

Annual Financial Report 2021





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Corporate bodies

Board of Directors¹

First name and surname	Office
Giovanni Gasparini	Chairman
Passeri Lorenzo	Director
Frezzottii Giovanni	Director

Board of Statutory Auditors²

First name and surname	Office
Silvestrelli Oriani	Chairman
Capecci Daniele	Statutory Auditor
Lauri Roberto	Statutory Auditor
Casali Gilberto	Alternate Auditor
Ciarmatori Dario	Alternate Auditor

Independent Auditing Firm³

Deloitte & Touche S.p.A.

¹ 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 2023.

² 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 2023.

³ The Shareholders' Meeting of 20 May 2019 resolved to appoint Deloitte & Touche S.p.A. to audit the accounts for the financial years 2019-2021.

Shareholding structure

The “Renco Group”, of which Renco Group S.p.A. is the parent company, is a leading Italian company that carries out General Contracting activities in the Energy and Asset Management sector. The Group’s business is organised into two major sub-holdings: Renco S.p.A., which heads several business lines, including the Energy Business Line, the Buildings Business Line and the Services Business Line; Renco Valore S.p.A., which holds the Group’s real estate properties and manages them using the services provided by Renco Asset Management S.r.l., both identified in the Asset Management Business Line.

Below are the companies belonging to the Renco Group falling within the scope of consolidation¹:

¹ For an exhaustive detail of all Group companies, please refer to Annexes 1, 2 and 3 of the Explanatory Notes to the Consolidated Financial Statements.



Shareholding structure of the Renco Group as at 31 December 2021

RENCO Group

RENCO SPA

→	FONDAZIONE RENCO ONLUS	100%	
→	CONSORZIO RENCO LANCIA ITER	71%	
→	SALINELLA EOLICO	100%	
→	NOVA PORTUM	30%	
→	ITALSEC	70%	
→	ITALSEC CONGO	100%	
→	ITALSEC ARMENIA	100%	
→	ITALSEC MOZAMBICO	62,50%	
→	RENCO ENERGY SOLUTION	51%	
→	RENCO ECO ENERGY	51%	
→	GREENERGO	100%	
→	RENCOTEK	99%	
→	RENCO IREM CONSTRUCOES	31,25%	
→	RENCO ENERGIA	62,50%	
→	CABO DELGADO PROPERTIES	63%	
→	PEMBA BULK TERMINAL	80%	
→	RENCO MOZ GREEN	99%	
→	CENTRAL SOLAR DE MECUFI	25%	
→	RENCO KAT	45%	
→	NUR SULTAN BRANCH		
→	ATYRAU BRANCH		
→	AKSAI BRANCH		
→	URALSK BRANCH		
→	GEODELTA CORP	60%	
→	PROMINVESTENGINEERING	20%	
→	RENCO ARMESTATE	100%	
→	RENCO POWER	78%	
→	ARMPower	60%	
→	RENCO CANADA	100%	
→	RENCO QATAR	49%	
→	JOINT VENTURE RENCO TERNA	50%	
→	ALBANIA BRANCH		
→	RENCO NIGERIA	49%	
→	RENCO ENERGY SERVICES	49%	
→	RENCO SERVICE	100%	
→	RENCO MIDDLE EAST	99%	
→	RENCO SAUDI ARABIA	100%	
→	RENCO WAYOE GHANA	90%	
→	RENCO CONGO	100%	
→	RENCO TANZANIA	100%	
→	RENCO ALGERIE	100%	

→	IRAQ BRANCH	
→	LYBIA BRANCH	
→	GHANA BRANCH	
→	ALBANIA BRANCH	
→	GRECIA BRANCH	
→	ABU DHABI BRANCH	
→	TURKMENISTAN BRANCH	
→	YEREVAN BRANCH	
→	DENMARCH BRANCH	

RENCO Asset Management

→	ARMENIA BRANCH	
→	CONGO BRANCH	

RENCO Valore

→	RENCO HEALTH CARE	90%	
→	TOLFA CARE	47,5%	
→	RESIDENCE VISERBA	100%	
→	EAT'S RE	100%	
→	RENCO FOOD	100%	
→	ARENGEST	100%	
→	VILLA SOLIGO	50%	
→	VILLA DELLE ROSE	100%	
→	RENCO ARMENIA VALORE	100%	
→	HOTEL YEREVAN	100%	
→	ARMENIA GESTIONE	100%	
→	NUOVO VELODROMO	100%	
→	VELOFIRMA	53,7%	
→	INTERRENKO	100%	
→	RENCO SAKH	100%	
→	TRADE MARK ITALY	50%	
→	REAL MOZ	80,2%	
→	MOZESTATE	99%	
→	NIASSA SANCTUARY	50%	
→	RENCO MOZAMBIQUE	97%	
→	DARIN CONSTRUCTION	25%	
→	RENCO PROPERTY	100%	
→	NUR SULTAN BRANCH		
→	AKSAIBRANCH		
→	ATYRAU BRANCH		
→	RENCO GESTION IMMOBILIER	70%	
→	RENCO CONGO VALORE	100%	
→	GRAPEVINE	50%	
→	SOUTHERNCROSS	100%	
→	RENCO CAPITAL SRL	99,99%	

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

- on 19 February 2021, Renco Valore S.r.l. was transformed into a joint-stock company, becoming Renco Valore S.p.A.; at the same time, the share capital was increased through reserves and rose from Euro 10,000 to Euro 10,000,000;
- three new companies were established in Italy. The first one, 51% of which is owned by Renco S.p.A., is Renco Energy Solution S.r.l., based in Rome, aimed at new potential commercial and entrepreneurial initiatives in the building sector and linked to the available tax incentives on anti-seismic and energy efficiency improvements. The second, based in Pesaro, is Renco Eco Energy S.r.l., held at 51% by Renco S.p.A., which operates in the area of highly innovative services and products as envisaged by the Mise Decree of 1 October 2020 (the so-called “Start Up Decree”). The third company, established in December, is Greenergo S.r.l., whose purpose is to develop initiatives in the area of renewable energy projects, in view of the growing opportunities offered by the Italian market;
- for the completion of the commercial initiatives put in place by the Services Business Line, three new companies were established during the period: Renco Service OOO, based in Moscow, wholly owned by Renco S.p.A.; Renco Middle East, based in Muscat, Oman, 99% owned by Renco S.p.A. and the remaining 1% by Renco Group S.p.A.; Renco Arabia, based in Riyadh, wholly owned by Renco S.p.A.. Renco Service OOO was opened in March and recorded revenues of Euro 676 thousand and an Ebitda of Euro 105 thousand (the revenues refer to service operations carried out in the Yamal and Sakhalin regions), while Renco Middle East started operations in May and at year-end recorded revenues of Euro 6.3 million and an Ebitda of Euro 1.3 million;
- on 23 February 2022, Renco S.p.A. acquired a further 50% stake in Salinella Eolico S.r.l., which during the period took over the surface ownership and easement rights over some land, located in the municipalities of Petronà (CZ) and Belcastro (CZ), required to build a 21 MW wind farm.

Based on the agreements reached with the owners of the land, the surface and easement rights will have a 30-year term, extendable upon contractual expiry, at the same economic conditions, for the entire useful life of the plant. The purchase took place at a consideration of Euro 973 thousand for the relevant portion;

- in order to allow Simest’s entry into the project finance initiative relating to the construction and management of a 20 MW photovoltaic system in Mozambique through the project company Central Solar de Mecufi, on 15 December 2021, the Mozambican company Renco Moz Green Ltd was established, 99% owned by Renco S.p.A. and 1% by Mozestate LDA. Please refer to the following section of this report for details of the transaction;
- as of 1 January 2021, Renco Qatar became part of the Renco Group’s consolidated financial statements following an agreement between the shareholders, which establishes de facto control of the company by Renco S.p.A.;
- finally, liquidation processes of the companies under Moroccan law, Renco Mar Sarl and Renco Energies Sa, of the Mozambican branch of Renco Asset Management S.r.l. and of the Italian company Eat’s Italia S.r.l. have been completed.

Directors' Management Report 2021

1) Management Report

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2) Consolidated financial statements

Introduction

This management report 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 in conjunction with the financial statements and related explanatory notes that constitute the consolidated financial statements of Renco Group S.p.A. as at 31 December 2021.

Unless otherwise indicated, all amounts in this report are stated in thousands of Euro.

Methodological note

Unless otherwise specified, all comments and comparisons in the remainder of this report refer to the economic and financial data for the 2021 financial year compared to the 2020 financial year. All figures in the management report and the related tables are expressed in thousands of Euro and all comments in the “Explanatory Notes” are also expressed in thousands of Euro. 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.

Group situation and operating performance

Also in 2021, the Renco Group has positively faced the continuing effects of the pandemic, thanks to the strength and diversification of its activities and its diversified geographical presence.

Thanks to the building stimulus policies implemented by the Italian government, the Group, through its organisational flexibility, promptly grasped the opportunities that emerged on the Italian market for energy efficiency works linked to the 'Superbonus 110' for large apartment blocks. In just a few months, Renco S.p.A. recorded an inflow of orders placed for this type of work with a contractual value of Euro 53.8 million as at 31 December 2021, while to date it has a production backlog of Euro 271.2 million.

In the year ending 31 December 2021, the Group's value of production amounted to Euro 329.9 million, an increase of about 2% compared to 31 December 2020. Operating revenue from third parties amounted to Euro 315.6 million (+6% compared to 2020).

Economic analysis

Income statement	31/12/2021	%	31/12/2020	%	Change %
Revenues from sales	338,562	102.62%	348,375	107.31%	-2.82%
Changes in WIP product inventories	(26,509)	-8.04%	(56,707)	-17.47%	-53.25%
Increases in assets for internal work	14,273	4.33%	26,321	8.11%	-45.77%
Other operating income	3,577	1.08%	6,660	2.05%	-46.29%
Value of production	329,903	100.00%	324,649	100.00%	1.62%
Goods and consumables	(75,465)	-22.87%	(112,972)	-34.80%	-33.20%
Service costs	(130,978)	-39.70%	(109,237)	-33.65%	19.90%
Personnel costs	(73,635)	-22.32%	(58,588)	-18.05%	25.68%
Other operating costs ⁴	(15,614)	-4.73%	(10,285)	-3.17%	51.81%
Operating costs	(295,692)	-89.63%	(291,082)	-89.66%	1.58%
Gross operating profit (EBITDA)	34,211	10.37%	33,567	10.34%	1.92%
Amortisation, depreciation and write-downs	(14,595)	-4.42%	(13,116)	-4.04%	11.28%
Allocations for risks and guarantees	(2,200)	-0.67%	(4,902)	-1.51%	-55.12%
Operating profit (EBIT)	17,416	5.28%	15,549	4.79%	12.01%
Income from equity investments	48	0.01%	1,655	0.51%	-97.10%
Other financial income	387	0.12%	437	0.13%	-11.44%
Interest and other financial expenses	(7,354)	-2.23%	(6,341)	-1.95%	15.98%
Foreign exchange gains (losses)	8,337	2.53%	(1,258)	-0.39%	-762.72%
Adjustments of financial assets	(1,244)	-0.38%	(1,257)	-0.39%	-1.03%
Pre-tax income	17,590	5.33%	8,785	2.71%	100.23%
Income taxes	(10,244)	-3.11%	(7,755)	-2.39%	32.10%
Deferred (and prepaid) taxes	(224)	-0.07%	2,213	0.68%	-110.12%
Profit (loss) for the year	7,121	2.16%	3,241	1.00%	119.72%

⁴ It includes the income statement items "Other operating expenses", expenses "For use of third-party assets", and "Changes in inventories of raw, ancillary and consumable materials and goods".

Ebitda amounted to Euro 34.2 million (Euro 33.6 million in 2020), with a margin on value of production of 10.4 %, maintaining the previous period's margin.

Depreciation, amortisation and write-downs, of Euro 14.6 million, increased by Euro 1.5 million compared to 2020 (+11.28%), mainly in the activities of the sub-holding Renco S.p.A., which recorded an increase of Euro 1.1 million in this item following the full appreciation of the investments completed in 2020, such as the Pemba Phase 1 terminal, and investments on equipment made in the Italian market.

Allocations for risks and guarantees of Euro 2.2 million refer to the provision of the guarantee fund on the Yerevan Power Plant project, which was completed at the end of the period.

We highlight the improvement in the Operating Profit (EBIT) from Euro 15.5 million in 2020 to Euro 17.4 million in 2021, with a positive change of Euro 1.9 million and an incidence on the value of production rising from 4.8% to 5.3%.

Financial income statement items show a balance of financial expenses, excluding exchange rate effects, of Euro 7.4 million (Euro 6.3 million in the corresponding comparison period). This is up by Euro 1.1 million compared to 2020, attributable to the increase in debt compared to the previous period. In 2021, compared to 2020, local currencies such

as the Armenian Dram, the Mozambican Metical, and the Kazakh Tenge increased in value against the Euro and the USD, which positively affected the item Foreign Exchange Gains and Losses, which at the end of the year showed a positive balance of Euro 8.3 million, comprising gains of Euro 16 million and losses of Euro 7.7 million. Realised exchange rate gains amounted to Euro 4.4 million, and unrealised exchange rate gains amounted to Euro 3.9 million.

Value adjustments on financial assets amounted to a negative Euro 1.2 million (Euro 1.3 million in 2020), and consisted of write-downs of Euro 0.5 million on Renco Food, Renco Wayoe Ghana and Euro 0.8 million on financial receivables, offset by a positive Euro 0.2 million from the equity valuation of Arm-power.

The above management dynamics generate a pre-tax profit of Euro 17.6 million.

Income taxes for the period amounted to Euro 10.5 million (Euro 5.5 million), an increase of Euro 5 million, with a pre-tax profit of Euro 17.6 million in 2021 (Euro 8.8 million in 2020). The tax rate stands at 60% compared to 63% in 2020. The tax charge includes Euro 2.4 million (Euro 0.9 million in the previous period) of taxes referring to previous periods recorded following the settlement of tax assessments in Italy and Armenia.

Results by business line

The results of the “business lines” are measured by analysing the value of production and the industrial margin trends, defined as the profit for the period before overheads, depreciation, amortisation, write-downs, allocations for risks and other write-downs, financial income and expenses, and taxes. In particular, the industrial margin is deemed to provide a good indication of performance as it is not affected by tax regulations and depreciation policies.

The “business lines” representing 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 high-tech civil and industrial buildings;
- **Services Business Line:** Field services and Operation & Maintenance in the energy sector;
- **Asset Management Business Line:** Logistic services to expatriate personnel, hotel management services, and management of the Group's administrative buildings and those of third parties.

Business Lines	2021			2020		
	VdP	Ebitda	Ebitda %	VdP	Ebitda	Ebitda %
Asset Management	30,265	10,958	36.2%	39,032	18,936	48.5%
Energy	142,094	5,139	3.6%	152,896	8,171	5.3%
Buildings	82,727	23,756	28.7%	64,456	13,045	20.2%
Services	60,545	11,085	18.3%	41,944	10,499	25.0%
General Costs		-16,727			-17,085	
Total vs Third Parties	315,631	34,211	11%	298,328	33,567	11.3%
Investments	14,273			26,321		
Total	329,903	31,211		324,649	33,567	

The last three business lines indicated above are the expression of the sub-holding company Renco S.p.A., while the Asset Management Business Line consists of the sub-holding company Renco Valore S.p.A. and the company Renco Asset Management S.r.l.

Energy Business Line

In the financial year ending 31 December 2021, the turnover of the Business Line was Euro 142.1 million (Euro 152.9 million in 2020), the industrial margin was Euro 5.1 million and its ratio to the value of production was 3.6% (5.3% in 2020). Production decreased as a result of the lower value recorded on the Armenian Yerevan Power Plant project, which was completed in 2021, and was partly offset by the progress of the project in Denmark for the construction of a gas compression plant worth Euro 72 million, with 85% progress at year-end, and the progress of the project in Italy, for the construction of LNG modules worth Euro 41.7 million, with 64% progress at 31 December 2021.

A note on the evolution of the main investments in the energy sector 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 gover-

nment 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 Contract 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 work on the power plant proceeded according to schedule throughout 2019.

In 2020, the construction activities of the power plant were delayed, mainly due to the spread of the second wave of the Covid 19 pandemic in the country and, above all, due to the war conflict 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.

Thanks to the implementation of an "acceleration plan" agreed between Armpower Cjsc and Renco Spa, in 2021 it was possible to make up part of the delay suffered due to the above-mentioned causes.

The completion of the construction of the plant, with the associated start-up and commencement of electricity production, took place in December 2021.

In the first four months of 2022, the company reported revenues of USD 39.4 million and EBITDA of USD 8.5 million, with cash generation of USD 16.9 million.

Central Solar de Mecufi (CSM)

Central Solar de Mecufi SA ("CSM"), a company incorporated under Mozambican law and based in Murrebue, Zemun Farm, Mecúfi District, Cabo Delgado, Mozambique, was established to build and operate a photovoltaic system for an initial 20 MW on a 22-hectare site located in Zemun, near Pemba, Mozambique. The project will be realised under project financing.

The estimated cost of constructing the plant, including the cost of connection to the electricity grid, is USD 23.5 million.

On 30 September 2020, CSM signed a 25-year Power Purchase Agreement ("PPA") with the public company Eletricidade De Mozambique EP (EDM) based in Maputo, for the sale of all the energy that may be produced by the plant, at a pre-established indexable tariff of 2% per annum for the duration of the contract.

Subsequently, Renco, together with local partner Moz Energy LDA, presented the project and financial model, already approved by EDM, to the Ministry of Economy and Finance and the Ministry of Mineral Resources and Energy of Mozambique, receiving formal approval of the initiative.

Based on the approved model, the total investment including VAT will be approximately USD 26.35 million (financed with approximately 35% equity and 65% debt).

On 12 January 2021, CSM entered into a Term Sheet with the financial institution Afreximbank, which was willing to fund the Project through project financing, following the positive outcome of environmental/technical/legal/financial due diligence.

To date, the due diligence by Afreximbank is being finalised for the achievement of the Financial Close and the disbursement of the loan to CSM (expected in 2022).

Renco has also presented the initiative to SIMEST S.p.A. (CDP Group), which has agreed to acquire a share of the project in support of Renco, for a value

of Euro 2 million.

The construction activities, which will commence in the first half of 2022 and will last approximately 12 months, will be assigned on the basis of an Off-shore EPC Contract to Renco S.p.A., and on the basis of an Onshore EPC Contract to the Mozambican company Rencotek.

The operational phase will have a duration of 25 years from the start-up date of the plant, and will be carried out on the basis of a future O&M contract by a local Group company.

Buildings Business Line

In the financial year ending 31 December 2021, the turnover of the Business Line was Euro 82.7 million (Euro 64.1 million in 2020), the industrial margin was Euro 23.8 million (13.1 million in 2020) and its ratio to the value of production was 28.7% (20% in 2020). The orders received on the Italian market contributed the most to the increase in the Business Line's margins.

Throughout the financial year, the Business Line received several orders for works related to the "Superbonus 110", based on a facilitation provided for by the Relaunch Decree that raises to 110% the deduction rate for expenses incurred as from 1 July 2020 for specific interventions in the field of energy efficiency, anti-seismic interventions, installation of solar power systems and/or electric vehicle recharging stations in buildings. As part of these incentives, Renco S.p.A. entered the large apartment building market (in Sicily, Umbria and Marche) to carry out the necessary works and manage the financial aspects, through the use of the invoice discount guaranteed to apartment buildings. The interventions are aimed at jumping two energy classes that guarantee approximately 30% energy savings. Most of the interventions are not limited to the minimum necessary jump of two classes, but go up to an additional five classes, saving up to 80% energy and significantly reducing the environmental impact. The majority of the interventions in the pipeline involve the installation of renewable energy sources such as integrated solar power and storage systems in accordance with the EU objectives of energy independence from fossil fuels and improved air quality. As of 31 December 2021, Renco S.p.A. had 23 construction sites in progress and a production value of Euro 36.6 million.

Lastly, the BU started works for the second phase of the investment in Pemba Bulk Terminal, aimed at upgrading the existing port logistics hub. This second phase is based on the acquisition and installation of a pontoon connected to the existing jetty, held by Pemba-based Renco Group company Pemba Bulk Terminal LLC, as well as the dredging of an access channel with a greater draught, ready to give access to the project's supply vessels that handle the oil and gas logistics. At this stage, there are also plans to redevelop the land behind the harbour in order to expand the current area allocated to the logistics management of materials. Please refer to the following section on "Pemba Bulk Terminal" for further details.

A note on the evolution of the main investments in the buildings sector companies:

Pemba Bulk Terminal

The Pemba Bulk Terminal SA ("PBT"), a company incorporated under Mozambican law and based in

Pemba, was set up to build a port ("Jetty") and a logistical base in Pemba, suitable for unloading, storing and loading inert material, which will then be

transported by sea to Afungi, where the oil companies started work in 2019 on the construction of gas liquefaction facilities.

The company 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, the EPC contract was signed between PBT and the Mozambican group company Rencotek Lda, for the construction of the Jetty, for Euro 9.5 million, with the work completed in the second half of 2020.

The Jetty went into operation in November 2020 but then immediately stopped its activities of transporting excavated material by sea to Afungi to serve the client Zagope due to security problems in the north of the country, where Jihadist groups have been engaging in criminal attacks on the civilian population. The government has launched an operation to restore security and law and order in the region, which is about 200 km from Pemba. This intervention is expected to restore normal activities in the area during 2022.

It should be noted, however, that following Decree No. 23/2021 of 31 March 2021, the Mozambican government cancelled the exclusive right previously granted to Portos de Cabo Delgado (PCD) on on-shore and offshore logistics and services for the Oil & Gas business, effectively liberalising the commercial licences linked to port logistics operators and also redefining the area originally allocated to the aforementioned company.

This is a great opportunity for PBT, because in addition to obtaining the commercial logistics licence, which is no longer solely for the transport of inert materials, the company has applied for and obtained the right of use of an additional 78 hectares of land, compared to the 20 hectares previously granted.

This will allow PBT to implement an important development plan for the creation of logistics and prefabrication facilities on land, and the expansion

of the jetty at sea.

In this regard, a floating pontoon (purchase price Euro 6 million) was bought in the second half of 2021, which will be connected to the existing Jetty, increasing its cargo capacity and draught depth to allow access to larger transport vessels.

Residence Viserba

In May 2011, Residence Viserba signed a town-planning agreement with the City of Rimini concerning the development of the Viserba area it owns known as the “Corderia”.

The convention establishes the modalities for the execution of the intervention, identifying the key elements:

- the implementation timeframe;
- the benefits for the Public Administration;
- the square metres of usable surface area that Residence Viserba will be able to build.

In 2021, a further agreement was reached with the City of Rimini to stipulate an Addendum to the Convention that revises the construction times, modifying the initial time schedule and granting an extension of the construction times.

Based on the final/executive projects for the urbanisation works, the tender for their execution was published at the beginning of 2021.

The tender was won by Rimini company Ecodemo-lizioni S.r.l., which, at the end of 2021, started on the first section of the urbanisation works included in the agreement.

As mentioned, the project envisages the construction of residential buildings, as well as spaces for commercial/tertiary activities.

The project is characterised by an abundance of common outdoor green areas and basements with parking. The entire complex occupies a total land area of 22,545 square metres and a net area of 27,594 square metres (net of garages, cellars, balconies and connectives).

The project has been designed with a strong “green” orientation and therefore the buildings will be constructed to achieve a “Near Zero Emission Building” classification. The complex will also be connected to the district heating network already present in the Viserba area.

In view of the favourable juncture in the real estate market, the Group has therefore decided to start work on the former Corderia area, limited to the construction of an initial section.

The application for the construction of the first section of residential buildings was lodged at the end of 2021 and the building permit was issued in early 2022. The first segment envisages, in addition to the urbanisation works, the construction of residential buildings divided into 25 apartments/penthouses and 10 townhouses (5,486 commercial sqm) for an investment of approximately Euro 9.2 million.

The Group considers the development of the area extremely interesting for these factors:

- the Viserba Residence project is unique for the Rimini area, with no properties being built or sold similar to those planned at the Corderia (which will feature residences surrounded by greenery, with medium-high finishes, extraordinary safety standards, and a sophisticated and elegant building design);
- in Pesaro, the real estate initiatives implemented recently (sale of flats formerly owned by Renco) have received a very favourable response from the market;
- an initial phase of urbanisation works is being carried out in the area, so as to make the quality of the intervention evident to potential buyers in the urban context undergoing transformation.

At the same time, apartments and spaces for commercial use have started being sold off the plan, with positive feedback.

Services Business Line

In the financial year ending 31 December 2021, the turnover of the Business Line was Euro 60.5 million (Euro 41.9 million in 2020), the industrial margin was Euro 11.1 million (10.5 million in 2020) and its ratio to the value of production was 18.3% (25% in 2020). The Euro 18.6 million increase in production is attributable to the post-first-wave recovery in the movement of specialised personnel, as well as the expansion into new markets. The expansion of the markets in fact led to the opening of the companies Renco Middle East, in Oman, and Renco Service, in Russia, which contributed to the division's results with revenues of Euro 7 million and an EBITDA of Euro 1.8 million. The industrial margin as a % of the division decreased due to the higher expenses incurred for development in new markets (MENAT area and Russia) and due to the disappearance of the additional logistics services required only in the pandemic period, which had high margins in 2020.

Asset Management Business Line

In the financial year ending 31 December 2021, the turnover of the Business Line was Euro 30.2 million (Euro 39 million in 2020, which included Euro 4 million of extraordinary items), the industrial margin was Euro 10.9 million (18.9 million in 2020) and its proportion of the value of production was 36.2% (48.5% in 2020). Unlike the previous period in which the impact of the restrictions on the movement of people, with related quarantines, had paradoxically had a positive effect on hotel facilities serving the business market in Oil & Gas countries, the pandemic actually impacted 2021 due to the effect of the decrease in overnight stays related to quarantines, whether fiduciary or due to illness, and those related to leisure, the latter of which led to the closure to the public of some facilities (such as Hotel Yerevan and Villa Soligo).

The following is a summary of the operating profit and loss situation, down to EBITDA, and the net financial position at the end of the period by sub-consolidated financial statement. As a result of the corporate reorganisation described above, which also facilitated the financial economic management, 2021 is the first year this figure is given.

Business Lines	Sub-consolidated financial statements: Renco SPA			Sub-consolidated financial statements: Renco Valore			Renco asset management Srl		
	VdP	Ebitda	Ebitda %	VdP	Ebitda	Ebitda %	VdP	Ebitda	Ebitda %
Asset Management	1,186	903	76.1%	32,235	11,898	36.9%	3,662	105	2.9%
Energy	142,094	5,139	3.6%						
Buildings	92,085	24,175	26.2%						
Services	60,545	11,085	18.3%						
General Costs		-16,727			-2,521				
Total vs Third Parties	295,910	25,115	8.5%	32,235	9,377	29.1%	3,662	105	2.9%
Investments	4,249			8,958					
Total	300,159	25,115		41,193	9,377		3,662	105	

	31/12/2021	31/12/2021	31/12/2021
Net financial position	15,261	29,565	(365)

Below the sub-consolidated financial statements of Renco S.p.A. and Renco Valore S.p.A. are discussed.

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

During the financial year ending 31 December 2021, the production value of the sub-consolidated financial statements of Renco S.p.A. is Euro 300.2 million (Euro 295.8 million in 2020). Revenues from third parties were Euro 295.9 million (Euro 285.4 million in 2020); EBITDA was Euro 25.1 million (Euro 19.4 million in 2020) and its incidence on the value of production from third parties was 8.5% (6.8% in 2020); finally, the net financial position went from a negative balance of Euro 12.4 million in 2020 to a balance of Euro 15.3 million, due to the higher short-term debt contracted by Renco S.p.A. to address the cash needs arising in particular from the processing of Superbonus 110 orders.

Investments for the period, amounting to Euro 4.2 million (Euro 10.4 million in 2020), were concentrated on the industrial projects of the Group companies; these were not large individual projects, but numerous negligible projects, of which Euro 1 million in Italy.

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

During the financial year ending 31 December 2021, the production value of the sub-consolidated financial statements of Renco Valore S.p.A. is Euro 41.2 million (Euro 49.3 million in 2020). Revenues to third parties amounted to Euro 32.2 million (Euro 32.4 million in 2020), EBITDA was Euro 9.4 million (Euro 13.6 million in 2020) and its incidence on the value of production to third parties was 29.1%.

Investments for the period, which also include the extraordinary maintenance required to maintain the efficiency of the Group's real estate portfolio, were Euro 8.96 million (Euro 16.9 million in 2020) and were concentrated on Mozambique building projects for Euro 5.8 million (Euro 11.1 million in 2020), of which

Euro 2.5 million (Euro 10.4 million in 2020) for the 1.500 Field and Euro 3.4 million for the second building in Pemba; Congo projects for Euro 1 million, in line with 2020; Kazakhstan and Armenia for Euro 1.6 million, and Italy for Euro 0.6 million, incurred exclusively for the Viserba project.

Group order book

The Renco Group's order book amounts to Euro 1,435 million, with a backlog of Euro 939.1 million.

Energy



Job	Country	Client	Contract Value (€/Mil)	Year End	To Be Produced
Cassiopea	Italia	ENI	20.7	2023	19.6
Sostituzione TA7 Sannazzaro	Italia	ENI	4.8	2023	0.9
Sarir Libia	Libia	EMI France	59.3	2022	4.1
Copressor Station Everdrup	Danimarca	Energynet	86.7	2022	12.9
Moduli LNG Canada	Italia	Nuovo Pignone	41.7	2022	14.9
Fotovoltaico Mozambico	Mozambico	CSM	24.0	2023	24.0
Eolico Salinella	Italia	Salinella Srl	31.0	2023	31.0
Barge Albania	Albania	JV	15.0	2023	15.0
Electric Power Station	Italia	SNAM	22.1	2024	22.1
Rental Congo	Congo	ENI	35.9	2027	35.9
Others	Italia/Estero		5.9		5.2
Energy Total			347.1		185.6

Buildings



Job	Country	Client	Contract Value (€/Mil)	Year End	To Be Produced
Lavori 110 Sicilia	Italia	Various	81.6	2023	66.4
Lavori 110 Umbria	Italia	Various	91.4	2024	80.2
Lavori 110 Marche	Italia	Various	136.0	2024	124.6
Leandlease EPC	Italia	Leandlease	40.0	2024	40.0
Campo CCS JV	Mozambico	CCS JV	78.1	2023	29.9
Temporary Buildings CCS JV	Mozambico	CCS JV	49.2	2023	29.6
Ospedale Libia	Libia	Ministry of Health	62	2024	62.0
Others			6.1		3.3
Group Buildings			158.1		99.6
Buildings Total			702.6		535.5

Services



Job	Country	Client	Contract Value (€/Mil)	Year End	To Be Produced
ENI Congo Personell + PSV	Congo	ENI Congo	179.6	2023	49.8
Baker Huges - GE	Mondo	GE	82.9	2024	62.0
NCOC	Kazakhstan	NCOC	27.7	2024	21.0
Barge Albania	Albania	JV	20.0	2024	20.0
Others			24.9		15.0
Total Services			335.1		167.8

Asset Management



Job	Country	Client	Contract Value (€/Mil)	Year End	To Be Produced
Renco Properties's Tenant Contracts	Various	Various	50.2	2025	50.2
Totale Asset Management			50.2		50.2

Total Portfolio	
Contract Value (€/Mil)	To be Produced
1,435	939.1

Distribution of activities by geographical area

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

Geographic area	31.12.2020	%	31.12.2021	%	Change	Var. %
Italy	51,556	15.9%	82,753	25.1%	31,197	60.5%
European Union	30,509	9.4%	64,666	19.6%	34,157	112.0%
Russia and former USSR countries	128,022	39.4%	86,530	26.2%	(41,492)	-32.4%
Africa	105,919	32.6%	79,280	24.0%	(26,639)	-25.2%
Middle East	6,599	2.0%	14,566	4.4%	7,967	120.7%
Other	2,044	0.6%	2,109	0.6%	65	3.2%
Total	324,649	100.0%	329,904	100.0%	5,255	1.6%

The table above shows the absolute value and the percentage weight of production by geographical area. The increase in Italy and the European Union can be attributed to the progress of the Superbonus 110 and Everdrup orders, respectively. The change recorded in the former USSR countries is solely due to the lower contribution of the Yerevan Power Plant order, completed during the year, while the decrease in Africa is due to the lack of security conditions recorded at the beginning of the period in Mozambique,

which temporarily suspended EPC and investment activities in the country.

Finally, the increase recorded in the Middle East follows the business expansion pursued by the Services BU, with a particular focus in 2021 on Oman and Qatar.

Financial aspects of operations

Restated Balance Sheet	31/12/2021	31/12/2020	Change
Inventories	297,681	321,262	(23,581)
Current trade receivables	68,779	44,586	24,193
Current tax assets	14,182	22,446	(8,264)
Other current assets	1,701	6,430	(4,729)
Prepaid tax assets	6,138	6,993	(855)
(A) Current assets	388,481	401,717	(13,236)
Current trade payables	116,061	97,191	18,870
Current advances	284,444	331,789	(47,345)
Current tax liabilities	8,100	6,049	2,051
Other current liabilities	13,978	15,651	(1,673)
(B) Current liabilities	422,583	450,680	(28,097)
(A-B) Net working capital	(34,102)	(48,963)	14,861
Tangible fixed assets and usage rights	253,709	230,430	23,279
Intangible fixed assets and goodwill	9,368	7,582	1,786
Non-current tax assets	110	100	-
Non-current financial assets	49,558	38,422	11,136
Other non-current assets	11,657	9,078	2,579
(C) Non-current assets	324,402	285,622	38,780
Employee benefits	3,760	2,983	777
Long-term provisions	2,541	5,587	(3,046)
Financial liabilities to shareholders	5,720	5,901	(181)
Deferred tax liabilities	13,972	14,942	(970)
Derivative liabilities	630	1,191	(561)
Other non-current liabilities	3,199	3,005	194
(D) Non-current liabilities	29,822	33,609	(3,787)
(E) Fixed capital assets	294,580	249,818	39,133
(NWC+Fixed capital assets) Net invested capital	260,478	203,050	57,428
Share capital	9,013	9,013	-
Reserves	53,316	35,568	17,748
Treasury shares	(3,609)	(3,609)	-
Undivided profits	105,146	100,578	4,568
Net profit for the year	7,121	3,240	3,881
(SE) Total shareholders' equity	170,987	144,790	26,197
Other non-trade receivables ⁵	(8,866)	(6,930)	(1,936)
Cash and cash equivalents	(68,722)	(68,979)	257

Current financial assets ⁶	(15,298)	(4,088)	(11,210)
Non-current financial assets ⁶	(15,475)	(18,531)	3,056
Current financial liabilities	69,156	29,289	39,867
Non-current financial liabilities	80,811	70,317	10,494
Current liabilities to other lenders	920	282	638
Non-current liabilities to other lenders	13,757	12,324	1,433
Current bonds	11,550	11,550	-
Non-current bonds	21,659	33,026	(11,367)
NFP (Net Financial Position)	89,492	58,260	31,232
(SE+NFP) Total sources	260,478	203,050	57,428

⁵ This item includes receivables arising from the sale of participations, which are included in "Other receivables".

⁶ The item includes financial receivables from associated companies. For further information please refer to section "(3) Financial Fixed Assets" in the Explanatory Notes to the Consolidated Financial Statements.

The reclassified balance sheet provides useful information because it shows the sources of financial resources, broken down into equity and debt, and their use in fixed assets and working capital.

Net working capital increased by Euro 14.9 million compared to 31 December 2020. The change is attributable to the combination of the effect of the decrease in Inventories and Current Advances, which, following the completion of some orders (the main ones being the Yerevan Power Plant, the Bergamo Guardia di Finanza/Finance Police Academy and the two Congolese orders) recorded a combined negative effect of Euro 23.8 million, from the increase in trade payables in the amount of Euro 18.9 million, trade receivables in the amount of Euro 24.2 million, and the decrease in other current assets/liabilities in the amount of Euro 7.4 million, mainly recorded against a lower exposure of VAT receivables.

Fixed assets increased by Euro 39.1 million compared to 31 December 2020, as a result of capital expenditure and the positive effect of exchange rate differences partly offset by depreciation and amortisation for the period (of Euro 14.6 million). Capital expenditure for the period in tangible and intangible fixed assets amounted to Euro 24.4 million, of which Euro 14.3 million was in the economy, while investments in non-current financial assets amounted to Euro 10.3 million, of which Euro 7.9 million was a share capital increase in Armpower.

The balance sheet and financial structure of the Renco Group as of 31 December 2021 confirms solid financial debt coverage and a debt equity ratio (NFP/SE ratio) of 52.3%, with total equity of approximately Euro 171 million and a net financial position of Euro 89.4 million.

Financial debt to banks increased from Euro 99.6 million at 31 December 2020 to Euro 149.9 million at 31 December 2021, of which Euro 69.2 million is the current portion (within 12 months) and Euro 80.8 million is the non-current portion (beyond 12 months).

Cash and cash equivalents at the end of 2021 amounted to Euro 68.7 million (Euro 68.9 million at the end of 2020).

The Net Financial Position at the end of the year was a negative Euro 89.4 million, compared to a negative Euro 58.3 million at the end of 2020, an increase in the year of Euro 31.2 million.

The cash generated from operations, attributable to an Ebitda of Euro 34.2 million, was absorbed by bank interest and taxes paid of Euro 14.8 million and changes in working capital (net of exchange rate effects) of Euro 19.9 million. Financial management provided sources of Euro 37 million, while investment activities led to a cash absorption of Euro 36.8 million.

The cash absorption of working capital of Euro 19.9 million was mainly due to the growth in sales of the services division and the "Superbonus 110" projects, both of which were characterised by an absence of advance payments, as well as stock purchases made to reduce the risk of material cost increases (related

to “Superbonus 110” activities).

Industrial Policy

Group Renco S.p.A.

In order to mitigate the risks inherent to 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 adjustments to its industrial strategy in recent years.

The objective is to concentrate the EPC contractor business in areas of activity characterised by a high level of marginality.

The first strategy line is represented by the decision to participate exclusively in tenders for highly complex projects in the countries where the Group operates, for which Renco S.p.A.’s knowledge of the local market and references represent an important competitive advantage.

The second strategy line is to gradually increase participation in project financing/private public partnership initiatives where Renco contributes its own finance to the realisation of customer projects. The requirement to provide project finance selects the companies that can participate in these initiatives. The most striking example of this new strategic line is the JV with Siemens of the 250 MW gas-powered combined-cycle power plant under construction in Yerevan, Armenia.

These initiatives, which are designed to ensure higher margins in the EPC phase, guarantee constant revenue flows for the entire period of operation.

The third strategy line is the decision to make investments in collateral activities to support projects related to gas and power generation. An example of these activities is the ‘Jetty’ and the logistical base in Pemba to handle transport and storage of materials for the Palma plants. These investments guarantee a revenue flow over time and at the same time ensure a high return on investment. Projects related to the construction of wind farms or the sale of energy to customers such as Eni Congo fall within the same rationale.

Renco Valore S.p.A. Group

All of Renco Valore’s properties around the world are characterised by the high utility of the constructions and the high quality of the services provided in them.

It is quality that differentiates Renco’s properties from those of local operators. And it is precisely because of this quality that international customers prefer to turn to our group.

Even in the poorest countries we build structures of great architectural value, using Italian materials for the finishes and with low energy consumption. This aspect is particularly relevant in some environments where temperatures can fluctuate by up to 80 degrees Celsius.

Another strong point of Renco’s real estate is its constant maintenance. All the buildings are supported by a scheduled maintenance which is digitally managed. This level of maintenance enables international customers to enjoy buildings that maintain their level of efficiency over time.

The office buildings are leased exclusively under long-term contracts to major customers such as embassies, banks, international organisations and energy companies.

The hotels are mainly aimed at the business market, and only in some cases at the tourist market.

Finally, both of the above groups are increasingly focused on ‘green’, in terms of power generation as well as building energy efficiency projects.

Investment policy

The investments made during 2021 are shown below:

Description	Amounts
Investments in intangible assets	2,355
Investments in tangible assets	22,060
Total investments in fixed assets	24,415

Capital expenditures during the period are related to investments in tangible assets in the industrial area and in real estate. The main ones are listed below: the purchase of land and buildings for Euro 8.7 million, of which Euro 3.6 million related to the construction of a second building in Pemba, leased to a Mozambican company of the Eni group; Euro 2.2 million for the purchase of the Villa delle Rose residence for the elderly in Vittorio Veneto; and Euro 2.3 million for extraordinary maintenance works capitalised in the property park in Kazakhstan. The purchase of plant, machinery, equipment and other assets in the amount of Euro 8.2 million, of which Euro 4.1 million incurred by Renco S.p.A. in industrial equipment used for activities on construction sites. The purchase of fixed assets still in progress for Euro 5.2 million, of which Euro 2.8 million related to the construction of the 1,500-seat field in Mozambique.

Investments in intangible assets are concentrated on development projects, in the amount of Euro 2.1 million, as well as the upgrading of IT platforms.

Alternative performance indicators

Below are the main economic, equity and financial indicators of relevance to the understanding of the Group's operating performance, calculated on the 2021 and 2020 consolidated financial statements.

Return On Equity	31/12/2021	31/12/2020
Group profit (loss)	7,121	3,241
Shareholders' equity	170,987	144,790
ROE	4.16%	2.24%

Return On Investments	31/12/2021	31/12/2020
Operating result	17,416	15,549
Net invested capital	260,478	203,050
ROI	6.69%	7.66%

Return On Sales	31/12/2021	31/12/2020
Operating result	17,416	15,549
Revenues from customer contracts	315,630	298,328
ROS	5.52%	5.21%

Return On Capital Employed	31/12/2021	31/12/2020
Operating result	17,416	15,549
Total current assets - liabilities	398,661	334,872
ROCE	4.37%	4.64%

Debt Equity	31/12/2021	31/12/2020
Net financial position	89,492	58,260
Total shareholders' equity	170,987	144,790
Debt Equity	52.34%	40.24%

NFP/EBITDA	31/12/2021	31/12/2020
Net financial position	89,492	58,260
Gross operating result	34,211	33,567
NFP/EBITDA	2.62	1.74

Debt Equity adjusted	31/12/2021	31/12/2020
Net Financial Position without PO	56,283	13,684
Total shareholders' equity	170,987	144,790
Debt Equity	0.33	0.09

NFP/EBITDA adjusted	31/12/2021	31/12/2020
Net Financial Position without PO	56,283	13,684
Gross operating result	34,211	33,567
NFP/EBITDA	1.65	0.41

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 2021 by the certifying body, the Group successfully passed the inspection according to the ISO 14001:2015 standard, maintaining its certification which is now valid until 18 December 2024.

Sustainability

With regard to sustainability, RENCO has first and foremost maintained its commitment to workplace safety by always ensuring an accident-free environment for its employees, and supporting its subcontractors in pursuing the same commitment. For example, despite the substantial increase in construction sites in Italy linked to Ecobonus incentives, which involve considerable risks such as falls from heights, no



accidents occurred. This distinguishes RENCO in the current Italian construction sector, which is closely monitored by the Control Bodies in the Health and Safety sector. Last but not least is the good reputation acquired with regional and local Supervisory Bodies, which have shown appreciation for the serious approach shown by RENCO.

In the area of environmental and social responsibility, RENCO is also committed to its educational role with local areas and its subcontractors (for example, in the Yerevan Power Plant Project), imposing responsible waste management and promoting recycling and energy saving practices in compliance with IFC Standards.

In general, RENCO's strategy over the past year has been considerably oriented towards the acquisition of sustainable projects, particularly in the area of renewable energy, and the construction of buildings characterised by a high level of energy savings or according to LEED Platinum standards. To this end, new contacts and collaborations have been established with important international customers, which champion a strictly sustainable approach.

Information on personnel

The current regulations require that the analysis of the situation and performance of operations, in addition to being consistent with the size and complexity of the Group's business, also contain "financial and, where appropriate, non-financial performance indicators relevant to the Group's specific business, including information relating to the environment and personnel, to the extent necessary for an understanding of the Group's situation and performance and results of operations".

As can be seen from the above rule, the Civil Code requires the directors to assess 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 the information in question can be omitted as it is not, at present, significant and, therefore, is not considered to contribute to an understanding of the Group's situation and results of operations. Such 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 2021 by the certifying body, the Group's certification for the ISO 45001:2018 standard was renewed, which is now valid until 18 December 2024.

The activity carried out in this field includes:

- training of employees and collaborators;
- 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:

- 11 different health and safety training courses were held and a total of 236 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 2021;
- training courses envisaged in accordance with the provisions of Legislative Decree 81/08;
- supervisor training;
- first-aid training;
- fire safety training;
- scaffolding erection and dismantling training;
- PPE Category III training.

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

- H2S training;
- PPE Category III training;
- confined space training;
- high altitude training.

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

The main initiatives undertaken in the area of Safety include the following:

- the effectiveness of Health and Safety supervision of the Building division's construction sites was confirmed by appointing dedicated H&S Officers and carrying out periodic inspections and audits by the headquarters safety department;
- training courses have been scheduled to be delivered in 2022, related to ISO 45001 for company WSRs, with the aim of increasing their awareness and involvement in Health and Safety;
- in addition, a workshop on Leadership according to ISO 9001/14001/45001 has been planned for RENCO Project Managers with the aim of raising awareness among Projects key figures with a view to an increasingly conscious and responsible management, in compliance with Quality, Environment and Safety requirements.

RENCO is supporting development of digital processes related to the implementation of Management Systems. As concerns Safety, in particular, through the Qualiware software an application for smartphones was developed for recording HSE Observations. In addition, outdoor screens were installed to convey HSE information with the aim of raising Safety culture to international standards.

Injuries

During 2021 Renco strengthened its commitment by promoting an Incident Injury Free (IIF) Safety culture.

During the year, there were:

- 0 work-related accidents;

- 1 non-work related accidents (COVID infection);
- 2 commuting accidents;
- no ascertained occupational diseases;
- 0 deaths.

Social responsibility

The SA8000:2014 Certification on Social Accountability was maintained following the six-monthly audits conducted by the certifying body LSQA in May and November 2021 respectively. The next maintenance audit is scheduled for April 2022.

Personnel

Finally, with reference to employees, the following information is reported:

- as at 31.12.2021, 464 staff were employed, 394 men and 70 women, of whom 265 on permanent contracts (209 men and 56 women) and 69 on fixed-term contracts + 13 short-term contracts + 10 internships + 107 on secondment contracts (185 men and 14 women);
- the average length of service is 7 years, unchanged from last year;
- 513 days of training were carried out during the year;
- 182 employees, collaborators and interns were hired, and 120 people terminated the employment relationship, with an increase of 62 units (annual average);
- in 2021, taking into account compulsory and non-compulsory courses, training days amounted to 513, i.e. 4,103 training hours/8 hours.

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

Effects of the spread of infectious diseases

A pandemic can undermine people's health to the point of jeopardising the health and socio-economic systems of the countries affected. The duration and intensity of a pandemic depends, among other things, on the timeliness of health actions implemented worldwide. In relation to COVID-19, the Renco Group's performance may be affected by the variability of certain risk factors, including: the instability of markets and the recovery trend of the economy; the ability of customers and suppliers to meet their contract obligations and to undertake new ones; the review of purchasing strategies by customers; restrictions deriving from measures to protect people's health, with repercussions on the Group's commercial and industrial action.

The Renco Group, in addition to guaranteeing every possible effort to preserve the safety and health of its people, in full compliance with reference regulations, has activated specific action plans to contain the possible repercussions of the risk factors relating to the pandemic. The action plans concerned, among other things: the proactive management of customer relations; the adoption of suitable financial solutions and an even more selective approach to expenditure items to maintain financial elasticity, to support both current management and development initiatives; the timely reorganisation of production lines, together with the remotisation of certain technical functions and the constant monitoring of the corporate 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, Mozambican Metical, Rouble 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. In any case, the 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 scenario

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 2021, the Group had total bank credit facilities of approximately Euro 322 million (Euro 332 million in 2020), of which Euro 131.2 million (Euro 169.7 million in 2020) 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 liquid funds 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.

Rating agency Cerved carried out the periodic review of Renco Group S.p.A.'s rating in September, and confirmed the A3.1 rating with the rating communication of 1 October 2021.

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, Rouble, Mozambican Metical 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 Euro 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 contracts, whose collection was and will be in USD.

On the basis of the financial statements for the year ended on 31 December 2021, the Group recorded gains on exchange rates for a total of Euro 8.3 million (loss of Euro 1.3 million in 2020).

They consist mainly of realised foreign exchange gains of Euro 4.4 million and unrealised foreign exchange gains of Euro 3.9 million resulting from the exchange of intra-Group trade or financial receivables/payables in foreign currency (transactional 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 credit depreciation 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 2021 with financial counterparties of primary standing for a total notional amount of Euro 81.3 million. Such derivative instruments allow for coverage of the risk of increased interest rates by transforming variable rates into fixed rates.

At 31 December 2021, at Group level, 87.5% of medium/long-term gross debt with third parties was at a fixed rate (89% in 2020), while 12.5% at a variable rate (11% in 2020).

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 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

In line with what is indicated in the "Industrial Policy" section, the Management has given strong impetus to the search for new opportunities for the development of initiatives that can be private public partnerships, project finance, or investment in its own activities, where Renco contributes to projects with its own funds and EPC capabilities. In 2021 in this area, the Group incurred development costs of Euro 1.5 million. The size of this commitment concretely demonstrates Renco's strong orientation towards concentrating its EPC and internal investment activities in areas characterised by a high level of marginality.

From an IT point of view, 2021 was focused on the containment of costs due to the pandemic without impairing the functioning of the infrastructure, services and IT security.

Investments were made by implementing substantial changes to its Oracle JDEdwards ERP and enhancing its cloud-based collaboration and business intelligence systems.

Renco has confirmed its ISO/IEC 27001:2013 certification on information systems security, carried out vulnerability assessment and penetration tests, and maintained the international standard.

Finally, Renco S.p.A. 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 of activity, the existing agreement between Renco S.p.A. and the Department of Civil, Chemical, Environmental and Materials Engineering (DICAM) came to an end.

As part of a further stage of development, the data obtained, considered to be of great interest, could be used to estimate the possible costs of a membrane separation process based on the use of membranes and a comparison with the technologies adopted to date, to understand their economic feasibility and any limitations and potential. In parallel, it would also be possible to proceed to the next step of development, focusing on the production of thin-film membranes capable of achieving higher fluxes without losing selectivity. It would thus be possible to take a further step towards the commercial development of a membrane for natural gas softening.

COVID-19 Information

The emergency generated by the COVID-19 pandemic was managed during 2021 in continuity with what had already been organised during 2020 and coherently with the epidemiological scenario and its evo-

lution. In particular, the Group followed all the indications expressed by the competent health authorities, as well as the legislative measures issued from time to time. As of 15 October 2021, entry to national company workplaces has been subject to the presentation of a valid “green pass” or medical certification attesting exemption from the vaccination obligation.

The Group continues to commit all necessary energies, activities and means to accompany employees and collaborators in the management of the pandemic to promote their well-being, health, engagement and development.

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/holdings 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 of 31.12.2021 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

2021 witnessed the consolidation of the Group’s growth and affirmed the company’s considerable ability to adapt to market changes by pursuing the objectives of a clear corporate strategy in a complex and constantly evolving international and local context, such as the recent conflict ⁷.

In 2021, the Group generated Euro 329 million with an EBITDA of Euro 34.2 million, marking a growth in the value of production to third parties of 6% compared to the previous year, while maintaining the margin level unchanged. Consistent with the business plan, growth was fuelled by an ongoing focus on more remunerative markets and activities, characterised by lower risk profiles and continuous income flows, compared to the traditional role of EPC. The significant expansion of the Services business line (which grew by 44% in terms of turnover compared to 2020) and the commissioning in December 2021 of the Yerevan gas-powered combined-cycle power plant (which generated USD 8.5 million in EBITDA in the

first 4 months of operation in 2022 alone and will continue to generate constant cash flows for the next 25 years) should be read in this light.

Another element characterising 2021, which will have important repercussions in the years to come, is the start of works related to improving the energy efficiency of Italian real estate works that fall under the so-called “Superbonus 110%” regulations. In this area, the Group has already acquired an order portfolio of Euro 309 million, which continues to grow. For the execution of these works, the Group has adopted an autonomous and efficient organisational structure, directly purchasing all the scaffolding and other necessary equipment, seconding qualified personnel from foreign offices, signing framework contracts with suppliers of the main materials, and guaranteeing through two contracts with leading Italian banks the sale of the tax credit at a pre-established fixed value. For Renco, this represents an important gateway into the Italian market for large civil works, as it can draw on all the experience gained in the international energy industry sector, especially in the management of QHSE (Quality, Health, Safety and Environment) aspects, a distinguishing feature compared to traditional operators in the sector.

The order portfolio clearly shows the transition towards green projects that will increasingly characterise the Group’s operations in the coming years. In fact, the Superbonus 110% works are flanked by major development activities in wind and solar power plants (Salinella S.r.l.; Central Solar de Mecufi), and building projects with a high level of energy efficiency certified by independent third parties (Residence Viserba). At the same time, Renco’s commitment to the gas industry remains strong, as it is a key component in the global energy transition process and an increasingly valuable commodity for industrialised countries, and for Europe in particular, in achieving energy security objectives.

As planned, the Group’s net debt increased as a result of both the completion of two important investments such as the Yerevan power plant and the port of Pemba, and the growth recorded by the services and buildings business lines during this period.

The capitalisation of these investments and other assets already owned by the Group, such as the Viserba residence land, will contribute to future debt reduction.

In line with the previous year, 2021 was also marked by a number of external factors, such as the persistence of COVID-19 and the stand-by of orders in Mozambique in the Afungi Peninsula, which partly impacted the Group’s growth but did not prevent the achievement of excellent financial results. The recent conflict in Ukraine is also a major disruption factor compared to the past. Although this context brings new risks for the Group, such as the increase in the cost of raw materials, the renewed interest in the energy sector (and gas in particular) has created great opportunities by increasing the competitive advantages that the Renco Group holds in specific MENA (Middle East, North Africa) countries in Mozambique, Congo, Kazakhstan and Armenia.

In an increasingly challenging and uncertain environment, the results achieved clearly demonstrate Renco’s ability to generate value and pursue its strategic objectives of diversification and growth, and confirm the role that the Group will play in the countries where it operates with respect to future economic growth and energy transition processes.

⁷ For detailed information, please refer to the section in the Notes to the Financial Statements entitled “Information on events subsequent to the end of the financial year”.

Organisational model and code of ethics

In 2021, 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, 29 April 2022

On behalf of the Board of Directors
The Chairman
Gasparini Giovanni

Consolidated financial statements 2021

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Balance sheet assets

(thousand €)	31/12/2021	31/12/2020
A) Receivables due from shareholders for payments still due		
I) Receivables due from shareholders for payments still due	2	2
II) (of which called capital)	-	-
Total Receivables due from shareholders for payments still due	2	2
B) Fixed assets		
I) Intangible fixed assets		
1) Start-up and expansion costs	23	26
2) Development costs	1,870	1,688
3) Industrial patents and intellectual property rights	3,373	3,831
4) Concessions, licences, trademarks and similar rights	32	9
6) Assets in progress and advances	4,052	1,931
7) Other...	18	97
Total intangible fixed assets	9,368	7,582
II) Tangible fixed assets		
1) Land and buildings	215,539	195,032
2) Plants and machinery	11,396	11,120
3) Industrial and commercial equipment	7,435	3,367
4) Other assets	6,848	6,009
5) Assets in progress and advances	12,491	14,902
Total tangible fixed assets	253,709	230,430
III) Financial fixed assets		
1) Equity investments in:		
a) Subsidiaries	47,506	32,820
b) Associated companies	1,388	2,217
d bis) Other companies	149	48
Total equity investments	49,043	35,085
2) Receivables		
a) Due from subsidiaries		
1) Within 12 months	452	9
2) Beyond 12 months	-	-
b) Due from associated companies		
1) Within 12 months	15,298	4,088
2) Beyond 12 months	15,475	18,531
d bis) Due from others		
1) Within 12 months	19	67

2) Beyond 12 months	12	12
Total Receivables	31,256	22,707
3) Other securities		
4) Derivative financial instruments – financial assets	32	3,249
Total fixed assets	343,408	299,053
C) Current assets		
I) Inventories		
1) Raw, ancillary and consumable materials	3,508	4,236
2) Work in progress and semi-finished products	87	49
3) Contract work in progress	381,522	304,222
4) Finished products and goods	12,564	12,747
5) Advances	-	8
Total Inventories	297,681	321,262
II) Receivables		
1) Trade receivables	49,734	38,397
1) Due within 12 months	-	-
2) Due beyond 12 months	-	-
2) Due from subsidiaries		
1) Due within 12 months	11,563	321
2) Due beyond 12 months	-	-
3) Due from associated companies		
1) Due within 12 months	7,482	5,868
2) Due beyond 12 months	-	-
5 bis) for tax receivables		
1) Due within 12 months	14,182	22,446
2) Due beyond 12 months	110	110
5 ter) for prepaid taxes		
1) Due within 12 months	6,138	6,993
2) Due beyond 12 months		
5 quater) Due from others		
1) Due within 12 months	8,514	9,909
2) Due beyond 12 months	11,657	9,078
Total Receivables	109,380	93,122
IV) Cash and cash equivalents		
1) Bank and post office deposits	68,308	68,172
2) Cheques	-	-
3) Cash and equivalents on hand	414	807
Total Cash and Cash Equivalents	68,722	68,978

Total Current assets	475,783	483,363
D) Accruals and deferrals	2,053	3,451
Total Assets	821,245	785,869

Balance sheet - Liabilities

(thousand €)	31/12/2021	31/12/2020
A) Shareholders' equity		
I) Share capital	9,013	9,013
II) Share premium reserve	25,987	25,987
III) Revaluation reserves	4,697	4,697
IV) Legal reserve	1,503	1,438
V) Statutory reserves	-	-
VI) Other reserves	19,430	3,878
- Extraordinary reserve	24,283	23,049
- Payments towards capital	25,026	25,026
- Conversion reserves from foreign consolidation	(38,012)	(50,150)
- Consolidation reserve	8,132	5,952
VII) Reserve for expected cash flow hedging transactions	(2,151)	(3,562)
VIII) Retained earnings (accumulated losses)	105,146	100,578
IX) Profit (Loss) for the year	7,680	5,867
X) Negative reserve for treasury shares in portfolio	(3,609)	(3,609)
Total Shareholders' equity	167,695	144,288
Minority interest		
- Minority interests in capital and reserves	3,851	3,130
- Profit (Loss) pertaining to minority interests	(599)	(2,627)
Total minority interest	3,292	504
Total Group Shareholders' equity	170,987	144,792
B) Provisions for risks and charges		
1) Provisions for pensions and similar obligations	-	-
2) Provisions for taxes, including deferred	13,972	14,942
3) Derivative financial liability instruments	630	1,191
4) Others	2,541	5,587
Total provisions for risks and charges	17,143	21,720
C) Employee severance indemnities	3,760	2,983

D) Payables		
1) Bonds		
1) Within 12 months	11,550	11,550
2) Beyond 12 months	21,659	33,026
3) Payables to shareholders for loans		
1) Within 12 months	5,720	5,901
2) Beyond 12 months	-	-
4) Payables to banks		
1) Within 12 months	69,156	29,289
2) Beyond 12 months	80,811	70,317
5) Payables due to other lenders		
1) Within 12 months	920	282
2) Beyond 12 months	13,757	12,324
6) Advances		
1) Within 12 months	189,251	234,712
2) Beyond 12 months	95,193	97,077
7) Trade payables		
1) Within 12 months	104,690	94,343
2) Beyond 12 months	-	-
9) Payables due to subsidiary companies		
1) Within 12 months	288	84
2) Beyond 12 months	60	60
10) Payables due to associated companies		
1) Within 12 months	11,083	2,764
2) Beyond 12 months	-	-
12) Tax payables		
1) Within 12 months	8,100	6,049
2) Beyond 12 months	1,772	1,157
13) Payables to social security and welfare institutions		
1) Within 12 months	2,265	1,710
2) Beyond 12 months	-	-
14) Other payables		
1) Within 12 months	10,790	13,140
2) Beyond 12 months	1,367	1,788
Total payables	628,432	615,573
E) Accruals and deferrals	923	801
Total Liabilities	821,245	785,869

Income Statement

(thousand €)	31/12/2021	31/12/2020
A) Value of production		
1) Revenues from sales and services	338,562	348,375
2) Change in inventories of work in progress, semi-finished and finished products	(2,529)	326
3) Changes in contract work in progress	(23,980)	(57,033)
4) Increases in fixed assets for in-house works	14,273	26,321
5) Other revenues and income, with separate indication of operating grants		
a) Miscellaneous	3,470	6,606
b) Operating grants	107	54
Total Value of production	329,903	324,649
B) Cost of production		
6) For raw, ancillary and consumable materials and goods	75,465	112,972
7) For services	130,978	109,237
8) For use of third-party assets	11,684	6,626
9) For employees	73,635	58,588
a) Wages and salaries	61,596	48,501
b) Social security costs	10,069	8,886
c) Employee severance indemnity	1,853	1,161
d) Pension costs and similar	-	-
e) Other costs	117	39
10) Amortisation, depreciation and write-downs	14,595	13,116
a) Amortisation of intangible fixed assets	1,417	1,297
b) Depreciation of tangible fixed assets	12,543	11,084
c) Other write-downs of fixed assets	367	543
d) Write-downs of receivables included in current assets and cash and cash equivalents	268	192
11) Changes in inventories of raw, ancillary and consumable materials and goods	616	407
12) Provision for risks	-	-
13) Other provisions	2,200	4,902
14) Other operating expenses	3,314	3,252
Total cost of production	312,487	309,100
Difference between value and cost of production (A-B)	17,416	15,549
C) Financial income and charges		
15) Income from equity investments	48	1,655
a) From subsidiary companies	-	1,655
b) From associated companies	48	-
16) Other financial income	387	437

a) From receivables included under 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	203	184
5) Others	184	251
17) Interest and other financial expenses	7,354	6,341
a) Due from subsidiaries	-	10
e) Others	7,354	6,332
17 bis) Exchange gains and losses	8,337	(1,258)
Total financial income and expense	1,418	(5,508)
D) Adjustment of the value of financial assets and liabilities		
18) Revaluations	135	710
a) Of equity investments	135	431
b) Of financial fixed assets (not comprising equity investments)	-	279
c) Of securities included under current assets (not comprising equity investments)	-	-
d) Of derivative financial instruments	-	-
e) Of financial assets for centralised treasury management	-	-
19) Write-downs	1,379	1,967
a) Of equity investments	579	1,882
b) Of financial fixed assets	800	-
c) Of securities included under current assets (not comprising equity investments)	-	-
d) Of derivative financial instruments	-	86
e) Of financial assets for centralised treasury management	-	-
Total value adjustments to financial assets	(1,244)	(1,257)
Pre-tax profit/loss (A-B+C+D)	17,590	8,784
20) Current, deferred, and prepaid income tax for the period		
a) Current taxes	7,837	6,818
b) Prior year taxation	2,407	937
c) Deferred and prepaid taxes	224	(2,213)
Profit (Loss) for the year	7,121	3,241
Profit (loss) for the year relating to the Group	7,680	5,867
Profit (loss) for the year relating to minority interests	(559)	(2,627)

The Chairman of the Board of Directors
Giovanni Gasparini

Cash flow statement

(thousand €)	31/12/2021	31/12/2020
A) Cash flow from operating activities (indirect method)		
Profit (loss) for the year	7,121	3,241
Income taxes	10,482	5,543
Interest expense / (interest income)	6,454	5,904
Value adjustments to financial assets	1,126	1,168
Write-downs for impairment losses	367	543
(Gains)/losses from the sale of assets	(945)	(2,202)
1) Profit (loss) before income tax, interest, dividends and capital gains/losses from the sale of assets	24,606	14,197
Adjustments for non-monetary items that were not offset in the net working capital		
Allocations to reserves	3,445	5,293
Amortisation of intangible assets	13,960	12,381
Adjustments to the value of derivative financial instruments	0	(53)
Other upward or downwards adjustments for non-monetary elements	(5,625)	(1,324)
2) Cash flow before changes in NWC	11,780	16,298
Change in net working capital		
Decrease/(increase) in inventories and advances	(21,618)	(725)
Decrease/(increase) in receivables from customers and group companies	(21,803)	(5,577)
Increase/(decrease) in payables to suppliers and group companies	17,614	(3,885)
Decrease/(increase) in accrued income and prepaid expenses	1,398	620
Increase/(decrease) in accrued liabilities and deferred income	180	(350)
Other changes in net working capital	7,825	(8,951)
3) Cash flow after changes in NWC	(16,403)	(18,869)
Other adjustments		
Interest collected/(paid)	(5,786)	(5,666)
(Income tax paid)	(9,017)	(10,046)
Use of reserves)	(5,701)	(169)
4) Financial flow after other adjustments	(20,503)	(15,881)
Cash flow generated by income management (A)	(521)	(4,255)
B) Cash flow from investment activities		
Tangible fixed assets		
(Investments)	(19,460)	(42,531)
Disinvestments	1,923	714

Intangible fixed assets		
(Investments)	(2,355)	(2,441)
Disinvestments	0	172
Financial fixed assets		
(Investments)	(16,883)	(21,410)
Disinvestments	48	3,752
Total non-current financial assets		
(Acquisition of business units, net of cash and cash equivalents)	86	(564)
Sale of business units, net of cash and cash equivalents	(99)	811
Cash flow from investment activities (B)	(36,740)	(61,498)
C) Cash flow from financing activities		
Minority interest means		
Increase/(decrease) in short-term payables to banks	32,370	(663)
New loans	29,975	51,814
Loans repaid	(13,596)	(14,436)
Repayment of loans to shareholders	(186)	0
Increase (decrease) in short-term payables to bond holders	(11,550)	47
Increase (decrease) in short-term payables to other lenders	(9)	(12)
Own resources		
Dividends paid	0	(147)
Cash flow from financing activities (C)	37,004	36,602
Increase (decrease) of liquid assets (A ± B ± C)	(256)	(29,151)
Cash and cash equivalents at beginning of year	68,979	98,129
Cash and cash equivalents at end of year	68,722	68,979

As shown in the cash flow statement, prepared using the indirect method, there was a decrease in liquidity of Euro 256 thousand during the year. Please refer to the Consolidated Management Report for more information on the financial dynamics affecting the Group in 2021.

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 JDE 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 Euro 37 million due to taking out new loans for the amount of Euro 30 million and the repayment of loans, shareholders and bondholders for the amount of Euro 25.3 million.

The Chairman of the Board of Directors
Giovanni Gasparini



Notes to the consolidated financial statements

Introduction

Dear Shareholders,

These consolidated financial statements, submitted for your examination, show a period profit of Euro 7,121 thousand.

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’s activities are spread over several business lines, including the Energy Business Line, the Buildings Business Line, the Asset Management Business Line and the Services Business Line.

COVID-19 impact

The emergency generated by the COVID-19 pandemic was managed during 2021 in continuity with what had already been organised during 2020 and coherently with the epidemiological scenario and its evolution. In particular, the Group followed all the indications expressed by the competent health authorities, as well as the legislative measures issued from time to time. As of 15 October 2021, entry to national company workplaces has been subject to the presentation of a valid “green pass” or medical certification attesting exemption from the vaccination obligation. The Group continues to commit all necessary energies, activities and means to accompany employees and collaborators in the management of the pandemic to promote their well-being, health, engagement and development.

There are no significant impacts on financial items; the Group, while monitoring the situation, 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 Euro, 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 Euro.

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 of 31.12.2021 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 on a going concern basis, even taking into account the significant uncertainties and doubts still present in the macroeconomic environment arising from the COVID-19 pandemic.

These explanatory notes provide the data and information required by Article 38 of the same Decree; 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:

- on 19 February 2021, Renco Valore S.r.l. was transformed into a joint-stock company, becoming Renco Valore S.p.A.; at the same time, the share capital was increased through reserves and rose from Euro 10,000 to Euro 10,000,000;
- three new companies were established in Italy. The first one, 51% of which is owned by Renco S.p.A., is Renco Energy Solution S.r.l., based in Rome, aimed at new potential commercial and entrepreneurial initiatives in the building sector and linked to the available tax incentives on anti-seismic and energy efficiency improvements. The second, based in Pesaro, is Renco Eco Energy S.r.l., held at 51% by Renco S.p.A., which operates in the area of highly innovative services and products as envisaged by the Mise Decree of 1 October 2020 (the so-called "Start Up Decree"). The third company, established in December, is Greenergo S.r.l., whose purpose is to develop initiatives in the area of renewable energy projects, in view of the growing opportunities offered by the Italian market;
- for the completion of the commercial initiatives put in place by the Services Business Line, three new companies were established during the period: Renco Service OOO, based in Moscow, wholly owned by Renco S.p.A.; Renco Middle East, based in
- Muscat, Oman, 99% owned by Renco S.p.A. and the remaining 1% by Renco Group S.p.A.; Renco Arabia, based in Riyadh, wholly owned by Renco S.p.A.. Renco Service OOO was opened in March and recorded revenues of Euro 676 thousand and an Ebitda of Euro 105 thousand (the revenues refer to service operations carried out in the Chayvo, Jamal and Juzno Sachalinsk regions), while Renco Middle East started operations in May and at year-end recorded revenues of Euro 6.3 million and an Ebitda of Euro 1.3 million;
- on 23 February 2022, Renco S.p.A. acquired a further 50% stake in Salinella Eolico S.r.l., which during the period took over the surface ownership and easement rights over some land, located in the municipalities of Petronà (CZ) and Belcastro (CZ), required to build a 21 MW wind farm. Based on the agreements reached with the owners of the land, the surface and easement rights will have a 30-year term, exten-

dable upon contractual expiry, at the same economic conditions, for the entire useful life of the plant. The purchase took place at a consideration of Euro 974 thousand for the relevant portion;

- in order to allow Simest's entry into the initiative relating to the construction and management of a 20 MW photovoltaic system in Mozambique through the project company Central Solar de Mecufi, on 15 December 2021, the Mozambican company Renco Moz Green Ltd was established, 99% owned by Renco S.p.A. and 1% by Mozestate LDA. Please refer to the following section of this report for details of the transaction;
- as of 1 January 2021, Renco Qatar became part of the Renco Group's consolidated financial statements following an agreement between the shareholders, which establishes de facto control of the company by Renco S.p.A.;
- as part of the power plant construction project in Armenia and in accordance with the agreements made with the parties involved in the project, during the period Renco Power Cjsc further capitalised Armpower Cjsc for USD 9,017 thousand equivalent;
- finally, liquidation processes of the companies under Moroccan law, Renco Mar Sarl and Renco Energies Sa, of the Mozambican branch of Renco Asset Management S.r.l. and of the Italian company Eat's Italia S.r.l. have been completed.

For significant events that occurred during the year, reference should be made to the first part of the Management Report.

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 of 31.12.2021, 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 subsidiaries and valued using the equity method. Specifically, this is the case of the Armenian company Armpower Cjsc where the Shareholder 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 result 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:

(amount in currency for Euro 1)	Exchange rate as of 31.12.2021		Exchange rate as of 31.12.2020	
	as of 31.12. 2021	2021 average	as of 31.12. 2020	2020 average
Algerian Dinar	157.41	159.65	162.11	144.85
Libyan dinar	5.21	5.34	1.64	1.58
US Dollar	1.13	1.18	1.23	1.14
Armenian dram	543.98	596.48	640.80	558.44
CFA franc	655.96	655.96	655.96	655.96
Albanian Lek	120.71	122.44	123.70	123.79
Mozambican Metical	72.50	77.54	91.70	79.28
Russian Ruble	85.30	87.15	91.47	82.72
Tanzanian shilling	2.610.17	2.736.92	2.844.79	2.641.78
Tenge Kazakhstan	492.75	504.43	517.04	473.00

Measurement criteria

The criteria used for preparation of the consolidated financial statements as of 31.12.2021 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 the company's ability to continue as a going concern, even considering the significant uncertainties and doubts arising from the COVID-19 pandemic; 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 assets	Rates depending on the residual duration of the contract

Special treatment was reserved for investment in the integrated Oracle - JDEdwards 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 in the realisation of new investments are capitalised when the company is able to demonstrate:

- (a) the technical feasibility of completing the intangible asset and using or selling it;
- (b) the intention to complete the intangible asset so as to be available for use or for 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 technical, financial and other types of resources suitable for completing the development and for the use or sale of the intangible asset;
- (f) the possibility of reliably estimating 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 expenses 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.

Descrizione	Aliquote applicate
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 fittings	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 unconsolidated subsidiaries 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 resulting from the application of the equity method are presented in line with paragraph 175 of OIC 17.

Investments that are expected to be sold within one year are classified as current assets under “Financial assets other than 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 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.

Work in progress (projects of duration beyond the year) are recognised according to percentage completion or interim payment certificate criterion: 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 allowance for doubtful accounts, 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 classifica-

tion, 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 value of these provisions is determined on the basis of the general criteria of prudence and the pro tempore principle, and no generic provisions for risks are set up without economic justification.

Potential liabilities are stated in the financial statements and recorded in the provisions 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 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 using indices.

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 Euro 11 million, 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 C.17-bis "Foreign 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.

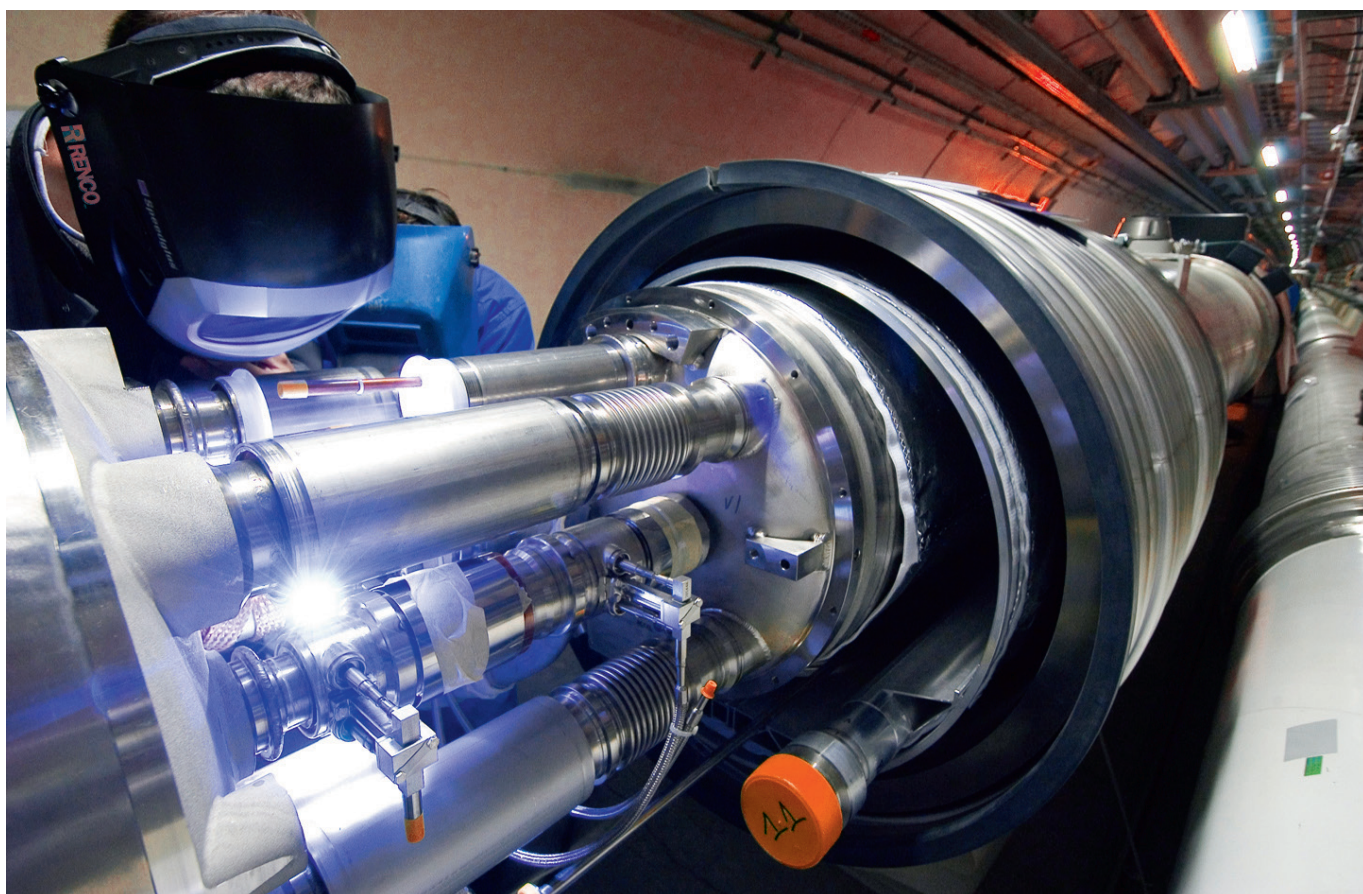
Specifically:

- 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 ownership passes, which normally coincides with the time of 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 pro tempore principle; they therefore represent:

- the allocations 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.

(thousand €)	Start-up and expansion costs	Development costs	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets in progress and advances	Other intangible assets	Total
Net opening value 31.12.2020	26	1,687	3,830	10	1,931	97	7,582
Acquisitions	5	434	164	1	1,750	-	2,355
Reclassifications	-	(26)	(2)	24	457	-	454
Sales	-	-	-	-	-	-	-
Write-downs	-	-	-	-	(97)	-	(97)
Translation differences	3	223	249	4	11	2	493
Amortisation and depreciation	(11)	(449)	(870)	(6)	-	(81)	(1,417)
Change in the scope of consolidation	(1)	-	-	-	-	-	(1)
Net closing value 31.12.2021	23	1,870	3,373	32	4,052	18	9,368

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

Development costs

The Group pursues development activities to obtain and deploy new initiatives in order to improve the sustainability and diversification of the business. The net balance amounted to 1,870 thousand Euro (1,687 thousand Euro); the increase is due to development expenses for new investments that materialised during the year. The amount also includes activities incurred by Renco Power in previous years for the realisation of the investment in Armpower, as well as various investments in Mozambique, including the construction of the port of Pemba.

Amortisation for the period amounted to 449 thousand Euro.

Patents and intellectual property rights

The net balance amounts to 3,373 thousand Euro (3,830 thousand Euro) and includes the rights to use third-party software. The increase in the past year, equal to 164 thousand Euro, mainly relates to costs incurred for the streamlining of the JDE Oracle management system.

The investment in Oracle of previous years was to improve the administrative structure of Group companies and to make the systems adopted in the main companies homogeneous, and required, in addition to 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 JDE ERP system which was depreciated over a period of 10 years, for the reasons indicated above.

Amortisation for the period amounted to 870 thousand Euro.

Assets in progress and advances

Investments in progress and advances amount to 4,052 thousand Euro and refer to the capitalisation of development costs on projects not yet completed, including development costs related to initiatives in Italy in the amount of 613 thousand Euro, in Mozambique in the amount of 293 thousand Euro, and in Armenia and Congo in the amount of 681 thousand Euro.

The write-down in the year, amounting to 97 thousand Euro, refers to development costs capitalised in 2020 and related to projects considered no longer strategic for the Group.

Other intangible assets

The net balance is 18 thousand Euro (97 thousand Euro) and was mainly made up of the capitalisation of ancillary charges and investigative expenses in respect of the medium/long-term bank loans taken out prior to 2016 by Renco S.p.A. Amortisation for the period amounted to 81 thousand Euro.

2) Tangible fixed assets

The item consists of the following.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in progress and advances	Total
(thousand €)						
Net opening value 31.12.2020	195,032	11,120	3,367	6,009	14,902	230,430
Acquisitions	8,679	1,125	5,019	2,083	5,155	22,060
Reclassifications	7,226	208	(113)	(5)	(9,167)	(1,850)
Disposals/decreases for the year	(480)	(80)	(0)	(419)	-	(979)
Amortisation/depreciation	(6,514)	(3,184)	(1,174)	(1,671)	-	(12,543)
Translation differences	11,596	2,208	336	848	1,871	16,859
Change in the scope of consolidation						
Net closing value 31.12.2021	215,540	11,396	7,435	6,848	12,491	253,709

Land and buildings

They amounted to 215,540 thousand Euro (195,032 thousand Euro).

The increase deriving from the acquisitions for the year amounts to Euro 8,7 million and consists of:

- Euro 2.2 million for the purchase of the Villa delle Rose residence for the elderly in Vittorio Veneto by the company of the same name;
- Euro 766 thousand for the lease payments for the purchase of containers intended for orders relating to Superbonus 110 by the company Renco S.p.A.
- Euro 584 thousand relating to project and urbanisation expenses on the land held by the company Residence Viserba S.r.l.
- Euro 5.3 million for improvement works carried out on the Group's facilities, of which Euro 2.3 million in Kazakhstan (where the Group is present with three hotels owned and 59 thousand square metres of residential/office space), Euro 0.7 million in Mozambique (relating to fit-out work carried out on the Mequfi resort and the "Jetty" port of Pemba), Euro 1.4 million in Congo (relating to industrial bases and extraordinary maintenance of the Hilton Hotel in Pointe Noire), Euro 0.6 million in Armenia.

Reclassifications mainly refer to:

- increases of Euro 2.4 million relating to the completion of construction work on the Indico Services building owned by Mozestate, in Pemba;
- increases of Euro 5.7 million relating to the completion of the renovation of the Hotel Villa Soligo in Farra di Soligo, in the province of Treviso;
- decreases of Euro 1.8 million related to real estate held by Renco Capital and recognised as current assets under Finished Products, as they are available for sale.

The decreases for the year, totalling Euro 0.4 million, mainly refer to the sale of land in Yerevan held by Armenia Valore.

Depreciation and amortisation for the period amounted to Euro 6.5 million and exchange rate effects were positive for the year in the amount of Euro 11.6 million.

In accordance with the 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

They amounted to 11,396 thousand Euro (11,120 thousand Euro).

The increases for the period equal to Euro 1.1 million are due to the purchase of machinery used to carry out the orders or for the functionality of the structures.

Depreciation and amortisation for the period amounted to Euro 3.2 million (Euro 2.2 million) and exchange rate effects were positive for the year in the amount of Euro 2.2 million.

Industrial and commercial equipment

They amounted to 7,435 thousand Euro (3,367 thousand Euro).

The increases, equal to Euro 5 million, are due to the purchase of equipment for the implementation of the operational contracts of the Group. In particular, the increases refer to Renco S.p.A. for Euro 4.1 million and are connected to the activities related to the work on Superbonus 110.

Depreciation and amortisation for the period amounted to 1,174 thousand Euro (676 thousand Euro) and exchange rate effects were positive for the year in the amount of 336 thousand Euro.

Other assets

They amounted to 6.848 thousand Euro (6,009 thousand Euro).

The increase of Euro 2.1 million is attributable to the purchase of Euro 0.9 million in furniture and equipment related to the hotel business by the company Villa Soligo, and Euro 0.9 million in trucks and vehicles, mainly by the Mozambican companies and Renco S.p.A..

Depreciation and amortisation for the period amounted to Euro 1,7 million (Euro 1.6 million) and exchange rate effects were positive for the year in the amount of Euro 1.8 million.

Assets in progress and advances

These amount to Euro 12.5 million (Euro 14.9 million) and refer to:

- Euro 10.3 million for the construction of the 1,500-bed camp (“Men Camp Hotel”) in Palma, Mozambique, held by Real Moz;
- Euro 2.2 million to other ongoing investment initiatives.

3) Financial fixed assets

The item consists of the following.

(thousand €)	31.12.2020	Increases	Decreases	31.12.2021
Equity investments in:				
b) Subsidiaries	32,820	15,146	(460)	47,506
b) Associated companies	2,217	10	(839)	1,388
d) Other companies	48	101	-	149
Receivables from:				
a) Subsidiaries	10	450	(8)	452
b) Associated companies	22,619	8,954	(800)	30,773
d) Due from others	79	0	(49)	31
Derivative asset instruments	3,249	(3,249)	32	32
Total	61,043	21,413	(2,125)	80,331

Equity investments

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

(thousand €)	Investments in subsidiaries	Investments in associated companies	Equity investments in other companies
Balance as of 31.12.2020	32,820	2,217	48
Increases during the year	8,992	10	100
Translation differences	6,019	-	1
Change in the scope of consolidation	-	(43)	-
Reclassifications	-	(795)	-
Decreases during the year	-	-	-
Revaluations during the year	135	-	-
Write-downs during the year	(460)	(1)	-
Balance as of 31.12.2021	47,506	1,388	149

Subsidiary companies that are not consolidated

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 subsidiaries are shown in the table below:

(thousand €)	31.12.2020	Increases	Decreases	Exchange Effect	Other adjustments	31.12.2021
Consorzio Renco-Lancia-Iter	65	-	-	-		65
Renco Food Srl	415	-	-	-	(326)	88
Armpower	32,325	7,875	-	6,029	135	46,364
Renco Wayoe Ghana		134			(134)	-
Greenergo		10				10
Salinella Eolico	5	974	-	-		979
Villa delle Rose	10	-	-	-	(10)	-
Total	32,820	8,992	-	6,029	(335)	47,506

During the 2021 financial year, the share capital of the subsidiary Armpower Cjsc was increased by a total of Euro 7.9 million (USD 9 million) in order to equip it with the means necessary for the construction of the Yerevan power plant. For a full description of the project's progress, please refer to the Management Report.

The increase of Euro 974 thousand in the value of the investment in Salinella Eolico S.r.l. relates to the purchase of an additional 50% of the company, made against the planned developments on the construction of a 31 MW wind farm. The company was not included in the line-by-line consolidation area because the Group lost control in January 2022, following the sale of 60% of the company. For further information, please refer to the section "Information on significant events subsequent to the end of the financial year".

The other adjustments to Armpower, amounting to Euro 135 thousand, 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.

(thousand €)	Registered office	Share capital	Shareholders' equity as of 31.12.2021	Profit (Loss) as of 31.12.2021	% ownership	Book value
Consorzio Renco-Lancia-Iter ⁽¹⁾	Italy	100	100	-	71.0%	65
Fondazione Renco ⁽¹⁾⁽³⁾	Italy	104	37	(26)	100.0%	-
Salinella Eolico ⁽¹⁾	Italy	10	3	(6)	100.0%	979
Greenergo ⁽²⁾	Italy	10	10	-	100.0%	10
Renco Food SRL ⁽²⁾	Italy	100	88	(326)	100.0%	88
Renco Wayoe Ghana ⁽¹⁾	Ghana	134	-	-	90.0%	-
Armpower ⁽²⁾	Armenia	86,735	77,297	225	60.0%	46,364
Total						47,506

⁽¹⁾ Measured with the cost method;
⁽²⁾ Measured with the equity method;
⁽³⁾ Values as of 31.12.2020.

In order to take into account situations of permanent losses, in December, the equity investments in Renco Food (Euro 326 thousand), which is not consolidated, and Renco Wayoe Ghana (Euro 134 thousand) were written down. In December, Renco Food concluded the liquidation process of its subsidiary Eat's Italia S.r.l., recording a negative result for the period of Euro 326 thousand. The write-down made in Renco Food was allocated to align the book value to the pertinent shareholders' equity, which is also useful to allow for a neutral merger operation between Renco Valore S.p.A. and Renco Food planned for 2022. For further information, please refer to the section "Information on significant events subsequent to the end of the financial year".

Associated companies

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

(thousand €)	31.12.2020	Increases	Decreases	Exchange Effect	Other adjustments	31.12.2021
Renco Irem Costrucoes	-	-	-	-		-
Renco Nigeria	8	-	-	-		8
Renco Qatar	43	-	-	-	(43)	-
Real Estate Management	9	-	-	-		9
Darin Construction	642	-	-	-		642
Trademark Italy LLP	0	-	-	-		0
Tolfa Care	716	-	-	-	(1)	715
Nova Portum	3	-	-	-		3
Central Solar Mozambique	795	-	-	-	(795)	0
Renco Energy Services LTD	-	10	-	-		10
Velofirma	-	-	-	-		-
Total	2,217	10	-	-	(839)	1,387

The item "Other adjustments" decreased by Euro 839 thousand due to the reclassification to another balance sheet item of the value recorded in Central Solar Mozambique of Euro 795 thousand and due to the consolidation of Renco Qatar. The Tolfa Care adjustments, amounting to Euro -1 thousand, derive from the valuation of the company using the equity method.

(thousand €)	Registered office	Share capital	Shareholders' equity at 31/12/2021	Profit (Loss) as of 31.12.21	% ownership	Book value
Darin Construction ^{(1) (3)}	Kazakhstan	44	(8,730)	(2,544)	25.0%	642
Real Estate Management ^{(1) (3)}	Italia	10	3,907	(512)	30.0%	9
Renco Irem Costrucoes ⁽²⁾	Mozambico	203	(1,445)	(90)	31.3%	-
Renco Nigeria ⁽¹⁾	Nigeria	nd	nd	nd	49.0%	8
Trademark Italy LLP ⁽¹⁾	Kazakhstan	0	(3,882)	(725)	50.0%	0
Nova Portum ⁽¹⁾⁽⁴⁾	Italia	10	(802)	(812)	30.0%	3
Central Solar Mozambique ⁽¹⁾	Mozambico	1	1	-	20.0%	0
Tolfa Care ⁽²⁾	Italia	813	1,670	143	47.6%	715
Renco Energy Services LTD ⁽¹⁾	Nigeria	nd	nd	nd	49.0%	10
Velofirma ⁽¹⁾	Armenia	7	(9,225)	471	53.7%	-
Total						1,387

⁽¹⁾ Valutate con il metodo del costo

⁽²⁾ Valutata con il metodo del patrimonio netto

⁽³⁾ Valori riferiti al 31.12.2020

⁽⁴⁾ Valori riferiti al 31.07.2021

It should be noted that, should it be 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 occupancy rate of the executive part reached 100 per cent in April 2022.

The investment in 2022 was fully operational for the executive part, while the hotel is still suffering from the slowdown caused by the impact of the pandemic, and the first economic returns of the investment are expected from 2023.

The higher carrying value of the investment is mainly justified by the higher value of the fixed assets owned by the investee company as documented by a special appraisal drawn up by independent consultan-

ts specifically appointed by Management. Once the investments are fully operational, it is expected that the company will develop cash flows that will rebalance its economic and financial situation. As of today, the company is still in the advanced start-up phase of the property management and leasing activities. Therefore, the Directors consider the impact of the non-adjustment to equity of the investment on the consolidated financial statements to be negligible, in view of its insignificance in the Group's current operations and because the company's equity and result for the period are considerably impacted by the unrealised exchange loss recorded on the shareholder loan received in Euro.

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 carrying value of the investment is mainly justified by the higher value of the fixed assets owned by the investee, as per the valuation report prepared by Scot Holland. Once the investments are fully operational, it is expected that the company will develop cash flows that will rebalance its economic and financial situation. Despite the effects of the prolonged pandemic, in 2021 the company recorded an Ebitda for the period of Euro 471 thousand, or 24% of revenues.

Note also 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, 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:

(thousand €)	31.12.2020	Increases	Decreases	Exchange Effect	Other adjustments	31.12.2021
Cedecorp SA-Camerun	23	-	-	-	-	23
Prom Invest Engin Atyrau	0	-	-	-	-	0
Partecipazione Conai	0	-	-	-	-	0
Kairos Air SPA		100	-	-		100
JSC Astanaenergосervic	25	-	-	1	-	26
Total	48	100	-	1		149

Receivables

(thousand €)	Receivables from subsidiary companies	Receivables from associated companies	Receivables from others
Balance as of 31.12.2020	10	22,619	78
Increases during the year	450	8,954	0
Decreases during the year	(8)	(800)	(49)
Balance as of 31.12.2021	452	30,773	31

Receivables from non-consolidated subsidiaries, amounting to Euro 452 thousand (Euro 9 thousand as of 31 December 2020), consist of receivables from the subsidiary Salinella S.r.l. claimed by Renco S.p.A.

The increase of Euro 450 thousand is due to the payment for the period to the company Salinella. The decrease of Euro 7 thousand is generated by the first consolidation in the Group in 2021 of the company Villa delle Rose S.r.l. For more information on the transaction, please refer to the opening paragraph “Scope and methods of consolidation” and “Significant events during the year”.

Receivables from associated companies amounting to Euro 30,773 thousand (Euro 22,619 thousand as of 31.12.2020) consist of:

- receivables from the associate company Velofirma claimed by the company Renco Valore S.r.l. for Euro 3,683 thousand (Euro 3,127 thousand as of 31 December 2020), which increased to Euro 556 thousand due to the exchange rate effect; 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 Euro 2,164 thousand (Euro 2,094 thousand as of 31 December 2020) claimed by Renco Valore S.p.A.. The Directors, despite the continuing effects of the restrictions imposed to counter the COVID-19 pandemic, believe this position to be fully recoverable, due to the recovery recorded in early 2022 and the expected cash flows of the Hotel Palazzo Castri 1874 in Florence;
- receivables from the associated company Darin Construction amounting to Euro 13,311 thousand (Euro 13,311 thousand as of 31 December 2020) claimed by Renco Valore S.r.l. The Group owns 25% of the company Darin Construction and the financial loan was granted in order to finance its share in the real estate development transaction, as better described in the “Associated companies” section of these explanatory notes; the expected cash generation will also be used to repay the loans received from the shareholders based on recent developments and the latent surplus value in the real estate held by the associated company. The directors believe that the amount of the loans receivable is fully recoverable;
- receivables from the associated companies Trade Mark Italy LLP, in the amount of Euro 1,555 thousand (Euro 1,355 thousand as at 31 December 2020), and Niassa Sanctuary LTD, in the amount of Euro 201,000, provided in support of the companies;
- receivables to Renco Irem Construcoes of Euro 7,125 thousand (Euro 1,034 thousand as at 31 December 2020). The company is leading the local consortium that is carrying out important construction work for the client CCS;
- Receivables from Central Solar Mozambique in the amount of Euro 190,000, disbursed during the year for the development of a photovoltaic project in Mozambique (as better described in the Management

Report to which reference should be made), and from Renco Nigeria in the amount of Euro 1,775,000;

- receivables from Nova Portum S.r.l. in the amount of Euro 760 thousand (Euro 1,560 thousand as of 31 December 2020), disbursed during the period to support the real estate investment in the area of the former Consorzio Agrario located at the Port of Pesaro.

Nova Portum S.r.l. has undertaken a real estate development initiative called “Calata 52” whose project envisages the construction and marketing of units for residential and commercial use near the port of Pesaro. The construction activities started at the end of 2020 underwent a voluntary interruption, decided by the company as a precautionary measure, as a result of an investigation launched by the Pesaro authorities. The matter under examination originates from a complaint filed by the local Port Authority, which contested the urbanistic regularity of the building permit issued by the competent Municipality of Pesaro, in consideration of the specific reference to destinations that can be settled in the area. The investigations are still in progress and during the evidentiary accident there have been conflicting opinions by the various experts in charge, which at this stage (albeit interlocutory) seem to question the legitimacy of the building permit because it is not totally compatible with the urban planning regulations. Should the observations of certain experts be accepted, the building permit issued for that specific initiative cannot be used to carry out the works planned to date; however, this does not preclude the possibility of proceeding by reworking the project in compliance with the town-planning prescriptions indicated by the competent authorities. This will certainly result in damage for the Nova Portum S.r.l. company, from which it will be forced to seek compensation for the parties that will necessarily be identified as responsible. Clearly, the company will be able to validly undertake any action, including legal action, to obtain compensation for the damages suffered and to be suffered as a result of this affair, which sees it as an injured party, capable of asserting its legitimate rights to compensation.

It should be noted that most of the works carried out to date (such as demolition works, excavation works, disposal of aggregates, etc.), and for which Nova Portum S.r.l. has already incurred the costs, are in any case works that must necessarily be carried out even if a change to the project is made. The company, however, cautiously suspended all activities as soon as it became aware of the opening of these proceedings.

Finally, it should be noted that the company has already paid to the Municipality of Pesaro an amount for Urbanisation Charges of Euro 2.2 million.

The Directors do not foresee any particularly critical situations for Nova Portum S.r.l., believing that the same will be able to proceed in the future with a legitimate real estate intervention or, ultimately, with the requests for the restitution of the amounts paid as Urbanisation Charges as well as compensation for any damage suffered.

In this context of uncertainty, the outcome of which is influenced by exogenous factors, the Group and the Directors have prudently adjusted the financial receivables through the allocation to a specific provision in the amount of Euro 800 thousand calculated on the basis of the position’s recoverability assessment, determined by the expected value deriving from the recovery of the Urbanisation Charges.

The “Receivables” item consists of the following:

(thousand €)	31.12.2020	New disbursements	Repayments	Exchange Effect	Write-downs	Other changes	31.12.2021
Due from subsidiaries	10	450	-	-		(8)	452
Due from associated companies	22,619	6,487	-	828	(800)	1,638	30,773
Due from others	78	-	(48)	-		-	31
Total	22,707	6,938	(48)	828	(800)	1,630	31,256

Receivables from others, equal to Euro 31 thousand (Euro 79 thousand), consist of security deposits.

The increase in the item “Other changes” of Euro 1,638 thousand reflects the change in the scope of consolidation during the year and represents the receivables due from the associate Renco Nigeria.

The breakdown of receivables as of 31.12.2021 by geographic area, is shown in the following table (Article 2427, first paragraph, no. 6, of the Italian Civil Code).

(thousand €)	Italy	Europe	Africa and Middle East	Rest of the World	Total
Due from subsidiaries	452	-	-	-	452
Due from associated companies	2,924	-	12,983	14,866	30,773
Due from others	31	-	-	-	31
Total	3,407		12,983	14,866	31,256

Other securities and derivative asset instruments

(thousand €)	Other securities	Derivative asset instruments
Balance as of 31.12.2020	-	3,249
Increases during the year	-	32
Decreases during the year	-	(3,249)
Balance as of 31.12.2021		32

The item “Derivative asset instruments”, amounting to Euro 32,000, represents the valuation of derivatives as of 31 December 2021. For a more detailed description of derivative instruments, please refer to the appropriate section of these explanatory notes.

4) Inventories

(thousand €)	31.12.2020	31.12.2021	Changes
Inventories:			
1) Raw, ancillary and consumable materials	4,236	3,508	(728)
2) Work in progress and semi-finished products	49	87	38
3) Contract work in progress	304,222	281,522	(22,700)
4) Finished products and goods	12,747	12,564	(183)
5) Advances	8	-	(8)
Total	321,262	297,681	(23,581)

The measurement criteria adopted are consistent with those used in the previous year, as 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 progress payments and advances 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 Euro 0 (Euro 8 thousand at 31 December 2020).

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

The decrease in contract work in progress amounting to Euro 22,700 thousand derives from the acknowledgement of the final milestones of important job orders acquired in previous years; specifically, the main effect is attributable to the Yerevan Power Plant and Bergamo GdF Academy job orders. The effect of the closure of these job orders is partly offset by the progress of existing job orders, particularly the job order for the construction of the gas decompression plant in Denmark, whose works are 85% complete at year-end, and the job orders related to Superbonus 110.

The order portfolio as of 31 December 2021 with reference to work in progress of the Buildings and Energy Business Lines amounts to Euro 1,049.7 million, of which Euro 721.1 million to be produced.

Finished products and goods for sale include a building located in Rome with a value of Euro 5,900 thousand (Euro 5,900 thousand as of 31 December 2020), 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 ongoing orders and the related valuation of inventories, it is pointed out that the national and international situation created by the conflict and the pandemic could also have consequences for 2022. The Directors are constantly monitoring the situation and, with reference to the long-term job orders in question, it should be noted that the Corona Virus has had limited effects only on the completion times of some projects, which were agreed upon with the respective customers. For fur-

ther information, please refer to the section “Foreseeable business outlook” in the Management Report.

5) Receivables

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

(thousand €)	31.12.2020	31.12.2021	Changes
Receivables			
1) Trade receivables	38,397	49,734	11,337
2) Due from subsidiaries	321	11,563	11,242
3) Due from associated companies	5,868	7,482	1,614
5-bis) for tax receivables	22,556	14,292	(8,264)
5-ter) for prepaid taxes	6,993	6,138	(855)
5-quater) Due from others	18,987	20,171	1,184
Total	93,122	109,380	16,258

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

(thousand €)	Within 12 months	Beyond 12 months	Beyond 5 years	Total
Receivables				
1) Trade receivables	49,734	-	-	49,734
2) Due from subsidiaries	11,563	-	-	11,563
3) Due from associated companies	7,482	-	-	7,482
5-bis) for tax receivables	14,182	110	-	14,292
5-ter) for prepaid taxes	6,138	-	-	6,138
5-quater) Due from others	8,514	11,657	-	20,171
Total	97,613	11,767	-	109,380

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

(thousand €)	31.12.2020	31.12.2021
Italy	26,875	30,407
European Union	21,574	11,032
Russia and former USSR countries	14,545	30,106
Africa	29,476	30,577
Middle East	96	6,683
Other	557	576
Total	93,122	109,380

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

Trade receivables

The item “Trade receivables” amounting to Euro 49,734 thousand (Euro 38,397 thousand) is shown net of the bad debt provision amounting to Euro 2,328 thousand (Euro 2,051 thousand), which increased in the course of 2021 by Euro 276 thousand compared to the previous year. This item contains invoices to be issued to a customer of the Mozambican consortium, in which Pemba Bulk Terminal has a 60% stake. The amount was recognised in respect of a series of claims presented to the customer during the year, for a total value of USD 16.1 million, the recognition of which is being settled through an amicable settlement procedure between the parties. Against the amounts under negotiation, the Group has allocated an amount of Euro 2,500 thousand of invoices to be issued, deemed certain and recoverable.

Compared to 31 December 2020, the net balance of receivables from third-party customers increased in absolute value by Euro 11,337 thousand due to the increase in trade receivables related to Superbonus 110, which have different conditions and collection logic than the EPC or Services contracts. Trade receivables as a percentage of the value of production from third parties for the last 12 months increased from 12.9% at 31 December 2020 to 15.8% at 31 December 2021, substantially in line with the previous year. It is also pointed out that in the first months of 2022, despite the persistence of the pandemic, collection of receivables from customers has not had any problems.

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

(thousand €)	31.12.2020	Use	Provisions	Translation differences	31.12.2021
Provision for credit depreciation of current assets	2,051	-	268	9	2,328

The provision set up at 31 December 2021 is deemed adequate to cover both specific situations, which have already manifested uncollectable situations during the current year, and the risks of uncollectability implicit in “in bonis” (performing) receivables.

Receivables from subsidiary companies that are not consolidated

The item “Receivables from subsidiary companies that are not consolidated”, equal to Euro 11,563 thousand (Euro 321 thousand as of 31 December 2020), consists of trade receivables and includes Euro 11,476 thousand (Euro 244 thousand) in receivables from the subsidiary Armpower and Euro 87 thousand (Euro 77 thousand) in receivables from the subsidiary Renco Food S.r.l.

Receivables from associated companies

The item “Receivables from associated companies”, equal to Euro 7,482 thousand (Euro 5,868 thousand as of 31 December 2020), consists exclusively of receivables of a commercial nature and specifically:

- receivables from the associated company Velofirma for Euro 1,088 thousand (Euro 811 thousand as of 31 December 2020), claimed as to Euro 783 thousand (Euro 658 thousand as of 31 December 2020) by the subsidiary Renco Armestate, as to Euro 105 thousand (Euro 88 thousand as of 31 December 2020) by Renco S.p.A., as to Euro 52 thousand by Renco Valore S.p.A. and Euro 68 thousand by Renco Asset

Management S.r.l.;

- receivables from the associate Renco Nigeria for Euro 2.001 thousand (Euro 742 thousand as of 31 December 2020), claimed as Euro 680 thousand by Renco Congo Sarlu and Euro 1,321 thousand by Renco S.p.A.;
- receivables from the associated company Tolfa Care S.r.l. amounting to Euro 43 thousand (Euro 42 thousand the previous year) claimed by Renco Asset Management S.r.l.;
- receivables from the associate Darin Construction for Euro 1,107 thousand (Euro 1,658 thousand last year as at 31 December 2020) claimed as to Euro 860 thousand by Renco Valore S.p.A., Euro 108 thousand by Renco Kat and Euro 130 thousand by Renco Property; 8 thousand by Renco Spa
- receivables from associate Real Estate Management S.r.l. for Euro 29 thousand (Euro 24 thousand last year) claimed entirely by Renco Asset Management S.r.l.;
- receivables from the associate Renco Irem Costrucoes Lda for Euro 1,779 thousand (Euro 1,605 thousand as at 31 December 2020) claimed by Renco S.p.A. for Euro 1,570,000, by Rencotek Lda for Euro 191,000, by Mozestate for Euro 15 thousand and by Italsec for Euro 2 thousand.
- receivables from the associated company Trademark Italy for Euro 1,046 thousand (Euro 811 thousand as of 31 December 2020), claimed by Renco Valore S.p.A. for Euro 566,000, by Renco Property for Euro 397 thousand and by Renco Kat for Euro 83,000;
- receivables from the associate Niassa Sanctuary for Euro 175,000, claimed by Renco S.p.A.;
- receivables from the associate Central Solar de Mecufi for Euro 177,000, claimed by Renco Energia.

Tax receivables

The item “tax receivables” amounting to Euro 14.2 million (Euro 22.6 million at 31.12.2020) is made up as follows.

(thousand €)	31.12.2020	31.12.2021	Changes
Tax receivables			
Foreign tax receivables	1,182	975	(207)
Tax receivables	4,297	4,796	499
VAT receivables	16,292	7,704	(8,588)
Other tax receivables	786	818	32
Total	22,556	14,292	(8,264)

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 the Italian subsidiary companies.

The increase in tax credits for a total of Euro 499 thousand is mainly attributable to the higher advance payments on income taxes paid by Renco Group S.p.A. and its subsidiaries, which had achieved particularly positive results in the previous year.

The item VAT receivables refers to the annual VAT credit accrued from ordinary business transactions. The decrease in VAT receivables is related to the credit settlement that took place in 2021 and the Group’s settlements in the current year.

Receivables for prepaid taxes

Receivables for prepaid taxes of Euro 6,138 thousand (Euro 6,993 thousand as of 31 December 2020) 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.

(thousand €)	31.12.2020	Provisions	Uses	Translation differences	Other changes	31.12.2021
Receivables for prepaid taxes	6,993	1,430	(2,172)	207	(319)	6,138

Receivables from others

The item “receivables from others” amounting to Euro 20,171 thousand (Euro 18,987 thousand at 31 December 2020) is made up as follows.

(thousand €)	31.12.2020	31.12.2021	Changes
Receivables from others			
Advances to suppliers	4,861	4,671	(190)
Receivables due from employees	1,448	1,435	(14)
Deposits	396	721	325
Receivables for sale of shareholdings	6,930	8,866	1,937
Receivables for rent-to-buy	2,306	2,491	185
Loan receivables	1,438	-	(1,438)
Receivables from social security institutions	96	21	(76)
Receivables from Terna	1,218	20	(1,198)
Other receivables	294	1,946	1,652
Total	18,987	20,171	1,184

Receivables for the sale of equity investments amounted to Euro 8,866 thousand (Euro 6,930 thousand as at 31 December 2020) and included:

- Euro 5,135 thousand from receivables arising from the sale of 50% of the Kazakh associate Renco Kat; compared to the previous year, these receivables did not change and the only differences refer to exchange rate 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;
- Euro 2,776 thousand from receivables arising from the sale of up to 19.8% of the shares of Real Moz. According to contractual agreements, the receivable will be collected through bank transfers in a manner similar to the distribution of the investee company’s profits;
- Euro 925 thousand from the receivables arising from the disposals that took place in the period to rebalance the company shares following the share capital increases subscribed by Renco S.p.A.;
- Euro 30 thousand from receivables arising from the sale of 30% of the Italian subsidiary Italsec S.r.l.

Receivables for rent-to-buy of Euro 2.5 million (Euro 2.3 million as at 31 December 2020) are recorded under Renco Valore 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 Euro 3.7 million. Since this is an external assumption with the consent of the bank but not constituting a release, already in 2016 the amount of Euro 3.7 million was recognised among other receivables and other payables, an amount that was reduced to Euro 1.7 million over the years;

Receivables from Terna of Euro 20 thousand (Euro 1.2 million at 31 December 2020) relate to the trade receivables 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.

The loan receivable position, relating to receivables from third-party shareholders of Grapevine, was closed during the period under review.

6) Liquid funds

(thousand €)	31.12.2020	31.12.2021	Changes
Cash and cash equivalents			
Bank and post office deposits	68,172	68,308	136
Cash and equivalents on hand	807	414	(393)
Total	68,978	68,722	(257)

The balance represents liquid funds in existence as of 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.

(thousand €)	31.12.2020	31.12.2021	Changes
Accrued income	12	66	54
- Bank interest income	4	1	(3)
- Interest income on taxes	8	4	4
- Accrued insurance expenses	-	61	61
Prepaid expenses	3,439	1,988	(1,451)
- Rents and leases	33	11	(22)
- Insurance	633	372	(260)
- Software licences	188	252	63
- Surety charges	965	396	(569)
- Villa Molaroni lease fees	132	72	(60)
- others	1,488	885	(603)
Total	3,451	2,053	(1,398)

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

(thousand €)	31.12.2020	Increases	Decreases	31.12.2021
Group shareholders' equity				
Share capital	9,013	-	-	9,013
Share premium reserve	25,988	-	-	25,987
Revaluation reserve	4,696	-	-	4,696
Legal reserve	1,438	64	-	1,503
Other reserves	3,878	15,552	-	19,429
Reserve to cover expected cash flows	(3,562)	1,411	-	(2,151)
Profit (loss) carried forward and other reserves	100,578	4,568	-	105,146
Reserve for the purchase of treasury shares	(3,609)	-	-	(3,609)
Group profit/(loss) for the year	5,867	7,680	(5,867)	7,680
Total	144,288	29,276	(5,867)	167,695

The item Other Reserves is broken down as follows

(thousand €)	31.12.2020	Increases	Decreases	31.12.2021
Other reserves				
Extraordinary or optional reserve	23,049	1,234	-	24,283
Payments towards capital	25,026	-	-	25,026
Conversion reserves from foreign consolidation	(50,149)	12,138	-	(38,012)
Consolidation reserve	5,952	2,180	-	8,132
Total	3,878	15,552		19,429

The conversion 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 reserve for conversion differences recorded a positive effect of Euro 12,138 thousand due to the appreciation recorded on the closing exchange rates of local currencies against the Euro, the main changes in the year-end exchange rates being the Metical +26% (compared to -32% recorded in 2020), the Armenian Dram +17.8% (compared to -19% recorded in 2020), the Ruble +7% (compared to -31% in 2020) and the Kazakh Tenge +5% (compared to -20% recorded in 2020).

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

Shareholders' equity pertaining to minority interest

(thousand €)	31.12.2020	31.12.2021	Changes
Minority interest			
Capital and reserves	3,130	3,851	721
Profit (loss) for the year	(2,627)	(558)	2,068
Total	503	3,292	2,789

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) Provisions for risks and charges

(thousand €)	31.12.2020	Increases	Decreases	31.12.2021
Provisions for risks and charges				
2) Provisions for taxes, including deferred	14,942	1,699	(2,669)	13,972
3) Derivative financial instruments – financial liabilities	1,191	345	(906)	630
4) Others	5,587	2,200	(5,246)	2,541
Total	21,720	4,245	(8,822)	17,143

Tax provisions

The tax provision, equal to Euro 13,972 thousand (Euro 14,942 thousand at 31 December 2020), includes Euro 13,552 thousand (Euro 14,724 thousand at 31 December 2020) for the temporary differences recorded in Group companies as well as the tax effects deriving from the consolidation entries; all are described in detail in the paragraph "Deferred/prepaid taxes" of these Explanatory Notes.

Furthermore, tax provisions include probable liabilities for taxes and penalties of Euro 420 thousand for tax audits on Renco S.p.A. conducted by the tax authorities on the year 2016.

(thousand €)	31.12.2020	Provisions	Uses	Translation differences	Other changes	31.12.2021
Provisions for taxes, including deferred						
Tax provisions, to be probably assessed	218	420	(218)	-	-	420
Deferred tax provision	14,724	1,279	(2,741)	290	-	13,552
Total	14,942	1,699	(2,959)	290	-	13,972

The changes during the year were the following:

- allocation of Euro 420 thousand to the tax provision for audits conducted by the tax authorities on the year 2016;

- change of a total of Euro 970 thousand in the provision for deferred taxes. In the section of this explanatory note on the exposure of the effects of deferred taxes, details related to deferred tax provision are provided.

Other reserves for risks and charges

The balance amounted to Euro 2,541 thousand (Euro 5,587 thousand as at 31 December 2020) and is broken down as follows:

(thousand €)	31.12.2020	Provision for the year	Use for the year	31.12.2021
Other provisions				
Provision for warranties on plant orders	5,587	2,200	(5,246)	2,541
Total	5,587	2,200	(5,246)	2,541

Provision for warranties on plant orders

The guarantee fund 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 warranty period commences (established on a contractual basis, which usually lasts 24 months), while the FAC is issued at the end of the warranty period. The provision is calculated on the basis of the historical incidence of warranty costs for similar job orders.

Movements for the period, both increases and decreases, are related to the normal management of the warranty offered upon reaching the PAC for plant orders. The use is related to work carried out under warranty on TAP Italy, TAP Greece and TAP Albania. The allocation of Euro 2,200 thousand relates to the Yerevan Power Plant job order, which was completed during the period.

10) Employee severance indemnities (TFR)

(thousand €)	Opening balance	TFR paid during the year	Provisions	Change in the scope of consolidation	Other changes (+/-)	Closing balance
Employee severance indemnity	2,983	(236)	977	33	3	3,760

The provision allocated represents the amount effectively payable by the Group as of 31.12.2021 to its employees in the workforce as of that date, net of any advances paid.

11) Payables

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

(thousand €)	31.12.2020	31.12.2021	Changes
Payables			
1) Bonds	44,576	33,209	(11,367)
3) Payables to shareholders for loans	5,901	5,720	(181)
4) Payables to banks	99,606	149,967	50,361
5) Payables due to other lenders	12,606	14,677	2,071
6) Advances	331,789	284,444	(47,345)
7) Trade payables	94,343	104,690	10,347
9) Payables to subsidiary companies that are not consolidated	144	348	204
10) Payables due to associated companies	2,764	11,083	8,319
12) Tax payables	7,206	9,872	2,666
13) Payables to social security and welfare institutions	1,710	2,265	555
14) Other payables	14,928	12,157	(2,771)
Total	615,573	628,432	12,859

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

(thousand €)	Within 12 months	Beyond 12 months	Beyond 5 years	Total
Payables				
1) Bonds	11,448	21,786	-	33,209
3) Payables to shareholders for loans	5,720	-	-	5,720
4) Payables to banks	69,156	67,007	13,804	149,967
5) Payables due to other lenders	920	13,757	-	14,677
6) Advances	189,251	95,193	-	284,444
7) Trade payables	104,690	-	-	104,690
9) Payables to subsidiary companies that are not consolidated	288	60	-	348
10) Payables due to associated companies	11,083	-	-	11,083
12) Tax payables	8,100	1,772	-	9,872
13) Payables to social security and welfare institutions	2,265	-	-	2,265
14) Other payables	10,790	1,367	-	12,157
Total	413,813	200,815	13,804	628,432

(thousand €)	31.12.2020	31.12.2021
Italy	261,198	342,800
European Union	31,039	90,344
Russia and former USSR countries	166,872	25,657
Africa	145,685	163,367
Middle East	4,155	5,080
Other	6,624	1,183
Total	615,573	628,432

Bonds

The item “bonds” refers to the following bond issues:

- bond issued on 16 October 2020 by the parent company Renco Group S.p.A. with a nominal value of Euro 10 million consisting of 100 bonds of Euro 100 thousand each and maturing on 1 January 2027, placed in private placement;
- bond issued on 23 November 2017 by the parent company Renco Group S.p.A. for the nominal amount of Euro 35 million consisting of 350 bonds of Euro 100 thousand 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 regulations of the bond issues 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	0.5
Net financial position		

Shareholders' Equity		
NFP/EBITDA	≤ 3.5	3.0
Net financial position		

EBITDA		
Interest Coverage Ratio (ICS)	≥ 4.5	4.6
Ebitda		

Financial charges		

Payables to shareholders for loans

Amounts due to shareholders for loans consist of the conversion in 2009 of the total coupon on bonds 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 each time. As a result of new guarantees provided by the parent company in favour of subsidiaries, shareholder loans are subject to distribution restrictions. During the year, two repayments were recognised for a total value

of Euro 200 thousand.

Payables to banks

The balance of payables to banks as of 31.12.2021 is Euro 149.9 million (Euro 99.6 million at 31 December 2020), inclusive of loans, represents the effective liability in terms of principal, interest and related charges accrued and due.

During the year, the Group contracted new financing in the amount of Euro 62.7 million (Euro 51.6 million as of 31 December 2020), of which Euro 8 million related to financing obtained by Renco Valore S.p.A., as better detailed below, Euro 21.9 million related to financing obtained by Renco S.p.A. and Euro 32.7 million in the form of credit lines contracted mainly by Renco S.p.A. The weighted average duration of the newly acquired loans is 65 months (88 months as of 31 December 2020). Some of the loans granted to the Company envisage the observance of covenants which, as of the balance sheet date, were observed.

Renco Valore S.p.A., in order to make the structure of its financial sources more solid and in view of the development of its existing activities and the investments to be made in the real estate BU, has signed a loan agreement for a maximum amount of Euro 63 million granted by a pool of banks consisting of Intesa Sanpaolo S.p.A, for a share of Euro 21 million, Banca Monte dei Paschi di Siena S.p.A., for a share of Euro 10 million, MPS Capital Services Banca per le Imprese S.p.A., for a share of Euro 17 million, and Cassa Depositi e Prestiti S.p.A., for a share of Euro 15 million. The contract was signed on 17 June 2020 and consists of Term Loan A, of Euro 35 million, and Term Loan B, of Euro 28 million, both of which have a grace period of 24 months and a duration of 7 years. Term Loan A was disbursed in full in 2020 while Term Loan B was disbursed for Euro 10 million in 2020 and Euro 8 million in 2021.

Below are the details:

(thousand €)	Nominal value	Outstanding debt	Amortised cost	Due date	Rate	Hedging transactions
Term Loan A Credit Line	35,000	35,000	34,463	17/06/2027	Var	IRS
Term Loan B Credit Line	28,000	18,000	17,567	17/06/2027	Var	IRS
Total	63,000	53,000	52,030			

On 10 July 2020, the company Villa Soligo S.r.l. took out a Euro 3 million loan to support the complete renovation of the hotel. The loan has a term of 10 years and expires on 5 July 2031, indexed to the 3-month Euribor interest rate plus a spread of 2.5%, and a floor rate of 0%. The repayment period started in August 2021 and as at 31 December 2020 the loan amounts to Euro 2.9 million.

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

- Variable rate loan of Euro 1 million with maturity date 30 June 2025, indexed to the 6-month Euribor interest rate and 1.85% spread, whose residual amortised cost value as of 31 December 2021 was Euro 0.5 million (Euro 0.6 million as of 31 December 2020);
- Variable-rate loan of Euro 2 million that amounted to Euro 1 million as of 31 December 2020, fully repaid in June 2021;

- Floating rate loan of Euro 12 million maturing on 30 June 2032, indexed to the 6-month Euribor interest rate and with a spread of 2.3%. The residual amount of the amortised cost as of 31 December 2021 was Euro 11 million (Euro 11.9 million as of 31 December 2020).

(thousand €)	Nominal value	Outstanding debt	Amortised cost	Due date	Rate	Hedging transactions
Loan 1 million	1,000	500	498	30/06/2025	Change	
Loan 2 million	2,000	0	0	30/06/2022	Change	
Loan 12 million	12,000	11,121	11,044	30/06/2032	Change	IRS
Total	15,000	11,621	11,542			

As of 31.12.2021, there were no payables for loans in foreign currency.

The balance of amounts due to banks beyond 12 months, totalling Euro 80.8 million (Euro 70.3 million as of 31 December 2020), is composed as follows:

- Euro 17.3 million (Euro 4.8 million as of 31 December 2020) is represented by the residual payable with maturity beyond 12 months of the loans to Renco S.p.A.;
- Euro 10.5 million (Euro 11.6 million as of 31 December 2020) is represented by the residual payable with maturity beyond 12 months of the loans to Renco Capital S.r.l.;
- Euro 2.6 million (Euro 2.9 million as of 31 December 2020) is represented by the residual payable with maturity beyond 12 months of the loans to Villa Soligo S.r.l.;
- Euro 2.05 million (Euro 2.2 million) is represented by the residual payable with maturity beyond 12 months of the loans to Eat's Re S.r.l.;
- Euro 48.3 million (Euro 44 million as of 31 December 2020) is represented by the residual payable with maturity beyond 12 months of the loans to Renco Valore S.p.A.

The balance of payables due to banks beyond five years is Euro 13.8 million (Euro 26.7 million as of 31 December 2020) and is represented by the residual debt of the loans held by Renco Capital S.r.l. for Euro 5.9 million, Villa Soligo S.r.l. for Euro 0.5 million, Eat's Re S.r.l. for Euro 1.2 million, Renco Valore S.p.A. for Euro 5.7 million and Renco S.p.A. for Euro 0.1 million.

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

The non-recourse⁸ debt as of 31 December 2021 amounted to Euro 2,213 thousand and related to the financial debt of Eat's Re.

Payables to other lenders

"Payables to other lenders" of Euro 14.7 million (Euro 12.6 million as of 31 December 2020) include:

- payables of Euro 3.7 million (Euro 1.6 million at 31.12.2020) to leasing companies. The debt refers to the leasing contract in the hands of Renco Capital S.r.l. of a building located in Pesaro, for which Euro 792 thousand remain, and to the contracts stipulated by Renco S.p.A. for equipment and cranes intended for the works in place whose residual value is Euro 2,900;

⁷ This refers to the loan guaranteed by an asset, in this case the mortgage on Eat's Re's property, for which the debtor is only liable to the extent of the flows produced by the collateral. The debt is non-recourse to the Renco Group's patrimonial liability, Art. 2740 of the Civil Code, as the debtor is liable only to the extent of the asset given as collateral.

- payables of Euro 11 million to Simest. During 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.

Advance payments

The balance of the item "Advance payments" 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 Euro 8.5 million (Euro 4.5 million), advances on job orders in progress amount to Euro 270 million (Euro 321 million), and advances to others relating to the rent-to-buy contract stipulated in 2015 amount to Euro 5.8 million (Euro 5.6 million). The change in "Advances" is mainly related to the completion of the Power Plant Yerevan and Bergamo GdF Academy job orders, as well as the invoicing of advances on job orders in progress (particularly for activities carried out in Italy, Denmark and Mozambique).

The amount of foreign currency advances is USD 119.2 million, LYD 13.5 million and MZN 181.9 million.

Trade payables

"Trade payables" amounting to Euro 104,690 thousand (Euro 94,343 thousand as of 31.12.2020) 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 subsidiary companies that are not consolidated

Payables to subsidiary companies that are not consolidated equal to Euro 348 thousand (Euro 144 thousand as of 31.12.2020). The balance includes payables by Group companies to Renco Food for Euro 107,000, to the Renco Lancia Iter Consortium for about Euro 51,000, to Renco Ghana Wayoe for Euro 133 thousand relating to capital to be paid in, and various positions to other Group companies for Euro 52 thousand.

Payables due to associated companies

The item payables to associated companies of Euro 11,082 thousand (Euro 2,764 thousand as of 31.12.2020) includes short-term positions that are frequently transacted with Group companies. Specifically, these include payables to Renco Irem Costrucoes in the amount of Euro 11,022 thousand (Euro 70 thousand as of 31 December 2020) and various payables to other associated companies in the amount of Euro 58 thousand (Euro 35 thousand as of 31 December 2020).

Tax payables

The item "Tax payables" amounting to Euro 9,872 thousand (Euro 7,206 thousand as of 31.12.2020) 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 (Provisions for taxes).

In particular, tax payables include:

(thousand €)	31.12.2020	31.12.2021	Changes
Tax payables			
Payables for withholding taxes	1,117	853	(264)
Tax liabilities	1,749	3,081	1,332
Payables for taxes to be assessed	1,899	2,752	853
Payables for VAT	2,202	2,066	(136)
Other tax payables	239	1,121	882
Total	7,206	9,872	2,666

Other payables

The balance of “Other payables” includes the following items:

(thousand €)	31.12.2020	31.12.2021	Changes
Payables to others			
Payables to employees	5,941	6,826	885
Payables for rent-to-buy	2,194	1,788	(405)
Payables for the purchase of equity investments	410	729	318
Dividends payable	500	202	(298)
Other sundry payables	5,884	2,612	(3,272)
Total	14,929	12,157	(2,772)

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

The item “Payables for rent-to-buy” relates to the rent-to-buy contract entered into during 2015 and concerning the property recognised as inventory; in this regard, it should be noted that a deed amending the rent-to-buy contract was entered into during 2016. 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 Euro 3,729 thousand 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 Euro 3,729 thousand under other receivables and payables (amounts reduced in 2021 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 Valore S.p.A. as it is obliged to do so on a subsidiary basis.

The balance of “Payables for the purchase of equity investments” recorded an increase of Euro 318 thousand compared to the 2020 figure, due to the recognition of the payable for the purchase of Salinella for Euro 669 thousand offset by the payment of Euro 350 thousand for Villa Soligo made during the year.

Accrued liabilities and deferred income

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

(thousand €)	31.12.2020	31.12.2021	Change
Accrued expenses	647	695	48
- Interest expense and commissions	419	535	116
- Bond interest	155	97	(58)
- Derivatives	-	-	-
- Others	73	63	(10)
Deferred income	153	228	(75)
- Revenues from asset management	-	-	-
- Others	153	228	75
Total	801	923	123

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:

(thousand €)	31.12.2020	31.12.2021	Change	Change %
Revenues from sales and services	348,375	338,562	(9,813)	(2.82)
Changes in inventories of work in progress,	326	(2,529)	(2,855)	n.s.
Change in contract work in progress	(57,033)	(23,980)	33,053	n.s.
Increases for in-house works	26,321	14,273	(12,048)	(45.77)
Other revenues and income	6,660	3,578	(3,082)	(46.29)
Total	324,649	329,904	5,255	1.62

Revenues by category of activity

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

(thousand €)	31.12.2020	31.12.2021	Change	Change %
Services business line	41,944	60,545	18,601	44.35
Buildings Business Line	90,777	97,000	6,223	6.86
Asset Management Business Line	39,032	30,265	(8,767)	(22.46)
Energy Business Line	152,896	142,094	(10,802)	(7.06)
Total	324,649	329,904	5,255	1.62

The Renco Group achieved a “Value of Production” of Euro 329,904 thousand in 2021 (Euro 324,649 thousand in the same period of 2020) with an increase of Euro 5,255 thousand (+1.62%).

The increase in production value was supported by the contribution of the Services Business Line, which recorded an increase of Euro 18,601,000, and the Buildings Business Line, which recorded an increase of

Euro 6,223 thousand. The value of production of the Asset Management Business Line decreased by Euro 8,767,000, impacted by the continuing transfer restrictions imposed by the pandemic, and the Energy Business Line decreased by Euro 10,802 thousand.

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

Revenues by geographic area

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

(thousand €)	31.12.2020	31.12.2021	Change	Change %
Italy	51,556	82,753	31,197	60.51
European Union	30,509	64,666	34,157	111.96
Russia and former USSR countries	128,022	86,530	(41,492)	(32.41)
Africa	105,919	79,280	(26,639)	(25.15)
Middle East	6,599	14,566	7,967	120.73
Other	2,044	2,109	65	3.18
Total	324,649	329,904	5,255	1.62

The table above shows the absolute value and the percentage weight of production by geographical area. For a more in-depth analysis of the foreseeable evolution of operations and on the industrial and commercial strategies, reference should be made to the Management Report.

Other revenues and income

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

(thousand €)	31.12.2020	31.12.2021	Change
Other revenues and income			
Capital gains from disposal of assets	843	960	118
Revenues for contributions	471	107	(364)
Other sundry revenues	5,347	2,511	(2,836)
Total	6.660	3.578	(3.082)

“Other sundry revenues” consist of items not directly related to the Group’s production activities, but nevertheless connected to the core business. They mainly include contingent assets, insurance reimbursements and other miscellaneous income. As of 31 December 2021 they amounted to Euro 2,511,000, a decrease of Euro 2,836 thousand compared to 31 December 2020.

13) Cost of production

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

(thousand €)	31.12.2020	31.12.2021	Changes
Cost of production			
Raw, ancillary and consumable materials	112,972	75,465	(37,507)
Services	109,237	130,978	21,741
Use of third party assets	6,626	11,684	5,058
Wages and salaries	48,501	61,596	13,095
Social security costs	8,886	10,069	1,183
Employee severance indemnity	1,161	1,853	692
Other personnel costs	39	117	78
Depreciation of intangible fixed assets	1,297	1,417	120
Depreciation of tangible fixed assets	11,084	12,543	1,459
Other write-downs of fixed assets	543	367	(176)
Write-down of receivables included in current assets	192	268	76
Change in raw material inventories	407	616	209
Provision for risks	-	-	-
Other provisions	4,902	2,200	(2,702)
Other operating expenses	3,252	3,314	62
Total	309,100	312,487	3,388

“Other provisions” amount to Euro 2,200 thousand and refer to allocations to the plant guarantee fund recorded following the completion of the Yerevan Power Plant job order in the period. For further information, see the section “Provision for plant guarantees” of these Explanatory Notes.

Costs of raw materials

The item “Costs of raw materials” includes the following items:

(thousand €)	31.12.2020	31.12.2021	Change
Raw, ancillary and consumable materials			
Raw materials	108,673	71,895	(36,778)
Production components and materials	60	106	46
Capital goods valued less than €516	609	444	(165)
Miscellaneous tools and equipment (repair parts, spare parts, etc.)	926	51	(876)
Fuel	1,293	1,372	78
Stationery and printed matter	263	133	(130)
Working clothes	442	746	304
Customs clearance materials	672	719	47
Other costs for raw materials	35		(35)
Total	112,972	75,465	(37,507)

The item “Raw, ancillary and consumable materials and goods”, equal to Euro 75,465,000, consists of Euro 65,399 thousand of costs incurred by Renco S.p.A. The decrease in raw material purchase costs is attributable to the lower incidence of procurement activity recorded in 2021.

Service costs

“Costs for Services” includes the following items

(thousand €)	31.12.2020	31.12.2021	Change
Services			
Works performed by third parties and general services	65,279	96,027	30,748
Project collaborations	3,176	3,592	416
Transport costs	13,156	5,150	(8,005)
Property maintenance and repair	103	181	77
Motor vehicle maintenance and repair	200	164	(35)
Cleaning costs	359	554	196
Lighting	1,194	1,538	344
Other utilities	443	503	61
Postal and telephone charges	1,215	803	(412)
Security expenses	658	663	4
Technical and commercial consulting	2,780	982	(1,797)
Legal, administrative and tax consulting	2,125	2,819	694
Insurance	1,991	2,561	570
Travel expenses	4,257	5,230	972
Reimbursement of expenses	8	12	4
Other maintenance and repair	205	256	51
Advertising and promotional expenses	171	293	122
Personnel refresher courses	323	368	45
Software licenses and production licences	981	924	(57)
Remuneration of corporate bodies	369	411	42
Company canteen	1,192	990	(201)
Health services	1,616	1,410	(206)
Bank commission	4,527	3,040	(1,487)
Other costs for services	2,909	2,505	(405)
Total	109,237	130,977	21,741

The amount for the year mainly includes Euro 118,905 thousand related to job order costs at Renco S.p.A. and Euro 7,629 thousand related to costs at Reno Congo Sarlu.

Costs for use of third party assets

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

(thousand €)	31.12.2020	31.12.2021	Change
Use of third party assets			
Rental of premises and offices	1,864	3,867	2,003
Rental of vehicles and equipment	4,699	7,763	3,064
Other lease and rental expenses	63	55	(8)
Total	6,626	11,684	5,059

The amount mainly consists of rents for offices and warehouses and rental costs, of which Euro 8,576 thousand for Renco SpA. (Euro 5,248 thousand in 2020), increased due to Italian orders requiring temporary allocation of personnel in different regions, and Euro 2,356 thousand incurred by Pemba Bulk Terminal.

Personnel costs

The item “Personnel costs”, totalling Euro 73,635 thousand (Euro 58,588 thousand as of 31 December 2020), mainly includes personnel costs of Renco S.p.A. for Euro 26,264 thousand (Euro 23,173 thousand in 2020) and of Renco Congo Sarlu for Euro 19,017 thousand (Euro 18,529 thousand in 2020). The increase in the item’s costs, in the amount of Euro 15,047,000, can be attributed to various effects, such as: the end of the social security and government grants that the Group had benefited from in 2020; the increase in activities related to the Services Business Line, which has seen an expansion in various markets; the start of activities related to orders secured in Italy by the Buildings Business Line; and the contribution for the year of Renco Qatar, which entered the scope of consolidation from 2021.

(thousand €)	31.12.2020	31.12.2021	Change
Personnel costs			
Wages and salaries	48,501	61,596	13,095
Social security costs	8,886	10,069	1,183
Employee severance indemnity	1,161	1,853	692
Other costs	39	117	78
Total	58,588	73,635	15,048

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

	31.12.2020	31.12.2021	Change	Average number
Executives and Managers	53	52	(1)	53
Office workers	681	881	200	781
Blue-collar workers	2,959	2,251	(708)	2,605
Other	59	100	41	80
Total	3,752	3,284	(468)	3,519

The number of employees is strongly impacted by movements in the Services Business Line, which manages interventions through temporary hires.

Other operating expenses

The balance of “Other operating expenses” includes the following items:

(thousand €)	31.12.2020	31.12.2021	Change
Other operating expenses			
Miscellaneous taxes	1,297	1,308	11
Membership fees	66	91	25
Rounding down	-	0	0
Administrative sanctions	256	676	419
Losses on receivables not covered by a specific provision	53	223	169
Capital losses on disposal of assets	289	16	(273)
Other miscellaneous expenses	1,290	1,000	(290)
Total	3,252	3,314	62

The item “Miscellaneous taxes” consists mainly of taxes paid on the Group’s real estate. In 2021, the item “Other miscellaneous expenses” contains donations for charitable contributions by Renco S.p.A. in the amount of Euro 388 thousand.

14) Financial income and expense

The item consists of the following:

(thousand €)	31.12.2020	31.12.2021	Changes
Financial income and charges			
Income from equity investments due from subsidiary companies	1,655	48	(1,607)
Income other than the above	437	387	(50)
(Interest and other financial expenses)	(6,341)	(7,354)	(1,013)
Exchange gains (losses)	(1,258)	8,337	9,595
Total	(5,507)	1,418	6,925

The item “Interest and other financial expenses”, amounting to Euro 7,354,000, includes Euro 6,733 thousand of interest expense on financial debt, of which Euro 74 thousand is non-recourse, and Euro 213 thousand of interest expense on assessed taxes.

As for foreign exchange gains of Euro 8,337,000, it should be noted that these include both realised monetary changes on items closed during the year, and “Unrealised foreign exchange gains and losses” as 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 2021. In fact, on the average exchange rate for the period, there was a consolidation of the local currencies used by the Group on the Euro and in this financial year

this had a positive impact on the exposure in these currencies of the Group companies on these markets.

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

(thousand €)	31.12.2020	31.12.2021	Changes
Exchange gains	18,144	10,066	8,079
Exchange losses	(14,282)	(5,713)	(8,569)
Unrealised exchange gains	6,660	6,075	586
Unrealised exchange losses	(11,781)	(2,090)	(9,690)
Total	(1,258)	8,337	(9,595)

15) Value adjustments to financial assets and liabilities

The item consists of the following:

(€ migliaia)	31.12.2020	31.12.2021	Changes
Revaluations	710	135	(575)
Of equity investments	431	135	(296)
Of financial fixed assets	279	-	(279)
Write-downs	(1,967)	(579)	1,388
Of equity investments	(1,882)	(579)	1,303
Of financial fixed assets	-	(800)	(800)
Of securities recorded as current assets	-	-	-
Of derivative financial instruments	(86)	-	86
Total	(1,257)	(1,244)	13

For a comment on the impairment of equity investments and financial fixed assets, please refer to the sections on equity investments in subsidiary and associated companies, and financial receivables.

16) Income taxes for the year

(thousand €)	31.12.2020	31.12.2021	Changes
Income taxes for the year			
Current taxes	6,818	7,837	1,019
Taxes relating to previous years	937	2,407	1,470
Deferred/(prepaid) taxes	(2,213)	224	2,437
Total	5,542	10,468	4,926

The “Taxes” item amounted to a total of Euro 10,468 thousand (Euro 5,542 thousand at 31 December 2020), with a tax rate of 60% (63% in the previous period). The tax rate was particularly affected by the taxation recorded in certain Congolese companies, which, due to specific regulations in the sector they operate in, tax revenues instead of profits.

Deferred/prepaid taxation

Deferred taxes are shown in the tax provision under the item “Provisions for taxes, including deferred taxes” and as of 31 December 2021 amounted to Euro 13,972 thousand (Euro 14,942 thousand as of 31 December 2020). 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.

(thousand €)	year 31/12/2020		year 31/12/2021	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Prepaid taxes				
Unrealised exchange losses	1,687	405	807	194
Non-deductible interest expense	4,524	1,086	5,450	1,308
Real estate lease instalments referring to land	120	34	132	38
Real estate depreciation referring to land	196	56	196	56
Maintenance costs	1	0	2	0
Provisions for risks and charges	1,647	454	2,688	744
Prepaid taxes foreign financial statements	8,130	1,626	1,564	313
ACE	11	3	-	-
Prepaid taxes on reserve for expected derivative flows	1,191	286	630	151
Tax losses that can be carried forward	389	93	-	-
Provision for credit depreciation	1,039	249	1,039	249
Other	460	110	1,718	412
Elimination of intercompany margins(*)	9,283	2,590	9,577	2,672
Total deferred tax assets	19,395	6,993	14,225	6,138
Deferred taxes:				
Unrealised exchange gains	1,829	439	2,317	556
Reserve to cover cash flows	3,249	780	32	8
PO issue costs	299	72	142	34
Villa Soligo property greater value	538	150	538	150
Leasing accounting (equity method) (*)	1,653	461	1,911	533
Deferred taxes foreign financial statements	18,286	3,657	16,140	3,228
Elimination of intercompany profits	3,587	861	3,695	887

Recognition of greater values	32,337	8,304	31,616	8,156
Recognition of Renco Kat greater value (*)	7,277	1,455	6,732	1,346
Recognition of Residence greater value (*)	22,043	6,150	22,043	6,150
Recognition of AK greater value (*)	1,817	363	1,681	336
Recognition of Villa Soligo greater value (*)	1,200	335	1,161	324
Total deferred taxes	61,779	14,724	56,390	13,552
Net deferred (prepaid) taxes	42,385	7,731	42,165	7,414

(*) Tali effetti fiscali derivano dalle scritture di consolidamento

Other Information

Disclosure 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 31/12/2020	2020 tax effect	Fair value 31/12/2021	2021 tax effect	Change in IS	Change in SE	Nature	Notional in thousands
Interest rate swap	-	-	17	(4)		13	(A)	10,000
Interest rate swap	-	-	(26)	6		(20)	(A)	8,000
Interest rate swap	(319)	76	(129)	31		144	(A)	12,000
Interest rate swap	(139)	33	(60)	14		60	(A)	8,500
Interest rate swap	(731)	175	(96)	23		483	(A)	63,000
Flexible forward contract	-	-	(303)	73		(230)	(B)	7,910 USD
Knock in forward	388	(93)	-	-		(295)	(B)	8,000 USD
Flexible forward contract	917	(220)	-	-		(697)	(B)	11,360 USD
Flexible forward contract	1,944	(467)	-	-		(1,477)	(B)	32,700 USD
Total	(1,723)	389	2,061	(495)	-	(2,020)		

^(A) Derivative hedging on the risk of oscillating interest rates

^(B) Derivative hedging on exchange rates for future transactions

As at 31.12.2021, 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:

- Euro 10,000 thousand notional IRS maturing on 31/12/2025 with quarterly payment frequency to hedge a loan of the same amount subscribed in the period by Renco S.p.A. The fair value of the derivative of Euro 17,000 thousand was recognised in the “Reserve for expected cash flow hedging transactions” net of deferred taxation and offset in item B III) 4) “Derivative financial assets”;
- Euro 8,000 thousand notional IRS maturing on 31/03/2026 with quarterly payment frequency to hedge a loan of the same amount subscribed in the period by Renco S.p.A. The fair value of the derivative of Euro 26 thousand was recognised in the “Reserve for expected cash flow hedging transactions” net of deferred taxation and offset in item B 3) “Derivative financial liability instruments”;
- Euro 12,000 thousand notional IRS maturing on 01/07/2032 with payment frequency of six months to hedge a loan of the same amount entered into by Renco Capital S.r.l. The fair value of the derivative of Euro 129 thousand was recognised in the “Reserve for expected cash flow hedging transactions” net of deferred taxation and offset in item B 3) “Derivative financial liability instruments”;
- Euro 8,500 thousand notional IRS maturing 30/06/2025 with semi-annual payment terms to hedge a loan of the same amount entered into by Residence Viserba S.r.l. The fair value of the derivative of Euro 60 thousand was recognised in the “Reserve for expected cash flow hedging transactions” net of deferred taxation and offset in item B 3) “Derivative financial liability instruments”;
- Euro 63,000 thousand notional IRS maturing on 17/06/2027 to hedge the loan entered into in June 2020 by Renco Valore S.p.A.. The fair value of the derivative of Euro 96 thousand was recognised in the “Reserve for expected cash flow hedging transactions” net of deferred taxation and offset in item B 3) “Derivative financial liability instruments”;
- Flexible forward contracts on USD/Euro exchange rate, notional amount of USD 7,910,000, expiring in the first half of 2022, to hedge the cash flow in USD that the Group will collect. The fair value of the derivative of Euro 303 thousand was recognised in the “Reserve for expected cash flow hedging transactions” net of deferred taxation and offset in item B 3) “Derivative financial liability instruments”;

The “Reserve for cash flow hedging transactions” decreased by Euro 1,411 thousand compared to 31 December 2020 due to the positive change of Euro 3,431 thousand recorded as a result of the equity valuation of the investee Armpower, represented in line with the provisions of OIC 17, paragraph 175, and offset by the negative change of Euro 2,020 thousand deriving from the derivative instruments shown in the table above.

Related party transaction disclosure

(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 (expenses)	Trade receivables	Trade payables	Advance payments	Financial receivables	Financial payables
Unconsolidated subsidiaries	189,796	25	-	11,563	288	-	452	60
Armpower	189,792	25	-	11,476	49	-	-	-
Renco Food	3	-	-	87	47	-	-	60
Renco Ghana Wayoe	-	-	-	-	133	-	-	-
Consorzio Renco Lancia ITER	-	-	-	-	51	-	-	-
Salinella	-	-	-	-	8	-	452	-
Associated companies	3,409	8	204	7,482	11,083	4,716	30,773	
DarinConstruction	985	-	160	1,107	1	-	13,311	-
Velofirma	245	5	-	1,008	44	-	3,683	-
Real Estate Management	120	3	-	29	1	-	2,164	-
Trademark	168	-	28	1,046	-	-	1,555	-
Niassa Sanctuary	-	-	-	175	1	-	210	-
Renco Irem Costrucoes	297	-	-	1,779	11,023	4,716	7,125	-
Renco Nigeria	1,366	-	-	2,001	2	-	1,775	-
Nova Portum	-	-	16	16	-	-	760	-
Central Solar Mozambique	-	-	-	177	-	-	190	-
Tolfa Care S.r.l.	127	-	-	44	-	-	-	-
Renco Energy Services	100	-	-	100	10	-	-	-
Other related parties	175	1,118	-	283	633	-	-	5,720
Isco S.r.l.	-	750	-	283	633	-	-	-
Fondazione Renco	175	368	-	-	-	-	-	-
Soci	-	-	-	-	-	-	-	5,720
Total	193,379	1,151	204	19,329	12,004	4,716	31,225	5,780

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 21 January 2022, Renco S.p.A. sold 60% of the subsidiary Salinella S.r.l. to the Ascopiave group company Asco Renewables S.p.A. The price for the sale of the share was Euro 588 thousand. Salinella will build

a wind farm in the province of Catanzaro with a nominal capacity of up to 21 MW. The construction of the park, which involves a total investment of about Euro 30 million, will be carried out by Renco S.p.A. The sale underlines the core business of the Energy Business Line, which also evaluates and concludes extraordinary transactions for the benefit of the Renco Group.

On 29 April 2022, the administrative body of Renco Valore S.p.A. approved the merger project with the subsidiary Renco Food S.r.l. The accounting and tax effects of the transaction will start on 1 January 2022, with no impact on the consolidated financial statements.

As is well known, the Russia-Ukraine crisis, which led to Russia's invasion in February, represents a high risk factor of a widening geopolitical crisis with repercussions on international markets. This crisis triggered a phase of extreme volatility in the energy, financial and commodities markets, leading to a bullish phase that exceeded all expectations.

In this context, the Renco Group, which is not present in Ukraine, is present in Russia through 3 companies, Renco Sakh, Southern Cross and Renco Service, and the Russian market as a whole represents 0.7% of the overall production value and 1% of the Group's Ebitda, so it is not very significant. Renco believes that the conflict does not generate risks related to its procurement process; in fact, since the Group mainly carries out service and general contractor activities, it does not have a production cycle that is highly dependent on the procurement of raw materials, and it has no strategic Russian suppliers.

As regards the risk associated with an escalation in energy costs, considering the sector it belongs to and the activity carried out, the Group is not an energy-intensive company. Moreover, operating through numerous legal entities distributed in different areas of the world (Europe, Africa, Asia, Middle East), the cost of energy is highly diversified and depends on the degree of energy autonomy of the countries in which the Group operates and their procurement policies.

With regard to the possible increase in the cost of gas and the impact this may have on the combined-cycle power plant in Yerevan, Armenia, although to date there have been no changes in the price of gas in the region, the electricity tariff contracted with the off-taker EDM and guaranteed by the Armenian state is perfectly elastic to changes in the price of gas, stabilising Armpower's operating margin from any variation (either increase or decrease) in the price of gas.

Finally, Renco has taken the necessary measures to ensure that its activities, although its own risks are marginal and insignificant, are carried out in compliance with the applicable regulations, continuously monitoring the evolution of the sanctions framework to adapt its activities to the restrictions applied.

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:

(thousand €)	31.12.2020	31.12.2021	Changes
Memorandum accounts of third-party risks	177,278	151,111	(26,167)
Memorandum accounts of commitments undertaken	-		
Total	177,278	151,111	(26,167)

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 2021 was Euro 151.1 million (Euro 177.7 million in 2020). The detail of sureties is provided below:

- Euro 124.8 million (Euro 161.5 million in 2020), 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 Euro 69.2 million (Euro 79.7 million in 2020), advance payment bonds of Euro 28.8 million (Euro 34.7 million in 2020), bid bonds and standby letters of Euro 7.13 million (Euro 29.7 million in 2020) and other guarantees of Euro 19.4 million (Euro 17.5 million in 2020);
- Euro 12.9 million 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

Disclosure regarding 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 independent 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 statutory independent auditing firm and entities belonging to its network to the Group:

- Euro 8 thousand for the legal audit of the company's consolidated financial statements;
- Euro 45 thousand for the legal audit of Renco S.p.A.'s consolidated financial statements;
- Euro 84 thousand for the legal audit of the Renco Group's consolidated financial statements;
- Euro 13,700 in expenses;
- Euro 170 thousand for other services.

Other information

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

Office	Renco Group S.p.A.	Renco S.p.A	Renco Valore S.p.A.	Fee
Directors	145	79		224
Board of Statutory Auditors	17	73	47	137
Supervisory body	33	42	20	95
Total	195	194	67	456

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 Legislative Decree 127/91;
- List of companies included in the consolidation using the proportional method in accordance with Art. 37 of 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, 29 April 2022

On behalf of the Board of Directors
The Chairman

Giovanni Gasparini



RENCO GROUP S.P.A.

Registered Office in Strada del Montefeltro, 51 - 61122 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 of 31/12/2021

List of companies included in the consolidation using the line-by-line method in accordance with Art. 26 of Legislative Decree 127/91 as of 31/12/2021

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.	70.00%	69.66%
Renco Asset Management S.r.l.	Italy	Eur	100,000	Renco Group S.P.A.	99.51%	99.51%
Villa Soligo S.r.l.	Italy	Eur	93,080	Renco Valore S.P.A.	50.00%	49.76%
Renco Energy Solution S.r.l.	Italy	Eur	15,000	Renco S.P.A.	51.00%	50.75%
Renco Eco Energy S.r.l.	Italy	Eur	15,000	Renco S.P.A.	51.00%	50.75%
Villa Delle Rose	Italy	Eur	10,000	Renco Valore S.p.a.	100.00%	50.75%
Eat's Re S.r.l.	Italy	Eur	1,300,500	Renco Valore S.P.A.	100.00%	99.51%
Renco Armestate L.T.D.	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%
Renco Service Llc	Russia	Rub	100,000	Renco 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%
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	227,675,000	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 Moz Green LTD	Mozambique	Mzn	100,000	Renco S.P.A.	99.00%	98.51%
				Mozestate Lda	1.00%	1.00%
Renco Middle East Llc	Oman	Omr	250,00	Renco S.P.A.	99.00%	98.51%
				Renco Group S.P.A.	1.00%	1.00%
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 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 consolidation using the proportional method in accordance with Art. 26 of Legislative Decree 127/91 as of 31/12/2021

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	Eur	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 of 31/12/2021

List of companies included in the consolidation using the proportional method in accordance with Art. 37 of Legislative Decree 127/91 as of 31/12/2021

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 of 31/12/2021

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	Dram	4,100,000	Nuovo Velodromo	53.70%	53.44%
Consorzio St. Ren. Lan. Iter ⁽²⁾	Italia	Eur	100,000	Renco S.P.A.	71.00%	70.65%
Fondazione Renco Onlus ⁽²⁾	Italia	Eur	104,537	Renco S.P.A.	100.00%	99.51%
Tolfa Care S.r.l.	Italia	Eur	825,000	Renco Health Care S.r.l.	47.50%	42.54%
Real Estate Management S.r.l.	Italia	Eur	10,000	Renco Valore S.P.A.	30.00%	29.85%
Greenergo srl ⁽²⁾	Italia	Eur	10,000	Renco S.P.A.	100.00%	99.51%
Salinella Eolico S.r.l.	Italia	Eur	10,000	Renco S.P.A.	100.00%	99.51%
Nova Portum S.r.l.	Italia	Eur	10,000	Renco S.P.A.	30.00%	29.85%
Renco Saudi Arabia LTD ⁽²⁾	Arabia	Sar	50,000	Renco SPA	100.00%	99.51%
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	Ngn	15,977	Renco S.P.A.	49.00%	48.76%
Renco Energy Services LTD	Nigeria	Ngn	10,000,000	Renco S.P.A.	49.00%	48.76%
Renco Wayoe Engineering Ghana LTD ⁽²⁾	Ghana	Ghs	1,040,000	Renco S.P.A.	90.00%	89.56%
Niassa Sanctuary LTD	Mozambico	Mzn	100,000	Mozestate Lda	50.00%	49.76%
Renco Irem Construcoes Lda	Mozambico	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 of 31/12/2021

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 of 31/12/2021 are reconciled with those of the parent company as follows: sono riconciliati con quelli della controllante come segue:

	Shareholders' equity	Result
Shareholders' equity and period result as recorded in the financial year of the parent company	79,837	(2,367)
Effect of adjustments made in application of the accounting standards	367	(130)
a) Adoption of IAS 17	127	186
b) Valuation of non-consolidated associated and subsidiary companies using the equity method	239	(316)
Elimination of the book value of consolidated investments:	99,348	5,795
a) Net effect of elimination of the book value of the consolidated shareholdings with the relative shareholders' equity and results	39,830	13,250
b) Reversal of write-downs/revaluations of equity investments	37,121	875
c) Reversal of investee companies' intercompany dividends	-	(7,610)
d) Value of net capital gains attributions at the acquisition date of investee companies net of the related tax effect	22,397	(720)
Other consolidation entries net of the related tax effect	(8,563)	3,823
a) Elimination of intercompany profits net of the related tax effect	(7,865)	(35)
b) Other consolidation entries net of the related tax effect	(698)	3,858
Consolidated shareholders' equity and period result	170,988	7,121

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 of 31/12/2021

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	Cash flow reserve	Consolidation reserve	Translation differences	Profit (loss) carried forward	Period result	Total	Minority interests	Total shareholders' equity
Balance as of 31.12.2019	9,013	25,988	4,696	1,367	21,685	25,041	(3,609)	(1,227)	5,872	(25,005)	93,995	8,017	165,833	967	166,88
Allocation of net income for the year				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)			(25,067)	2,193	(22,874)
Result for the current year												5,867	5,867	(2,627)	3,241
Balance as of 31.12.2020	9,013	25,988	4,696	1,439	23,049	25,026	(3,609)	(3,562)	5,952	(50,150)	100,576	5,867	144,284	504	144,788
Allocation of net income for the year				64	1,234						4,569	(5,867)			
Dividends paid															
Fair value measurement of reserve to hedge expected financial flows															
Other changes								1,411	2,180	12,138			15,732	3,347	19,078
Result for the current year												7,680	7,680	(559)	7,121
Balance as of 31.12.2021	9,013	25,988	4,696	1,503	24,283	25,026	(3,609)	(2,151)	8,132	(38,012)	105,146	7,680	167,695	3,292	170,987

Chairman of the Board of Directors
Giovanni Gasparini

GRUPPO RENCO

Capogruppo: RENCO GROUP S.p.A.

Sede Legale in Pesaro (PU)
Capitale Sociale € 9.012.500,00 i.v.
N.ro iscrizione Registro delle Imprese delle Marche e Cod. Fisc. 13250670158
REA di Pesaro n.ro 193317

RELAZIONE DEL COLLEGIO SINDACALE SUL BILANCIO CONSOLIDATO CHIUSO AL 31/12/2021

Signori Azionisti,

Abbiamo esaminato il Bilancio Consolidato, costituito dallo stato patrimoniale, dal conto economico, dal rendiconto finanziario e dalla nota integrativa, corredato dalla relazione dell'Organo Amministrativo sulla gestione del Gruppo RENCO relativi all'esercizio chiuso al 31 Dicembre 2021, messi a nostra disposizione dall'Organo Amministrativo, unitamente al progetto di Bilancio al 31/12/2021 della Società Capogruppo.

Non essendo a noi demandata la revisione legale dei conti sul contenuto del Bilancio Consolidato, abbiamo vigilato sull'impostazione generale data allo stesso, sulla sua generale conformità alla legge per quel che riguarda la sua formazione e struttura.

Per quanto riguarda invece la regolarità e la corrispondenza del Bilancio Consolidato alle scritture contabili della società controllante e alle informazioni trasmesse dalle imprese incluse nel consolidamento, si rinvia all'apposita relazione del soggetto incaricato della revisione legale dei conti.

Dal nostro esame, Vi attestiamo che il Bilancio Consolidato e la relazione sulla gestione, illustrano, in modo adeguato ed esauriente, l'andamento del Gruppo ed espongono le notizie e le informazioni richieste dalla legge.

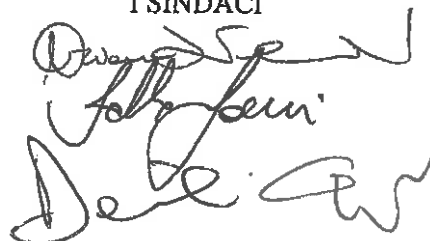
Ancona li, 23/05/2022

Sig.ra Oriana Silvestrelli – Presidente

Sig. Roberto Lauri – Sindaco Effettivo

Sig. Daniele Capecchi – Sindaco Effettivo

I SINDACI



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, 2021, 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, 2021, 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

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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, 2021, 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, 2021 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, 2021 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 23, 2022

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

