Write-downs	(3,391)	(1,967)	1,424
Of equity investments	(2,919)	(1,882)	1,037
Of financial fixed assets	(354)	-	354
Of securities recorded in current assets	-	-	-
Of derivative financial instruments	(118)	(86)	32
Total	(3,283)	(1,257)	4,052

For a note on the write-down of equity investments, reference should be made to the section on investments in subsidiary and associated companies.

#### (16) INCOME TAXES FOR THE YEAR

(€ thousands)	31.12.2019	31.12.2020	Changes
Income taxes for the year			
Current taxes	6,966	7,464	498
Taxes relating to previous years	6,901	937	(5,964)
Deferred/(prepaid) taxes	2,547	(2,213)	(4,760)
Charges (Income) from adhering to the tax consolidation	(403)	(646)	(243)
Total	16,011	5,542	(10,469)

The item Income taxes amounts to a total of 5,542 thousand Euros (16,011 thousand Euros as at 31 December 2019), with a tax rate of 63% (66% in the previous period). The tax rate for the year was particularly affected by the taxation of revenues instead of taxable income certain Congolese companies are subject to, due to specific regulations in the sector in which they operate.

#### Deferred/prepaid taxation

Deferred taxation is stated by the allocation to the tax provision, amounting to 14.9 million Euros (13.8 million Euros as at 31 December 2019). Deferred taxes are calculated in accordance with the overall allocation approach, taking into account the cumulative sum of all the timing differences on the average rates expected as of such time as these timing differences shall reverse.

Prepaid taxes have been recorded since reasonable certainty exists regarding the occurrence – in the years in which the deductible timing differences will reverse, against which prepaid taxes have been recorded – of taxable income no lower than the total of the differences which will be cancelled.

The main timing differences which led to the reporting of deferred and prepaid taxes are indicated in the following table together with the related effects.

(€ thousands)	year 31/12/2019		year 31/12/2020	
	Value of temporary differences	Tax effect	Value of temporary differences	Tax effect
Prepaid taxes:				
Unrealised exchange losses	364	87	1,687	405
Non-deductible interest expense			4,524	1,086
Real estate lease instalments referring to land	107	31	120	34
Real estate depreciation referring to land	196	56	196	56
Maintenance costs	21	5	1	0
Provisions for risks and charges	897	244	1,647	454
Prepaid taxes foreign financial statements	16,562	3,312	8,130	1,626
ACE	10	2	11	3
Prepaid taxes on reserve for expected derivative flows	1,927	463	1,191	286
Tax losses that can be carried forward	436	105	389	93
Provision for doubtful debts	1,444	347	1,039	249
Other	7	2	460	110
Elimination of intercompany margins (*)	2,089	583	9,283	2,590
Total prepaid taxes	21,971	5,237	19,395	6,993
Deferred taxes:				

Unrealised exchange gains	1,308	314	1,829	439
Reserve to cover cash flows	306	73	3,249	780
PO issue costs	470	113	299	72
Villa Soligo property greater value	538	150	538	150
Leasing accounting (equity method) (*)	1,637	457	1,653	461
Deferred taxes foreign financial statements	14,918	2,984	18,286	3,657
Elimination of intercompany profits	3,717	892	3,587	861
Recognition of greater values	34,297	8,796	32,337	8,304
<i>Recognition of Renco Kat greater value (*)</i>	<i>7,823</i>	<i>1,565</i>	<i>7,277</i>	<i>1,455</i>
<i>Recognition of residence greater value (*)</i>	<i>22,043</i>	<i>6,150</i>	<i>22,043</i>	<i>6,150</i>
<i>Recognition of AK greater value (*)</i>	<i>1,954</i>	<i>391</i>	<i>1,817</i>	<i>363</i>
<i>Recognition of Villa Soligo greater value (*)</i>	<i>2,477</i>	<i>691</i>	<i>1,200</i>	<i>335</i>
Total deferred taxes	57,192	13,779	61,779	14,724
Net deferred (prepaid) taxes	35,221	8,542	42,385	7,731

(\*) These tax effects derive from the consolidation entries

## OTHER INFORMATION

### Information on the fair value of derivative financial instruments

It should be noted that the Group decided to conclude derivative contracts to hedge the interest rate risk, connected with part of the bank loans.

The detailed information required by Article 2427-bis, paragraph 1, no.1 of the Italian Civil Code is presented as follows.

Description	Fair value 31/12/2019	2019 tax effect	Fair value 31/12/2020	2020 tax effect	Change in IS	Change in SE	Nature	Notional in thousands
INTEREST RATE SWAP	(102)		-	-	-	-	(A)	-
CAP	1		-	-	(1)	(1)	(A)	-
IRS PLAIN VANILLA	(31)	7	-	-	-	24	(A)	-
IRS PLAIN VANILLA	(31)	7	-	-	-	24	(A)	-
EURO/USD EXCHANGE OPTIONS	306	(73)	-	-	-	(232)	(B)	-
FLEXIBLE-TERM CONTRACT	(58)	14	-	-	-	44	(B)	-
FLEXIBLE-TERM CONTRACT	(117)	28	-	-	-	89	(B)	-
INTEREST RATE SWAP	(106)	25	(319)	76	-	(162)	(A)	12,000
INTEREST RATE SWAP	(112)	27	(139)	33	-	(20)	(A)	8,500
FLEXIBLE-TERM CONTRACT	(1,472)	353	388	(93)		1,414	(B)	8,000 USD
INTEREST RATE SWAP	-	-	(731)	175		(556)	(A)	63,000
FLEXIBLE-TERM CONTRACT	-	-	917	(220)		697	(B)	11,360 USD
FLEXIBLE-TERM CONTRACT	-	-	1,944	(467)		1,477	(B)	32,700 USD
Total	(1,723)	389	2,061	(495)	(1)	2,798		

(A) Hedging derivative on the risk of oscillating interest rates

(B) Hedging derivative on exchange rates for future transactions

As at 31.12.2020, the Group had the following financial derivative instruments of the "Cash flow hedge" type to hedge financing transactions or expected cash flows from contracts in USD and for which the following hedging relationship is present:

- notional 12,000 thousand Euros IRS maturing on 01/07/2032 with the frequency of half-yearly payment to hedge the loan for the same amount subscribed by Renco Capital S.r.l. The fair value of the derivative of 319 thousand Euros was recognised in the "Reserve for hedging operations for expected financial flows" net of deferred taxation and offset in item B 3) "Derivative financial liability instruments";
- notional 8,500 thousand Euros IRS maturing on 30/06/2025 with the frequency of half-yearly payment to hedge the Residence Viserba S.r.l. loan for the same amount. The fair value of the derivative of 139 thousand Euros was recognised in the "Reserve for hedging operations for expected financial flows" net of deferred taxation and offset in item B 3) "Derivative financial liability instruments";
- Forward contracts on USD/Euro exchange rates, notional value of USD 8,000 thousand (USD 163,600 thousand in 2019) expiring on 12/05/2021, to hedge the cash flow in USD that the Group will collect for the construction contract for the Yerevan Power Plant in Armenia. The fair value of the derivatives of 388 thousand Euros was recognised in the "Reserve for hedging operations for expected financial flows" net of deferred taxation and offset in item B III) 4) "Derivative financial asset instruments"
- notional 63,000 thousand Euros IRS maturing on 17/06/2027 to hedge the loan signed in June 2020 by Renco Valore S.p.A. The fair value of the derivative of 731 thousand Euros was recognised in the "Reserve for hedging operations for expected financial flows" net of deferred taxation and offset in item B 3) "Derivative financial liability instruments";
- Flexible forward contracts on USD/Euro exchange rates, notional value of USD 11,360 thousand expiring on 31 August 2020, to hedge the cash flow in USD that the Group will collect for the construction contract for the CCS field in

Mozambique. The fair value of the derivative of 917 thousand Euros was recognised in the "Reserve for hedging operations for expected financial flows" net of deferred taxation and offset in item B III) 4) "Derivative financial asset instruments"

- Flexible forward contracts on USD/Euro exchange rates, notional value of USD 32,700 thousand expiring on 31/12/2021, to hedge the cash flow in USD that the Group will collect for the construction contract for the Yerevan Power Plant in Armenia. The fair value of the derivative of 1,944 thousand Euros was recognised in the "Reserve for hedging operations for expected financial flows" net of deferred taxation and offset in item B III) 4) "Derivative financial asset instruments".

The "Reserve for hedging operations for expected financial flows" decreased by 2,335 thousand Euros compared to 31 December 2019 due to the negative change of 5,133 thousand Euros recorded as a result of the equity valuation of the investee Armpower presented in line with the provisions of OIC 17, paragraph 175, offset by the positive change of 2,798 thousand Euros arising from the derivative instruments shown in the table above.

#### Information on related party transactions

(Ref. Art. 38, first paragraph, lett. o-quinquies), Italian Legislative Decree No. 127/1991.

Transactions with related parties at normal market conditions were put in place. These transactions relate to business activities carried out for long-standing clients, which have produced profitability in line with corporate income parameters.

The table below summarises both commercial and financial transactions with related parties broken down by category.

Company	Revenues	Costs	Finance income (charges)	Trade receivables	Trade payables	Advances	Financial receivables	Financial payables
<i>Non-consolidated subsidiary companies</i>	651	40		321	84	142,984	9	60
ARMPower	625	24	-	244	-	142,984	-	-
RENCO FOOD	25	-	-	77	33	-	-	60
VILLA DELLE ROSE	-	-	-	-	-	-	7	-
CONSORZIO RENCO LANCIA ITER	-	16	-	-	48	-	-	-
SALINELLA	-	-	-	-	4	-	2	-
<i>Associated companies</i>	4,708	4,185	184	5,868	2,764	4,716	22,619	
DARIN CONSTRUCTION	1,998	2	159	1,658	14	-	13,311	-
VELOFIRMA	295	1	-	811	1	-	3,126	-
REAL ESTATE MANAGEMENT	93	3	-	24	18	-	2,094	-
TRADEMARK	564	1	25	811	0	-	1,355	-
NIASSA SANCTUARY	6	-	-	175	1	-	139	-
RENCO IREM CONSTRUCCOES	1,278	-	-	1,605	70	4,716	1,034	-
RENCO NIGERIA	361	-	-	742	1	-	-	-
NOVA PORTUM	-	-	-	-	-	-	1,560	-
TOLFA CARE SRL	113	-	-	42	-	-	-	-
RENCO QATAR	-	4,178	-	-	2,659	-	-	-
<i>Other related parties</i>		1,154		273	697			5,901
ISCO S.R.L.	-	1,154	-	273	697	-	-	-
SHAREHOLDERS	-	-	-	-	-	-	-	5,901
<b>TOTAL</b>	<b>5,359</b>	<b>5,379</b>	<b>184</b>	<b>6,462</b>	<b>3,544</b>	<b>147,700</b>	<b>22,629</b>	<b>5,961</b>

#### Information on significant events subsequent to the end of the financial year

Pursuant to Article 2427 no. 22-quater) of the Italian Civil Code, the following should be noted:

On 4 January 2021, Villa delle Rose S.r.l. purchased the healthcare facility called "Villa delle Rose", located in Vittorio Veneto (TV), which will be subject to renovation in future and subsequently used as a nursing home for the elderly.



On 19 February 2021, Renco Valore S.p.A. was transformed into a joint-stock company, thus becoming Renco Valore S.p.A, at the same time it increased its share capital from €10,000 to €10,000,000.

Following the jihadist attacks that occurred in March and April 2021 in northern Mozambique, Total has temporarily suspended construction activities in the Afungi Peninsula. Due to the costs already incurred and the obligations assumed by Total, the project cannot be stopped. Behind the suspension is Total's desire to renegotiate the fees related to gas extraction with the Mozambican government.

The interruption of the Mozambique CCS contracts, on which the Renco Group is working, comes at a particularly favourable time for the Group. In fact, the orders have completed the engineering and procurement phase, which is normally the phase involving less risk and higher margins for EPC works. On-site construction activities, which are characterised by the absorption of order margins/cash, had just begun. The Directors are constantly monitoring the evolution of the situation and based on the information available to date and on the assessments made, they do not see any problems relating to the recoverability of the amounts entered under inventories.

Elements that make predictability of operations difficult remain, including the epidemiological evolution of the COVID-19 pandemic and the consequent impact on markets and socio-political and economic uncertainty in the countries where the Group operates. The impacts of the COVID-19 emergency and other uncertainties are and will be constantly monitored by the Directors in their evolution and considered in the Group's accounting estimates during 2021, including those relating to the recoverability of the value of assets recognised in the financial statements.

Moreover, the Board of Directors believes that what is happening does not change the medium/long-term outlook, also in terms of confirming the existence of the going concern assumption.

#### Off-balance sheet commitments, guarantees and contingencies

Below is the total amount of commitments, guarantees and potential liabilities not shown in the balance sheet, with indication of the nature of the collateral provided; the existing commitments on retirement and similar commitments, as well as the commitments entered into with subsidiary companies, associated companies, parent companies and companies subject to the control of the latter are indicated separately:

(€ thousands)	31.12.2019	31.12.2020	Changes
Memorandum accounts of third-party risks	160,725	177,278	16,553
Memorandum accounts of commitments undertaken	173	-	(173)
Total	160,898	177,278	16,380

The following section provides information on the composition and nature of commitments and other memorandum accounts, knowledge of which is useful for assessing the financial position of the company, with specific indication of those relating to subsidiary companies, associated companies, parent companies and partner companies.

The total amount of sureties issued by the Group at 31 December 2020 was 177.7 million Euros (160.7 million Euros in 2020). The detail of sureties is provided below:

- 161.5 million Euros (147.8 million Euros in 2019), guarantees issued by Renco S.p.A. to clients, against the commitments assumed by Group companies for the proper execution of acquisitions. The item consists of performance bonds of 79.7 million Euros (75.3 million Euros in 2019), advance payment bonds of 34.7 million Euros (40.9 million Euros in 2019), retention bonds and stand-by letters of 29.7 million Euros (15.4 million Euros in 2019) and other guarantees of 17.5 million Euros (16.1 million Euros in 2019);
- 12.9 million Euros relate to the insurance guarantee issued by Residence Viserba S.r.l. to the city of Rimini to guarantee the subsequent free transfer to the latter of the urbanisation works in the Viserba area.

With reference to the commitments undertaken, it is noted that the amount of the previous year, equal to 173 thousand Euros, referred to the commitment undertaken by the subsidiary company Joint Green S.r.l., which was sold during the year.

#### Information on off-balance sheet agreements

(Ref. Art. 38, first paragraph, letter o-sexies), Italian Legislative Decree No. 127/1991)

The Group has no agreements in place not resulting from the Balance Sheet.

#### Information on the fees due to the statutory auditor

(Ref. Art. 38, first paragraph, lett. o-septies), Italian Legislative Decree No. 127/1991)

In accordance with the law, please note the fees for the year for services provided by the auditing firm and entities belonging to its network to the Group.

- fees due for the statutory audit of the consolidated accounts: 167 thousand Euros.

#### Other information

In accordance with the law, please note the total fees due to the directors, the members of the Board of Auditors of the parent company including those due for the performance of these tasks also in other businesses included in the consolidation.

Position	Renco Group S.p.A.	Renco S.p.A	Renco Valore S.p.A.	Remuneration
Directors	145	78		223
Board of Statutory Auditors	17	70	64	151
Supervisory body	33	42	20	95
Total	195	190	84	468

These consolidated financial statements, comprising the balance sheet, income statement and explanatory notes, provide a true and fair view of the equity and financial situation as well as the economic result, and are consistent with the underlying accounting records of the parent company, and the information provided by the companies included in the consolidation.

Attachments to the consolidated financial statements:

- list of companies included in the consolidation using the line-by-line method in accordance with Art. 26 of Italian Legislative Decree 127/91;
- list of companies included in the consolidation using the proportional method in accordance with Art. 37 of Italian Legislative Decree 127/91
- list of other equity investments in subsidiary and associated companies not consolidated;
- list of other equity investments;
- reconciliation table between the financial statements of the parent company and the consolidated financial statements;
- statement of changes in consolidated shareholders' equity accounts.

Pesaro, 07 May 2021

On behalf of the Board of Directors  
The Chairman

Giovanni Gasparini

RENCO GROUP S.P.A.

Registered office in VIALE VENEZIA, 53 - 61121 PESARO (PS) - Share Capital Euro 9,012,500.00 fully paid-in  
Attachment 1 to the Consolidated Financial Statements as at 31/12/2020

List of companies included in the consolidation using the line-by-line method in accordance with Art. 26 of Italian Legislative Decree 127/91 as at 31/12/2020

Company name	Registered office	Currency	Share capital	Shareholders	Share prop.	Share cons.
RENCO S.P.A.	ITALY	EUR	60,000,000	RENCO GROUP S.P.A.	99.51%	99.51%
RENCO VALORE S.P.A.	ITALY	EUR	100,000	RENCO GROUP S.P.A.	99.51%	99.51%
RENCO HEALTH CARE S.R.L.	ITALY	EUR	100,000	RENCO VALORE S.P.A.	90.00%	89.56%
RENCO CAPITAL S.R.L.	ITALY	EUR	100,000	RENCO GROUP S.P.A.	99.99%	99.99%
RESIDENCE VISERBA S.R.L.	ITALY	EUR	1,425,420	RENCO VALORE S.P.A.	100.00%	99.51%
ARENGEST S.R.L.	ITALY	EUR	10,000	RENCO VALORE S.P.A.	100.00%	99.51%
ITALSEC S.R.L.	ITALY	EUR	100,000	RENCO S.P.A.	90.00%	89.56%
RENCO ASSET MANAGEMENT S.R.L.	ITALY	EUR	100,000	RENCO GROUP S.P.A.	99.51%	99.51%
VILLA SOLIGO SRL	ITALY	EUR	93,080	RENCO VALORE S.P.A.	50.00%	49.76%
EAT'S RE	ITALY	EUR	1,300,500	RENCO VALORE S.P.A.	100.00%	99.51%
RENCO ARMESTATE LTD	ARMENIA	AMD	500,992,000	RENCO S.P.A.	100.00%	99.51%
ARMENIA GESTIONE	ARMENIA	AMD	50,000	RENCO VALORE S.P.A.	100.00%	99.51%
RENCO ARMENIA VALORE LTD	ARMENIA	AMD	500,000,000	RENCO VALORE S.P.A.	100.00%	99.51%
NUOVO VELODROMO	ARMENIA	AMD	50,000	RENCO VALORE S.P.A.	100.00%	99.51%
ITALSEC ARMENIA	ARMENIA	AMD	100,000	ITALSEC S.R.L.	100.00%	89.56%
RENCO POWER CJSC	ARMENIA	AMD	100,000	RENCO S.P.A.	78.00%	77.62%
HOTEL YEREVAN OJSC	ARMENIA	AMD	510,000,000	RENCO VALORE S.P.A.	100.00%	99.51%
RENCO-KAT S.R.L.	KAZAKHSTAN	KZT	74,600,000	RENCO S.P.A.	50.00%	49.76%
RENCO PROPERTY LLP	KAZAKHSTAN	KZT	74,600,000	RENCO VALORE S.P.A.	100.00%	99.51%
GEODELTA CORP	KAZAKHSTAN	KZT	100,000	RENCO S.P.A.	60.00%	59.71%
INTERRENKO LTD.	RUSSIA	RUB	134,500	RENCO VALORE S.P.A.	100.00%	99.51%
SOUTHERN CROSS LLC	RUSSIA	RUB	37,256,408	GRAPEVINE INVESTIMENTOS E SERICOS LDA	100.00%	49.76%
RENCO SAKH LLP	RUSSIA	RUB	233,278,000	RENCO VALORE S.P.A.	100.00%	99.51%
GRAPEVINE INVESTIMENTOS E SERICOS LDA	PORTUGAL	EUR	5,000	RENCO VALORE S.P.A.	50.00%	49.76%
RENCO TANZANIA LTD	TANZANIA	TZM	20,000,000	RENCO S.P.A.	99.00%	98.52%
ITALSEC MOZAMBICO	MOZAMBIQUE	MZN	250,000	ITALSEC S.R.L.	62.50%	55.97%
REAL MOZ LDA	MOZAMBIQUE	MZN	889,248,416	RENCO VALORE S.P.A.	80.20%	79.81%
RENCO MOZAMBICO LTP	MOZAMBIQUE	MZN	250,000	RENCO VALORE S.P.A.	97.00%	96.52%
RENCOTEK LDA	MOZAMBIQUE	MZN	10,000,000	RENCO S.P.A.	99.00%	99.51%
				RENCO VALORE S.P.A.	1.00%	99.51%
RENCO ENERGIA LDA	MOZAMBIQUE	MZN	250,000	RENCO S.P.A.	62.50%	62.19%

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MOZESTATE LDA	MOZAMBIQUE	MZN	250,000	RENCO VALORE S.P.A.	99.00%	98.51%
				RENCO GROUP S.P.A.	1.00%	1.00%
CAPO DELGADO PROPERTIES SA	MOZAMBIQUE	MZN	100,000	RENCO S.P.A.	63.00%	62.69%
PEMBA BULK TERMINAL LTD	MOZAMBIQUE	MZN	100,000	CAPO DELGADO PROPERTIES SA	80.00%	50.15%
RENCO GESTION IMMOBILIERE	CONGO	XAF	10,000,000	RENCO VALORE S.P.A.	70.00%	69.66%
RENCO CONGO SARLU	CONGO	XAF	10,000,000	RENCO S.P.A.	100.00%	99.51%
RENCO CONGO VALORE	CONGO	XAF	611,910,337	RENCO VALORE S.P.A.	100.00%	99.51%
ITALSEC CONGO	CONGO	XAF	10,000,000	ITALSEC S.R.L.	100.00%	89.56%
RENCO MAR	MOROCCO	MAD	1,000,000	RENCO S.P.A.	97.00%	96.53%
RENCO ENERGIES SA	MOROCCO	MAD	300,000	RENCO MAR	59.70%	57.63%
RENCO ALGERIA	ALGERIA	DZD	1,000,000	RENCO S.P.A.	100.00%	99.51%
RENCO CANADA	CANADA	CAD	100	RENCO S.P.A.	100.00%	99.51%

List of companies included in the consolidation using the net equity method in accordance with Art. 26 of Italian Legislative Decree 127/91 as at 31/12/2020

Company name	Registered office	Currency	Share capital	Shareholders	Share prop.	Share cons.
ARMPOWER CJSC	ARMENIA	USD	83,098,000	RENCO POWER CJSC	60.00%	46.57%
RENCO FOOD S.R.L.	ITALY	EUROS	100,000	RENCO VALORE S.P.A.	100.00%	99.51%

Chairman of the Board of Directors  
Giovanni Gasparini

RENCO GROUP S.P.A.

Registered office in Strada del Montefeltro, 51 - 61122 PESARO (PU) - Share Capital Euro 9,012,500.00  
fully paid-in

Attachment 2 to the Consolidated Financial Statements as at 31/12/2020

List of companies included in the consolidation using the proportional method in accordance with Art. 37 of Italian Legislative Decree 127/91 as at 31/12/2020

Company name	Registered office	Share capital		Shareholders	Share prop.	Share cons.
		Currency	Amount		%	%
TERNA GREECE JV	GREECE	EUR	0	RENCO S.P.A.	50.000	50.000

Chairman of the Board of Directors  
Giovanni Gasparini

RENCO GROUP S.P.A.

Registered office in Strada del Montefeltro, 51 - 61122 PESARO (PU) - Share Capital Euro  
 9,012,500.00 fully paid-in

Attachment 3 to the Consolidated Financial Statements as at 31/12/2020

List of other equity investments in subsidiary companies (not consolidated) and associated companies

Company name	Registered office	Currency	Share capital	Shareholders	Share prop.	Share cons.
VELOFIRMA (1)	ARMENIA	AMD	4,100,000	NUOVO VELODROMO	58.00%	57.72%
CONSORZIO STABILE RENCO LANCIATER (2)	ITALY	EUR	100,000	RENCO S.P.A.	71.00%	70.65%
RENCO NOT-FOR-PROFIT FOUNDATION (2)	ITALY	EUR	104,537	RENCO S.P.A.	100.00%	99.51%
TOLFA CARE S.R.L.	ITALY	EUR	825,000	RENCO HEALTH CARE S.R.L.	47.50%	42.54%
REAL ESTATE MANAGEMENT S.R.L.	ITALY	EUR	10,000	RENCO VALORE S.P.A.	30.00%	29.85%
VILLA DELLE ROSE (2)	ITALY	EUR	10,000	RENCO VALORE S.P.A.	100.00%	99.51%
SALINELLA EOLICO S.R.L.	ITALY	EUR	10,000	RENCO S.P.A.	50.00%	49.76%
NOVA PORTUM S.R.L.	ITALY	EUR	10,000	RENCO S.P.A.	30.00%	29.85%
RENCO QATAR	QATAR	IQR	200,000	RENCO S.P.A.	49.00%	48.76%
DARIN CONSTRUCTION	KAZAKHSTAN	KZT	3,500,000	RENCO VALORE S.P.A.	25.00%	24.88%
TRADEMARK ITALY LLP	KAZAKHSTAN	KZT	240,500	RENCO VALORE S.P.A.	50.00%	49.76%
RENCO NIGERIA	NIGERIA	NID	15,977	RENCO S.P.A.	49.00%	48.76%
NIASSA SANCTUARY LTD	MOZAMBIQUE	MZN	100,000	MOZESTATE LDA	50.00%	49.76%
CENTRAL SOLA MOZAMBIQUE	MOZAMBIQUE	MZN	100,000	RENCO S.P.A.	20.00%	19.90%
RENCO IREM CONSTRUCOES LDA	MOZAMBIQUE	MZN	10,000,000	RENCO S.P.A.	31.25%	31.10%

Reasons for exclusion

- (1) Company exempt from consolidation since not controlled based on contractual agreements
- (2) Company excluded since insignificant

Chairman of the Board of Directors  
 Giovanni Gasparini

RENCO GROUP S.P.A.

Registered office in Strada del Montefeltro, 51 - 61122 PESARO (PU) - Share Capital Euro  
 9,012,500.00 fully paid-in

Attachment 4 to the Consolidated Financial Statements as at 31/12/2020

Figures are given in thousands of Euros

Statement reconciling the net result and shareholders' equity of the consolidating company with the respective values resulting from the consolidated financial statements

The group consolidated shareholders' equity and consolidated economic results as at 31/12/2020 are reconciled with those of the parent company as follows:

	Shareholders' equity	Result
Shareholders' equity and operating profit as recorded in the financial year of the parent company	82,204	1,299
Effect of adjustments made in application of the accounting standards	497	443
a) Adoption of IAS 17	(58)	11
b) Valuation of non-consolidated associated and subsidiary companies using the equity method	555	431
Elimination of the book value of consolidated investments:	71,749	1,885
a) Net effect of elimination of the book value of the consolidated investments with the relative shareholders' equity and results	4,872	5,477
b) Reversal of write-downs/revaluations of equity investments	43,031	3,203
c) Reversal of intercompany dividends, investee companies	-	(6,406)
d) Value of net capital gains attributions at the acquisition date of investee companies net of the related tax effect	23,846	(734)
e) Elimination of capital gains from the sale of equity investments net of the related tax effect	-	345
Other consolidation entries net of the related tax effect	(9,658)	(385)
a) Elimination of intercompany profits net of the related tax effect	(7,454)	(121)
b) Other consolidation entries net of the related tax effect	(2,204)	(264)
Consolidated shareholders' equity and operating profit	144,792	3,241

Chairman of the Board of Directors  
 Giovanni Gasparini

RENCO GROUP S.P.A.

Registered office in Strada del Montefeltro, 51 - 61122 PESARO (PU) - Share Capital Euro 9,012,500.00 fully paid-in

Attachment 5 to the Consolidated Financial Statements as at 31/12/2020

Amounts are shown in Euros.

Consolidated group statement of changes in shareholders' equity

	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Extraordinary reserve	Capital contributions	Negative reserve for treasury shares in portfolio	Reserve for hedging operations for financial flows	Consolidation reserve	Translation differences	Profit (loss) carried forward	Operating profit	Total	Minority interests	Total shareholders' equity
Balance as at 31.12.2018	9,013	25,988	4,696	1,281	20,198	25,026	(3,609)	398	4,313	(23,942)	86,963	8,755	159,080	1,563	160,643
Allocation of the operating profit				86	1,635						7,034	(8,755)			
Dividends paid					(148)								(148)	(19)	(167)
Fair value measurement of reserve to hedge expected financial flows								(1,625)					(1,625)	(8)	(1,633)
Other changes						15			1,559	(1,063)			509	(640)	(131)
Profit for the current year												8,017	8,017	71	8,088
Balance as at 31.12.2019	9,013	25,988	4,696	1,367	21,685	25,041	(3,609)	(1,227)	5,872	(25,005)	93,997	8,017	165,833	967	166,800
Allocation of the operating profit				72	1,364						6,581	(8,017)			
Dividends paid														(19)	(19)
Fair value measurement of reserve to hedge expected financial flows						(15)		(2,335)					(2,350)	(11)	(2,361)
Other changes									80	(25,145)			(25,062)	2,193	(22,868)
Profit for the current year												5,867	5,867	(2,627)	3,241
Balance as at 31.12.2020	9,013	25,988	4,696	1,439	23,049	25,026	(3,609)	(3,562)	5,952	(50,150)	100,578	5,867	144,289	504	144,794

Chairman of the Board of Directors  
Giovanni Gasparini



## INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of  
Renco Group S.p.A.

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the consolidated financial statements of Renco Group S.p.A. and its subsidiaries (the "Group" or "Renco Group"), which comprise the consolidated balance sheet as at December 31, 2020, the consolidated statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

#### 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Renco Group S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the 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 Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance the Italian law governing financial statements and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Renco Group S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (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 consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 management's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Renco Group S.p.A. are responsible for the preparation of the report on operations of Renco Group as at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Renco Group as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of Renco Group as at December 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
**Jessica Lanari**  
Partner

Ancona, Italy  
May 18, 2021

*This report has been translated into the English language solely for the convenience of international readers.*

