



I N N O V A T E C
E M B R A C E I N N O V A T I O N

INNOVATEC S.P.A.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

COMPANY INFORMATION

INNOVATEC S.p.A.

Registered office in Via Giovanni Bensi 12/5, 20152 Milan
Share capital Euro 10,422,567.45
fully subscribed and paid up
Entered in the Milan Business Registry with no. 08344100964
R.E.A. (Economic and Administrative Index) MI-2019278

Headquarters and Offices
Milan – Via Giovanni Bensi 12/5, 20152 Milan (Headquarters)

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INTRODUCTION

The Separate and consolidated financial statements were prepared in accordance with the National Accounting Standards issued by the Italian Accounting Body (OIC).

CORPORATE BODIES

BOARD OF DIRECTORS

CHAIRMAN (**)	Elio Catania
CHIEF EXECUTIVE OFFICER (*)	Roberto Maggio
INDEPENDENT DIRECTOR (*)	Eugenio D'Amico
DIRECTOR (**)	Maria Domenica Ciardo
DIRECTOR (*)	Nicola Colucci
DIRECTOR (*)	Mario Gamberale
DIRECTOR (*)	Flavio Raimondo
DIRECTOR (****)	Camilla Colucci

BOARD OF STATUTORY AUDITORS (*)**

CHAIRMAN	Renato Bolongaro
STANDING AUDITOR	Gianluigi Grossi
STANDING AUDITOR	Fabio Margara
ALTERNATE AUDITOR	Matteo Verneti
ALTERNATE AUDITOR	Carla Clerici

INDEPENDENT AUDITORS (*)**

Ria Grant Thornton

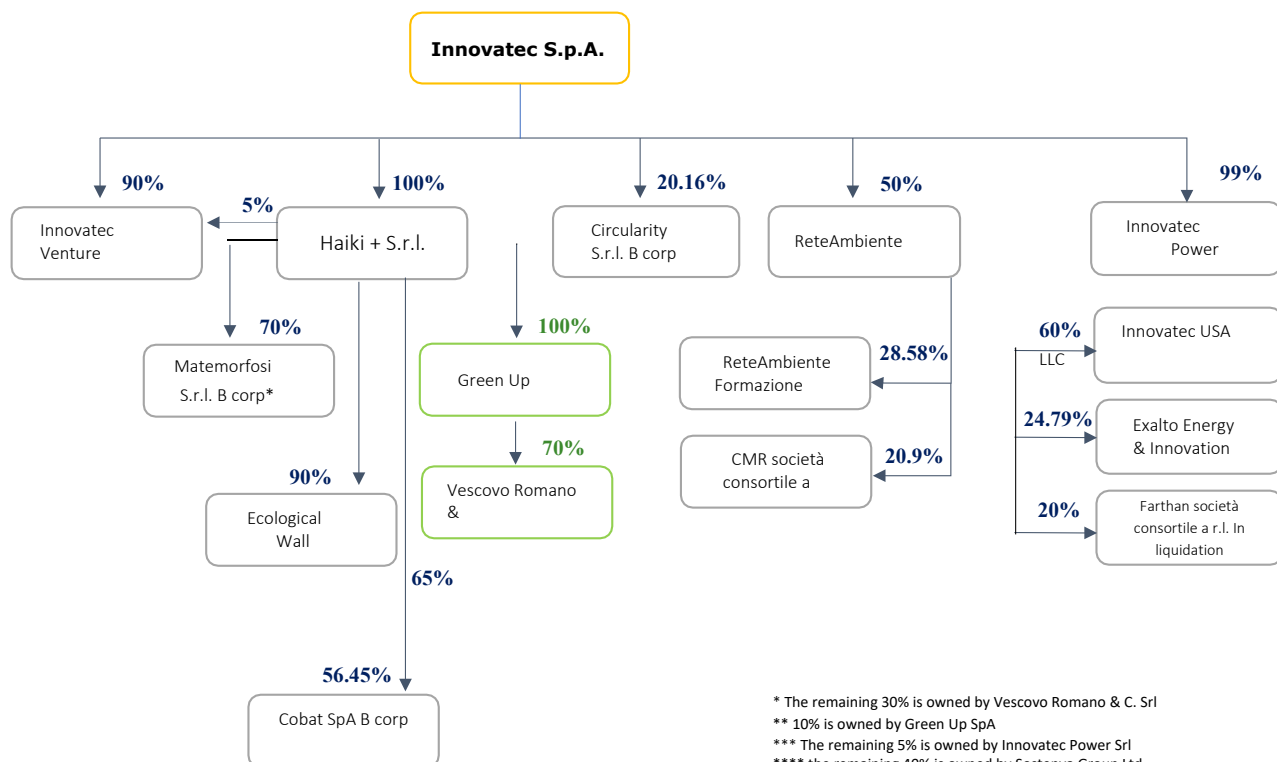
- * Appointed by the Shareholders' Meeting of 3 February 2021 until the approval of the 2023 financial statements
- ** Appointed by the Shareholders' Meeting of 15 July 2021 until the approval of the 2023 financial statements
- *** Appointed by the Shareholders' Meeting of 25 July 2019 until the approval of the 2021 financial statements
- **** Appointed by the Shareholders' Meeting of 18 January 2022 until the approval of the 2023 financial statements

NATURE OF THE POWERS GIVEN TO THE DIRECTORS

The Chairman of the Board of Directors Elio Catania is the legal representative of the Company.

The Chief Executive Officer, Roberto Maggio, has the powers of legal representation of the Company and the corporate signature to be exercised both in Italy and abroad with separate signature up to Euro 5,000,000.00, beyond by resolution of the Board of Directors.

STRUCTURE OF THE INNOVATEC GROUP



* The remaining 30% is owned by Vescovo Romano & C. Srl

** 10% is owned by Green Up SpA

*** The remaining 5% is owned by Innovatec Power Srl

**** the remaining 40% is owned by Sostenya Group Ltd

*Board of Directors' Report
as at 31 December 2021*

1. GENERAL INFORMATION ON THE COMPANY AND THE GROUP

Innovatec S.p.A. (“**Innovatec**”), listed on Euronext Growth Milan (formerly AIM Italy) is a holding company active in the *Clean Tech* sector, i.e. the set of technologies, processes, products and services that reduce negative environmental impacts through significant improvements in energy efficiency, sustainable use of resources or environmental protection activities.

Innovatec's strategy is consistent with the main macro-trends in the sector and the objectives set by the European Union, such as decarbonisation and the development of renewables, the circular economy, energy efficiency and the protection of natural resources. It is based on the integration of the three businesses managed by the Group: “Environmental Services and Circular Economy”, “Energy Efficiency and Renewables” and “Innovation and Consulting”. This integration has in fact made it possible to develop a wide range of services consistent with the circularity and sustainability approaches that can also benefit from the financing opportunities of the RRP.

Innovatec's ambition is to become a point of reference in the process of ecological transition towards the “Climate Neutrality” target set by the EU for 2050. This is done by offering “tailor-made” end-to-end solutions for industrial, retail and public administration companies in the fields of energy efficiency, environmental protection and circular economy as well as in the sustainable use of resources. The Innovatec Group is able to act on the entire value chain in the field of environmental sustainability: from energy efficiency to the optimisation of environmental services, from water efficiency to integrated consulting, research and training services dedicated to the different production chains, making an increasingly important contribution to supporting the development of the “Circular Economy”.

The Group carries out its operations mainly through a number of subsidiaries:

- **Energy Efficiency (“EE”) and Renewables Business:** Innovatec Power S.r.l. (“**Innovatec Power**”) develops projects and offers products and services for the optimisation of energy consumption for industrial customers and public administration (with a B2B approach) and, thanks to the recent HouseVerde Project, proposes energy efficiency measures also for households and flat owners (B2C). The subsidiary also operates in the Renewables business through the construction and operation of plants for the production of energy from renewable sources and the construction of waste disposal plants;
- **Environment and Circular Economy Business:** Haiki+ S.r.l. (“**Haiki+**”), a sub-holding company focused on environmental and circular economy issues. The business unit, through its main subsidiaries Green Up S.p.A. (“**Green Up**”) and Vescovo Romano & C. S.r.l. (“**Vescovo**”), offers integrated management services for the collection, transport, treatment, recovery, enhancement and disposal of special non-hazardous waste. By assisting its customers in the correct and effective management of waste with the aim of achieving a gradual increase in the quantities of materials recovered (in line with the principles of circular economy and *zero waste*), Haiki+ thus contributes to reducing the environmental impact of their business activities.

During 2021, in order to accelerate its growth and expand its market share in the end-to-end circular economy services sector, Haiki+ established **Matemoforsi** S.r.l. and acquired 90% of **Ecological Wall** S.r.l. active in the treatment and recovery of mattresses and plasterboard, respectively. Moreover, between December 2021 and March 2022, Haiki+ purchased 75.96% of Cobat S.p.A. (“**Cobat**”), a company active in the collection, storage and recycling of batteries, accumulators, electrical and electronic equipment and unserviceable tyres, and 89.996% of the Veneto-based company S.E.A. S.p.A. (“**SEA**”) active in the collection, recovery and treatment of waste from electrical and electronic equipment “WEEE”.

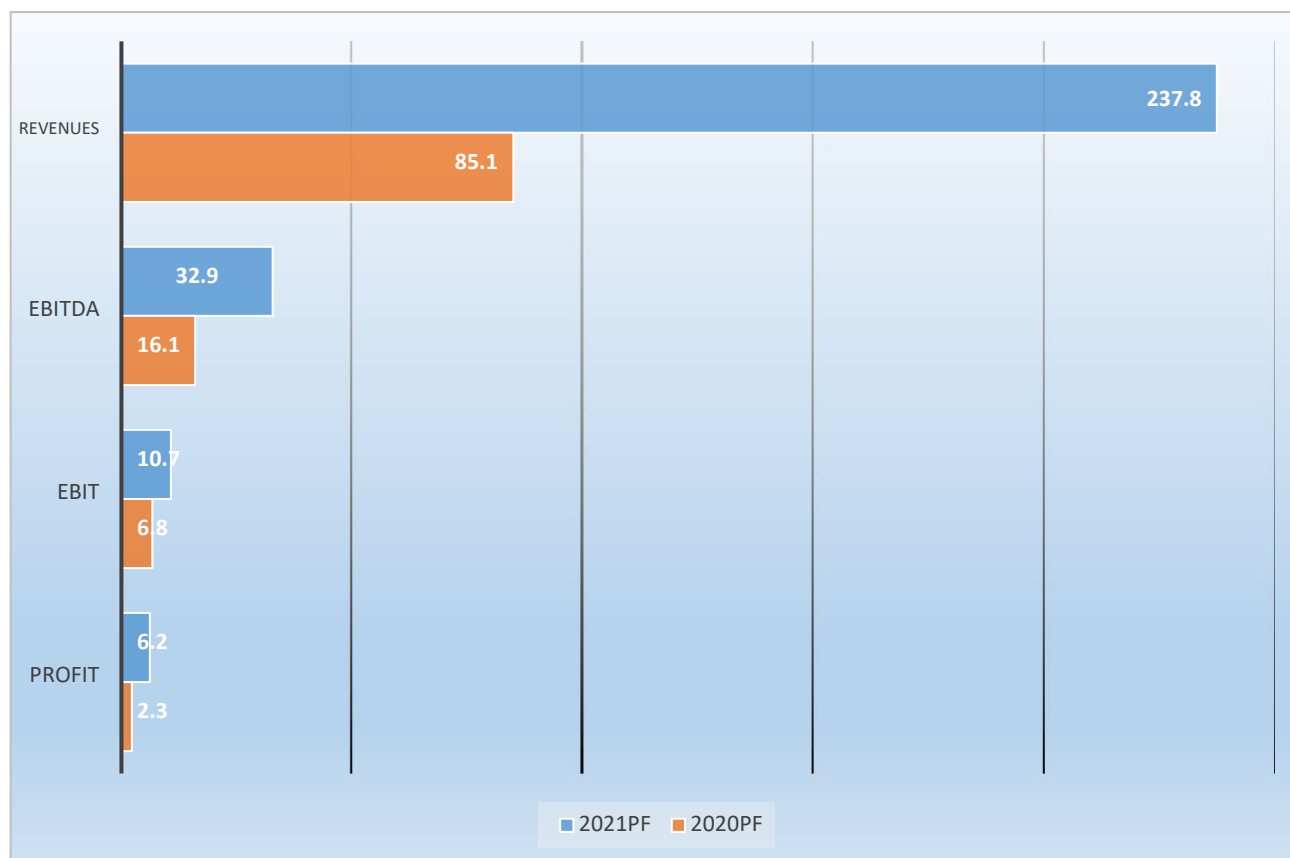
Cobat is a key player in Italy in flow management and in the recovery of batteries and accumulators and is preparing to play a strategic role in a market such as the expanding electric car market thanks to its proprietary patents for the recycling of lithium batteries. At a strategic level, the acquisition of Cobat is particularly relevant in that it allows the integration of the latter's ability to replicate its business model on new production chains of materials to be recovered with that of Green Up to build and manage plants for their treatment and enhancement, thus creating a perfect complementarity between the two companies. On the other hand, the acquisition of SEA is part of an industrial process of which it is the first step, aimed at creating a virtuous WEEE recycling production chain throughout the country.

- **Innovation Business and Consulting Services:** Thanks to the equity investments held in **Circularity** S.r.l. B corp (20.16% owned) and in **Rete Ambiente** S.r.l. (50% owned), the Group operates in the fields of consulting, training and IT services, respectively, for companies on sustainability and circularity issues, as well as in the field of specialised publishing on technical and legal environmental issues. Finally, the newly established **Innovatec Venture** S.r.l., the Group's corporate venture capital vehicle (wholly owned), aims, through a network of partners, to select the most promising innovative start-ups in the *Cleantech* scene by providing not only financial support but, above all, consolidated experience in the sector, distinctive technological know-how in the field of material recovery and a strong presence in the country.

In a competitive environment in which social responsibility and environmental sustainability are becoming increasingly central, Innovatec aims to become a benchmark in its customers' ecological and energy transition process. This objective will be pursued through the integration of the three core businesses – a) energy efficiency; b) environmental services; c) innovation and specialist consulting – which will allow the Group to establish itself as a partner of reference in end-to-end services in the field of circular economy.

At the date of this Report, the share capital amounted to Euro 10,422,567.45. Sostenya Group S.r.l. holds a 44.54% stake in Innovatec directly and 0.46% indirectly through its subsidiary Gruppo Waste Italia S.r.l. Sostenya Group S.r.l. is 51% owned by Pietro Colucci and the remainder equally owned by his son Nicola Colucci and daughter Camilla Colucci.

2. SUMMARY OF THE GROUP'S PRO FORMA RESULTS



(1) The 2021 pro forma income statement figures include the net results for the year 2021 of Cobat S.p.A. acquired at the beginning of December 2021.

(2) The 2020 pro forma income statement figures include the net results for the year 2021 of the Environment business acquired at the end of December 2020.

In order to better represent the 2021 economic performance of the Innovatec group, the group's 2021 consolidated net results were made pro forma by including the full income statement figures of Cobat S.p.A. acquired at the beginning of December 2021. On the other hand, the 2020 consolidated net results were made pro forma by including the income statement figures of the Clean Tech Group acquired at the end of December 2020.

Innovatec ended the financial year with positive results in a complicated macroeconomic situation, testifying to the validity of Innovatec's multibusiness model based on sustainability and the integration of its three core businesses. Thanks to a strong strategic vision and the management's executive capacity, Innovatec was able to record strong growth in results in 2021, be an efficient group and at the same time pursue sustainable development in all the businesses it oversees. In particular, in 2021, Innovatec consolidated the results of its Environment business, while also focusing on the development of new vertical production chains for material and energy recovery, the real future for our country's ecological and energy transition, In 2021, Innovatec also increased its activity in the field of energy efficiency with a significant number of innovative projects that were also able to benefit from the opportunities offered by the RRP. In particular, the HouseVerde Project registered to date a portfolio of contracts related to real estate improvement of energy efficiency (ecobonus 110%) of approximately Euro 156 million and a portfolio of project proposals ("Computi Metrici Estimativi" CME (Bill of Quantities)), of an additional Euro 114 million, which will be transformed into contracts following the positive documentary check in compliance with the regulations in force. The Group's ability and speed of

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execution has led it to focus, already from now, on offering proposals for the improvement of energy efficiency not only in the private sector but also in the field of council houses and hotels, the creation of energy communities, the implementation of new technologies to reduce emissions, as well as the construction of photovoltaic systems in EPC turnkey mode, given the recent incentive regulations in the agrivoltaics industry.

In summary, the 2021 results confirm the soundness of the Group's business model and the direction pursued as a leading player in the Clean Tech Industry that aims to become a reference point in its customers' ecological and energy transition process.

Pro forma Consolidated Results

These are the main 2021 pro forma figures including COBAT S.p.A. and Ecological Wall S.r.l. compared with the 2020 pro forma figures including the Environment business managed by the Clean Tech group acquired at the end of December 2020.

Innovatec group

PRO FORMA		<i>Euro 000's</i>			
ECONOMIC HIGHLIGHTS		2021	2020	21 vs 20	%
Revenues		237,778	85,111	152,668	179
EBITDA		32,901	16,104	16,798	104
	% EBITDA	14%	19%	-5%	(27)
EBIT		10,734	6,756	3,978	59
Profit (Loss) before taxes		10,788	6,281	4,507	72
Taxes for the year		(3,970)	(2,446)	(1,524)	62
Net profit (loss)		6,818	3,835	2,983	78
Profit (loss) attributable to non-controlling interests			(579)	(1,506)	927 (62)
Group Net Profit (Loss)		6,239	2,329	3,910	168
FINANCIAL HIGHLIGHTS		31-Dec-21	31-Dec-20	21 vs 20	%
Net invested capital		40,723	8,822	31,901	362
Shareholders' Equity attributable to the Group		25,384	17,137	8,247	48
Shareholders' Equity attributable to non-controlling interests			5,298	1,951	3,347 172
NFP/(Fin. Indeb.)		(10,041)	10,267	(20,307)	(198)
Number of persons (specific)		260	212	48	23

The 2021 pro forma consolidated income statement figures show Revenues of Euro 237.8 million (2020 pro forma: Euro 85.1 million, +179%) and EBITDA of Euro 32.9 million (2019 pro forma: Euro 16.1 million, +104%). Pro forma EBIT amounted to Euro 10.7 million (2020 pro forma: Euro 6.8 million, +59%).

The results recorded in 2021 showed a significant and solid economic and industrial growth thanks to the contribution of all the Group's business units and completed M&A transactions. In particular, revenues and operating margins benefited from a solid performance of the Energy Efficiency business and continued improvements in the Environment business, in addition to the performance of the recently acquired Cobat.

The Group's **Pro forma revenues** amounted to Euro 237.8 million in 2021, up by Euro 152.7 million compared to the previous year's pro forma revenues. In detail, the Environment and Circular Economy business posted pro forma revenues of Euro 170 million (2020 pro forma: Euro 69.5 million) to which Cobat contributed Euro 93 million. On a like-for-like basis, 2021 revenues amounted to Euro 77 million, up by 10% compared to the previous year (+Euro 7.5 million), with

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increasing volumes and average prices. The business unit strengthened its position by increasing its revenue base through the acquisition of key customers and the optimisation of costs, which benefited margins. The acquisition of Cobat demonstrated Innovatec's ability to seize interesting investment opportunities also in the M&A field: during the year, Cobat increased operations in all the businesses managed (especially batteries), recording 2021 revenues of Euro 93 million, up by Euro 17 million (+22%) compared to 2020, managing in 2021 more than 150,000 tonnes (+7%) of products that reached the end of their life as EEE, Batteries and Accumulators and Tyres on behalf of the Production Chain Consortia.

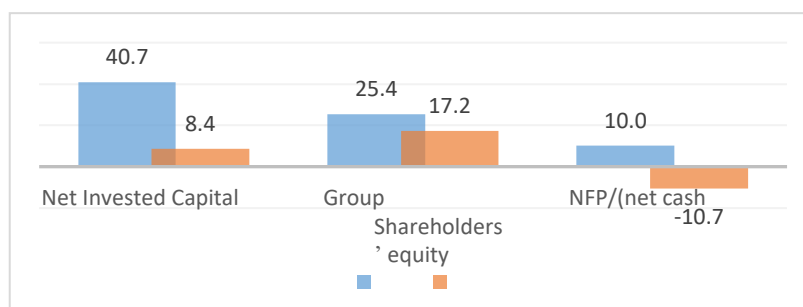
The Energy Efficiency business recorded strong revenue growth of Euro 67 million, tripling the 2020 results and contributing significantly to the increase of the group's net results. The revenues recorded in the year were driven by the HouseVerde Project (real estate improvement of energy efficiency thanks to the ecobonus 110%), which achieved a production value of Euro 61.2 million, exceeding all expectations for 2021 in terms of volumes (>900 sites) and still leaving room for further growth in 2022 thanks to the solid backlog developed and the commercial and partnership network structured throughout the country. To date, the HouseVerde Project reached a contract portfolio of approximately Euro 156 million and a portfolio of project proposals ("Computi Metrici Estimativi" CME (Bill of Quantities)), in addition to the already contracted initiatives, of Euro 114 million. In order to be able to manage this activity developed thanks to government incentives dedicated to energy efficiency, Innovatec expanded its workforce by 33 employees.

The revenue trend was also reflected in the **pro forma EBITDA**, which amounted to Euro 32.9 million (2020 pro forma: Euro 16.1 million; +104%). In relative terms and on a like-for-like basis, the **pro forma EBITDA margin** was 21% compared to 19% last year. On the other hand, the pro forma EBITDA margin 2021 (which includes the acquisition of Cobat in early December) is 14%, affected by the latter's lower margin (approximately 3% margin). The Environment and Circular Economy business contributes Euro 22 million to consolidated EBITDA (2020 pro forma: Euro 13.7 million), up by 60% compared to 2020. Cobat's contribution to the pro forma 2021 gross operating margin was Euro 2.3 million. On a like-for-like basis, the 2021 pro forma EBITDA of the business unit is Euro 19.7 million (26% margin) with an increase of Euro 6 million as a result of the increase in volumes and prices as well as the optimisations carried out in the operational and income management of the activities also of the subsidiaries, such as in the case of Vescovo, which led to a substantial increase in the subsidiary's EBITDA from Euro 1.1 million last year to Euro 1.7 million in 2021. Cobat's 2021 margins remain in line with those reported in 2020 at approximately 3 per cent (the acquisition was completed at the beginning of December 2021), while the first significant signs of increasing profitability are emerging in early 2022. In consideration of the possible economies of scale that can be developed and the recent transformation into a company from a public consortium, it is believed that Cobat's margins may have room for improvement. The Energy Efficiency business contributes Euro 11 million to the 2021 consolidated EBITDA (2020: Euro 2.4 million) following the development of the HouseVerde Project: the EBITDA margin of the BU is 16%.

As a result of the above, the **pro forma EBIT** amounted to approximately Euro 10.7 million, up from a 2020 pro forma EBIT of Euro 6.8 million. The **allocations** amounted to Euro 5.7 million (2020: 3.9 million). They refer to the Environment and Circular Economy business of Euro 4.5 million and the remaining Euro 1.2 million to the Energy Efficiency business. With reference to the Environment business, they mainly reflect the annual portion of the closing and post closing allocations for landfills of Euro 3.7 million, whereas with reference to the EE business, they reflect the estimated litigation risks related to the HouseVerde and B2B orders.

The Group's **pro forma net profit** amounted to Euro 6.2 million, compared to a pro forma profit of Euro 2.3 million in the previous year.

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Consolidated **shareholders' equity** stood at Euro 25.4 million (31 December 2020: Euro 17.1 million) while the Consolidated **Net Financial Position** was negative (net debt) and equal to Euro -10 million (31 December 2020 Euro 10.7 million), the increase in the group's indebtedness is mainly due to the acquisition of 49.90% of the Clean Tech group (Environment business), finalised in mid-July 2021, and 56.45% of Cobat, finalised at the beginning of December 2021, which contributed to the group's total indebtedness, in addition to the purchase price of Euro 9.5 million, also by Euro 10 million of its own exposure. Operating cash flow 2021 amounted to Euro 28 million.

The Group's **Net Invested Capital** increased from Euro 8.7 million at the end of December 2020 to Euro 40.9 million at the end of 2021 as a result of the aforementioned acquisitions and investments of approximately Euro 7 million.

The Consolidated Results for the Year

The Innovatec Group's 2021 results are not directly comparable with the 2020 results, mainly due to the acquisition of 56.45% of Cobat at the beginning of December 2021, which entailed the consolidation of the acquired company only in financial terms and not in operating terms. Moreover, the Innovatec Group's 2020 figures reflect the financial but not operating results of the Environment business following the acquisition of 50.1% of the Clean Tech Group (Environment and Circular Economy business) at the end of December 2020.

Innovatec group

Euro/000

ECONOMIC HIGHLIGHTS	2021	2020	21 vs 20	%	
Revenues	144,606	28,394	116,212	409	
EBITDA	30,834	3,037	27,796	915	
% EBITDA	21%	11%	11%	99	
EBIT	10,189	2,691	7,498	279	
Net financial income (expenses)	401	(218)	619	284	
Adj. to Financial Assets	111	(994)	1,105	111	
Profit (Loss) before taxes	10,701	1,480	9,221	623	
Taxes for the year	(3,972)	(807)	(3,165)	>100	
Group Net Profit (Loss)	6,369	673	5,696	846	
FINANCIAL HIGHLIGHTS	31-Dec-21	31-Dec-20	21 vs 20	%	
Net invested capital	40,723	8,448	32,275	382	
Shareholders' Equity	25,384	17,185	8,199	48	
Shareholders' equity attributable to non-controlling interests		5,298	1,951	3,347	172
NFP/(Fin. Indeb.)	(10,041)	10,687	(20,728)	<100	
Number of persons (specific)	260	212	48	23	

The 2021 consolidated income statement figures show **Consolidated revenues** of Euro 144.6 million (2020: Euro 28.4 million +409%), EBITDA of Euro 30.8 million (2020: Euro 3 million) and EBIT of Euro 10.2 million (2020: Euro

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2.7 million). Revenues and margins for the year benefited from a solid performance of the Energy Efficiency business and the contribution of the Environment and Circular Economy business acquired in late 2020 from Innovatec. The Energy Efficiency business recorded strong **Revenues** boost of Euro 67 million, tripling the 2020 results and contributing significantly to the increase of the group's net results. The revenues recorded in the year were driven by the HouseVerde Project (real estate improvement of energy efficiency thanks to ecobonus 110%), which achieved a production value of Euro 61.2 million, exceeding all expectations for 2021 in terms of volumes and margins. The Environment and Circular Economy business acquired at the end of December 2020 posted **Revenues** of Euro 77 million.

The revenue trend was also reflected on the **EBITDA**, which amounted to Euro 30.8 million (2020: Euro 3 million). The Energy Efficiency business contributed Euro 11 million to the 2021 consolidated EBITDA following the HouseVerde Project recording a 16% EBITDA margin. The Environment and Circular Economy business contributed Euro 20.6 million to consolidated EBITDA recording a 26% EBITDA margin. Net costs of the parent company Innovatec amounted to Euro 0.8 million.

As a result of the above, the **EBIT** amounted to approximately Euro 10.2 million, up from the 2020 EBIT of Euro 2.7 million. The development of the Energy Efficiency business and in particular the HouseVerde Project resulted in the recognition of provisions for risks related to the increase in the number of sites under management (>900), which only slightly affected operating margins. The EBIT margin stood at 7%.

The **Group's net profit** amounted to Euro 6.4 million, compared to a profit of Euro 0.7 million recorded in the previous year.

The **Consolidated Net Invested Capital** increased to Euro 40.7 million from Euro 8.4 million at the end of 2020 as a result of the acquisitions finalised in 2021, such as the purchase of 49.90% of the Clean Tech (Environment) group in mid-July 2021 and 56.45% of Cobat at the beginning of December 2021.

The **Consolidated Shareholders' Equity** stood at Euro 25.4 million (31 December 2020: Euro 17.2 million), while the **Consolidated Net Financial Position** was negative (net debt) and equal to Euro -10 million (31 December 2020: Euro 10.7 million), and the increase in the indebtedness was mainly due to the aforementioned acquisitions and, in particular, that of Cobat, which contributes to the group's overall indebtedness, in addition to the purchase price of Euro 9.5 million, with its own exposure of Euro 10 million.

The 2021 Results of Innovatec S.p.A.

Innovatec S.p.A.

Euro/000

ECONOMIC HIGHLIGHTS	2021	2020	21 vs 20	%
Revenues	2,297	8,154	(5,858)	(72)
EBITDA	(503)	2,784	(3,287)	<100
% EBITDA	-22%	34%	-56%	<100
EBIT	(944)	2,784	(3,728)	<100
Net financial income (expenses)	50	(203)	253	125
Adj. to Financial Assets	(1)	(766)	766	(100)
Profit (Loss) before taxes	(895)	1,815	(2,710)	<100
Taxes for the year	(4)	(378)	374	(99)
Net result	(898)	1,438	(2,336)	<100
FINANCIAL HIGHLIGHTS	31-Dec-21	31-Dec-20	20 vs 19	%
Net invested capital	39,228	14,223	25,005	>100
Shareholders' Equity	18,645	17,733	913	5
NFP/(Fin. Indeb.)	(20,582)	3,510	(24,092)	<100
<i>Number of persons (specific)</i>	<i>4</i>	<i>7</i>	<i>(3)</i>	<i>(43)</i>

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The 2021 income statement figures of Innovatec S.p.A. alone show Revenues of Euro 2.3 million (2020: Euro 8.2 million), EBITDA of Euro -0.5 million (2020: Euro 2.8 million), EBIT of Euro -0.9 million (2020: Euro 2.8 million, – 58%) and a Net Loss of Euro 0.9 million (2020: Euro 1.4 million). Revenues mainly reflect intercompany services and management fees following the sale of the Esco costruzioni branch to the subsidiary Innovatec Power in the first half of 2021.

The **Net Invested Capital** amounted to approximately Euro 39 million, up from Euro 14.2 million last year. This increase was mainly due to the acquisitions of the above-described targets, which were subsequently sold to the sub-holding Haiki+ with the resulting taking-out of vendor loans or loans in favour of the latter.

The **Shareholders' Equity** amounted to Euro 18.6 million (31 December 2020: 17.7 million), which increased as a result of the conversion of the 2018-2021 Warrants outstanding and discharged to date, partially offset by the loss for the year. The **Net Financial Position** amounted to Euro -20.6 million (31 December 2020: Euro 3.5 million) following the issue of a MiniBond of Euro 10 million expiring in 2026, interest rate 6% issued with SACE guarantee for 90% of the amount and the taking-out at the beginning of 2021 of bank loans, also counter-guaranteed by SACE, of Euro 2.9 million to support the Group's acquisition and capex investments, while the remaining portion refers to debts related to the deferred purchase portion of 49.9% of Clean Tech whose payment is expected during 2022 of Euro 7.5 million.

3. THE GROUP'S BUSINESS

The Group's business is organised into three business units:

ENVIRONMENT AND CIRCULAR ECONOMY		INNOVATION AND CONSULTING SERVICES	ENERGY EFFICIENCY AND RENEWABLES
			
  	  		
INTEGRATED ENVIRONMENTAL SERVICES Collection Selection Recovery Bedding	CIRCULAR ECONOMY SERVICES Recycling Energy recovery EPR services	Business consulting services on circular economy Venture capital Specialised publications, events and seminars	B2B EPC Energy efficiency Photovoltaic systems Smart vertical technologies
			B2C HouseVerde ("HV")  Energy communities
			PA Kyoto fund Energy communities
 Offer of wide-ranging services in circularity and sustainability		 Perfect integration of Energy Efficiency Services with the whole cycle of Integrated Environmental Services from recovery to recycling	 Concrete help for business customers to improve circularity in their products and processes

Innovatec's strategy is based on the strategic integration of the businesses of Environmental Services and Circular Economy, Energy Efficiency and Renewables and Innovation and Consulting. The Group aims to expand and develop its end-to-end offer of services in terms of circularity and sustainability with a wide range of concrete and innovative projects that can also benefit from the financing opportunities of the RRP.

The **Energy Efficiency and Renewables business** is run by: Innovatec Power S.r.l. ("Innovatec Power") a 99.01% subsidiary of Innovatec. The company is active in the field of process energy efficiency and in the improvement of energy efficiency and, as from 1 May 2021, received

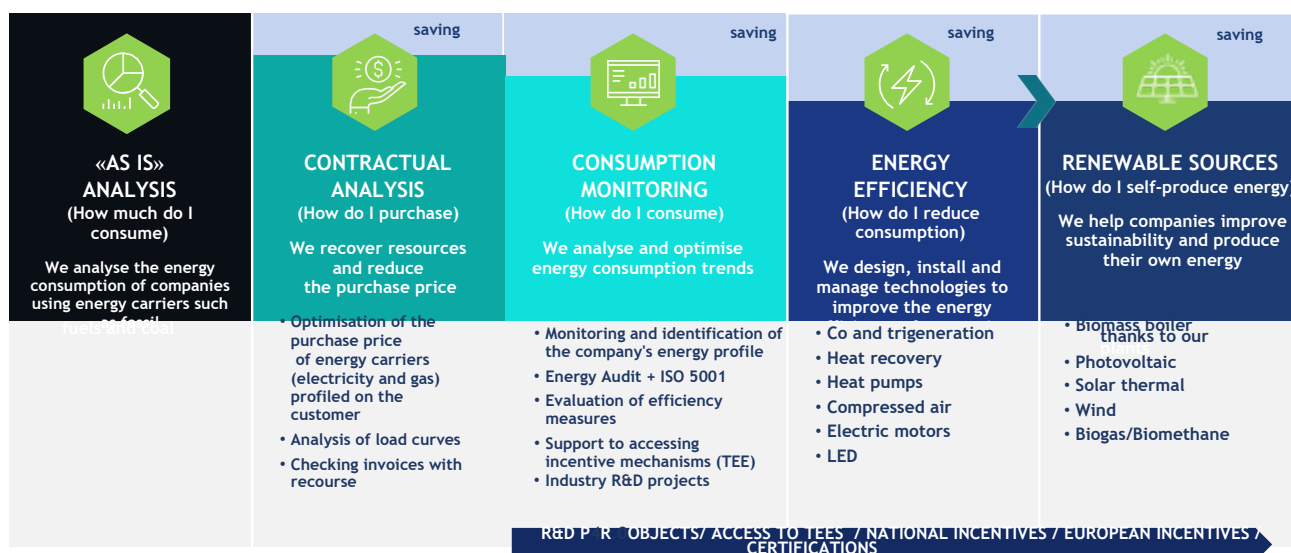
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the Esco business unit from the parent company Innovatec S.p.A., taking over from the parent company in the operational activities of plant construction and disposal site construction.

The sectors in which Innovatec Power operates can be summarised as follows:



The company assists its customers in the design, implementation and management of plant and technology solutions thanks to a multi-brand offer that makes use of dedicated facilities and certified EGE personnel, providing customised and optimised solutions to meet every need in the field of energy efficiency.

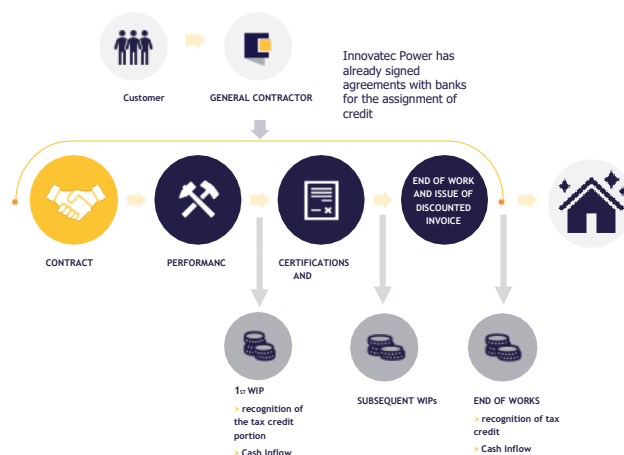


In June 2020, the company launched the HouseVerde Project for the sustainable improvement of energy efficiency of the Italian real estate and securing it through earthquake-proof renovation, which will contribute to a major renewal of Italy's building heritage. The aim of the HouseVerde Project is to offer customers operations to improve energy efficiency of buildings to be carried out in an integrated manner, through the careful study of architectural, structural and plant engineering elements by offering customised “turnkey” projects. The design choices will take due account of technological innovation, identifying the construction techniques, the most innovative and environmentally friendly materials and the most advanced plant technologies to ensure the efficiency and safety of the building, adequate levels of living comfort and respect for the environment in terms of both emissions and consumption of resources, also allowing recipients to take advantage of the “Superbonus 110%” as envisaged by the “Rilancio” (Relaunch) Decree.

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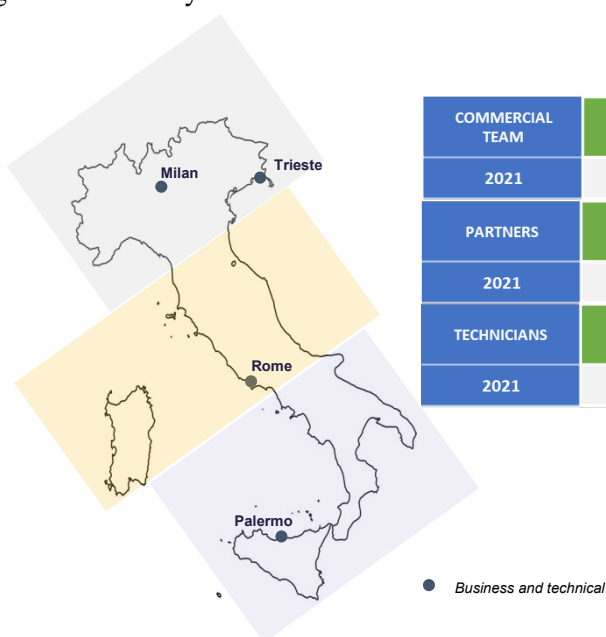
The incentive envisages specific interventions on residential buildings – in the field of energy efficiency – earthquake-proof interventions, installation of photovoltaic systems, infrastructures for recharging electric vehicles and other expenses for technical activities that are complementary and at the same time guarantee the regularity of the application of the standard, such as certifications, compliance endorsements and design fees. Each construction site is managed to improve efficiency and reduce the impact of houses with the utmost attention to the recovery of materials in full compliance with the principles of the circular economy.

Innovatec's value proposition is to guarantee the completion of the entire project, facilitating the carrying-out of the technical work – assuming the role of General Contractor – at no cost to the customer.



Moreover, the company is active in offering energy efficiency and improvement of energy efficiency services for public building heritage, with a special focus in the coming years on buildings owned by IACPs and more generally by the Public Administration. Finally, by setting up a specific department, the company intends to focus on the agrivoltaics business for which the RRP has envisaged specific incentives.

The sales and technical team and established partnerships enable Innovatec Power to serve the market throughout the country.



COMMERCIAL TEAM	NORTH	CENTER	SOUTH	ITALY
2021	8	4	4	16
PARTNERS	NORTH	CENTER	SOUTH	ITALY
2021	30	28	103	161
TECHNICIANS	NORTH	CENTER	SOUTH	ITALY
2021	16	4	6	26

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The **Environmental Services and Circular Economy business** is managed by **Haiki+ S.r.l.** ("Haiki+"), a wholly-owned subsidiary of Innovatec. Haiki+ is Innovatec's new sub-holding company for the surfacing of the group's plant assets' value and the development of projects related to the circular economy. All group companies operating in the circular economy, such as Green p S.p.A., Vescovo Romano S.r.l., Cobat S.p.A. and the recently acquired S.E.A. S.p.A., have merged into Haiki+, and all new projects and acquisitions related to the circular economy will be merged in the future. All the companies forming the new business unit, both current and future, are bound by the conviction that effective environmental management represents a great opportunity and an important competitive factor in the industrial context within which the group operates. In fact, the Haiki+ group provides its customer companies with comprehensive support on all aspects of the ecological transition whose areas of intervention are:

- Integrated environmental services;
- Innovative specialised plant dedicated to material and energy recovery;
- Circular economy production chains.

As at 31 December 2021, its subsidiaries are as follows:

- Green Up S.p.A. ("**Green Up**") wholly owned. The subsidiary – holder of ISO 9001:2015 and ISO 14001:2015 certifications – assists its customers in the proper management of their waste production chain, helping to reduce its environmental impact with a progressive increase in the quantities of materials recovered, including through smart disposal. As from 24 September 2020, Green Up, with the aim of expanding and improving its service to customers and developing its technological and process plants by favouring the enhancement of materials with a view to the circular economy, expanded its business through the acquisition of Vescovo Romano & C. S.r.l. ("**Vescovo**"), a historic company active in the processing and sale of waste paper and any other recovered material, whose Palazzolo Vercellese (VC) plant represents a cutting-edge centre for treatment and recovery.
- Cobat S.p.A. ("**Cobat**"), 56.45% owned since the beginning of December 2021, is active in the business of collecting, storing and sending for recycling waste such as batteries, accumulators, electrical and electronic equipment and unserviceable tyres. The company carries out its activities through the management of service contracts signed with four Production Chain Consortia (illustrated below) and is present throughout the country thanks to a logistics and plant network guaranteeing an efficient service for the collection, storage and sending for recycling of any type of waste. In detail, COBAT holds 100% of COBAT Tech S.r.l. which, in turn, holds minority stakes in several consortia such as: COBAT RAEE¹, COBAT TYRE², Cogepir³ and COBAT Compositi⁴ as well as 51% of the recently established company COBAT ECOFACTORY⁵ S.r.l. At the end of March 2022, Cobat established Cobat TESSILE, the Italian voluntary consortium for the collection, treatment and recovery of end-of-life textile products. The consortium's mission is to make producers, users and importers of textile products protagonists of the circular economy by transforming their end-of-life products and production waste into new raw materials or energy. Cobat TEXTILE helps its member companies to pursue sustainable development that benefits not only the environment, but also the entire national economic system, reducing waste and generating new raw materials, guided

¹ for the end-of-life management of electrical and electronic equipment, televisions, computers, printers, washing machines, refrigerators and other household appliances, including new electronic devices such as electric scooters, ebikes and photovoltaic modules.

² for the end-of-life management of tyres

³ collection and disposal of end-of-life signalling, rescue and security pyrotechnic devices

⁴ Italian consortium for the collection, treatment and recovery of end-of-life products made of composite materials, mainly consisting of glass and carbon fibre.

⁵ For end-of-life management of lithium batteries

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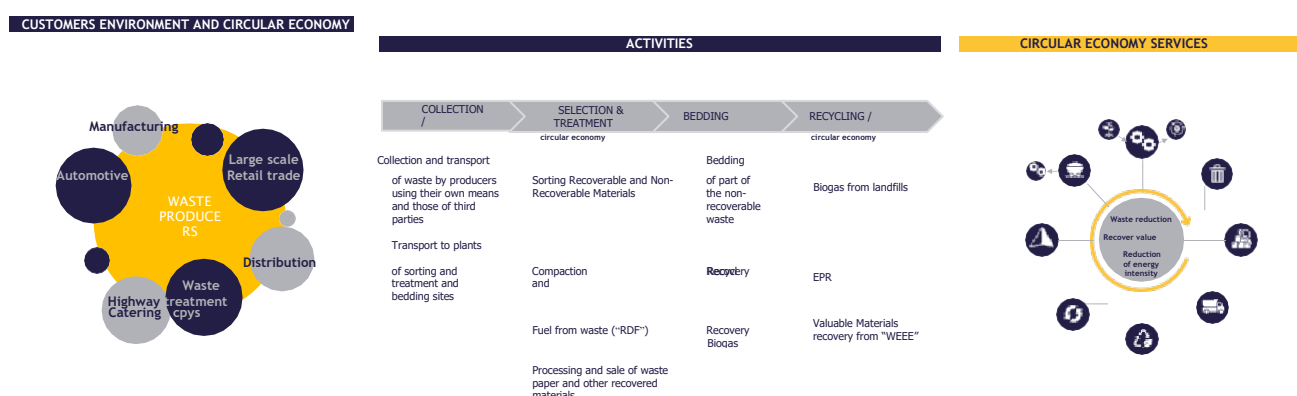
by the values of transparency, efficiency, and sustainability. The Consortium also offers integrated and customised environmental management services to its member manufacturers, with a focus on end-of-life management and reuse, as stated in the EU Strategy for Sustainable and Circular Textiles, presented by the European Commission.

The COBAT Platform ensures the proper end-of-life management of products released for consumption, discharges it from the principle of extended producer liability for waste management and ensures the highest standards of environmental sustainability through the completion of the cycle only when the waste is recycled in full compliance with strict safety criteria and thus transformed into raw materials to be reused in the production of new goods. The acquisition integrates and creates a perfect complementarity between Cobat's ability to replicate its business model on new production chains of materials to be sent for recovery, and that of its subsidiary Green Up to build and manage plants for their treatment and transformation into secondary raw materials. In fact, the COBAT Platform, with its widespread network of recovery points throughout the territory, is replicable for every type of product. Moreover, the Company is preparing to play a strategic role in a market such as the exponentially expanding electric car market thanks to its proprietary patents for the recovery of lithium batteries. In summary, the acquisition accelerates the ecological transition process by strengthening the Innovatec Group's ability to develop circular economy projects by expanding its market share in end-to-end services.

- **Matemorfosi S.r.l.** B corp, established in 2021, aims to build an innovative plant of circular economy, aimed at recovering and transforming all types of mattresses, converting them from waste into new raw materials, with a view to full circularity aimed at EW (end of waste);
- **Ecological Wall S.r.l.**, a company already present on the market for some time and specialised in the recovery of plaster-based materials, 90% of whose shares were acquired in July 2021. The project development pursued by the company envisages the attainment of authorisation and the subsequent installation of a new mechanical sorting system that will enable the recycling of approximately 90% of the input material consisting mainly of plasterboard production waste and demolition waste.

The business unit is characterised by a vertically integrated structure that allows it to be present at every stage of the special non-hazardous waste production chain, from collection, sorting and treatment to disposal.

A vertically integrated structure, with a presence at every stage of the cycle, ensuring cost efficiency and flexibility, supported by complementary customer service



In particular, Green Up offers the market integrated environmental services in full compliance with regulations, with its own sites and vehicles in densely industrialised regions such as Piedmont, Lombardy and Liguria and a network of certified partners to guarantee service throughout the country. In order to ensure greater plant efficiency and the lowest possible environmental impact, non-recoverable waste is allocated to controlled storage, usually attached to treatment plants. In the landfills,

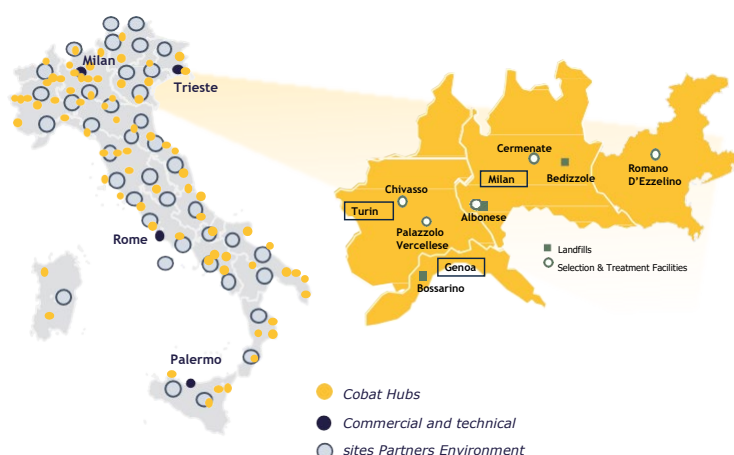
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there are also dedicated power generation plants: thanks to a biogas collection system, the gas produced is used to generate electricity and heat for use in the public network. With a customer base of approximately 1,600 and a loyalty rate of approximately 95%, Green Up offers its customers customised integrated industrial waste management projects. All information on recovery results and savings achieved is always shared with the customer to ensure traceability of the waste materials produced at every stage by supporting them with reports. Green Up can rely on a direct sales structure that cuts across the entire waste management chain, thus enabling an integrated enhancement of the individual services it is able to provide. All phases of execution are monitored by the "logistics function and facilities" in order to transfer to the customer, in real time, any communication required and consequent to the correct carrying out of the service.

On the other hand, with regard to Cobat, it operates a unique logistics network in Italy, which makes it possible to optimise the economic and environmental costs of an increasingly local collection. The network of Cobat points consists of more than 70 authorised companies able to manage, in line with regulations and best practices, waste collection and storage activities. Moreover, Cobat delivers over 150 thousand tonnes of end-of-life products each year to a network of 24 treatment and recovery plants that guarantee efficiency, transparency and compliance with the most advanced standards. The facilities are evenly distributed throughout the country. As a result, the Consortium is able to guarantee complete coverage of the country and reduce the transport costs and CO2 emissions into the atmosphere resulting from long-haul logistics. The materials transported and sent for treatment and recovery are monitored by Cobat both in terms of quantity and in terms of quality. A tracking and monitoring system analyses and checks the flows of waste at each stage to meet the requirements of traceability of operations and safety of the operators involved. Through the work of highly qualified personnel, Cobat can thus guarantee a widespread service offer throughout the country, from Valle d'Aosta to Sicily.

The Asset base of the business unit can be summarised as follows:

- 6 sorting and treatment facilities (i.e. Albonese, Cermenate, Collegno, Chivasso, Palazzolo Vercellese and Romano D'Ezzelino) located in a central position with respect to the activities carried out in the waste collection segment;
- 5 biogas plants (i.e. Chivasso, Vado Ligure, Andria, Giovinazzo and Bedizzole), the last three of which are under management;
- 3 landfills (i.e. Albonese, Bossarino and Bedizzole) where the waste fraction that cannot be further treated/enhanced is destined for disposal in waste bedding deposits. The Bedizzole landfill is managed under a lease agreement between Green Up and Next Generation S.r.l. expiring in March 2027;
- Cobat network of 24 treatment facilities (with which Cobat has an established business relationship) with similar locations throughout the country
- 2 photovoltaic systems on landfills;
- 100 motor vehicles and 3,000 pieces of equipment;
- 2 patents for lithium battery recovery;
- approximately 1,600 customers with a loyalty rate of 95%;
- 50 partners throughout the country;
- 60 Cobat collection points located throughout the country.











The **Innovation and Consulting Service Business** is directly managed by the following subsidiary and associated companies, which also act as service and commercial fronting for the other business units:

- **Circularity S.r.l.** B corp (20.16% owned) is active in the circular economy sector with the mission to develop and disseminate services dedicated to companies in the transition to the circular economy, combining consultancy activities with IT and telecommunication services through a web platform. The services the company offers are:

» Consulting services.

	DISSEMINATION <ul style="list-style-type: none"> Information Training
	STRATEGY <ul style="list-style-type: none"> Strategic Sustainability Plans Sustainability Reporting (NFS) Communicating sustainability Environmental Certifications
	TECHNICAL PROJECTS <ul style="list-style-type: none"> Carbon footprint (GHGE) LCA SRM Classification Carbon Credits trading Innovation and R&D Regulatory support

» Digital services.

 Multi-sectoral symbiosis platform based on players' requirements					
 Material enhancement and development of the waste concept	 Procurement of end-of-life products and recycled materials	 Reduced carbon footprint through circular processes			
 Generating and trading carbon credits	 Integration of blockchain-based smart contract systems	 Application software to measure circularity and sustainability			

- **Innovatec Venture S.r.l.** (100% owned), a Corporate Venture Capital vehicle founded with the intention of promoting sustainable innovation both outside and inside the Group. Innovatec Venture aims at creating a factory where innovative start-ups can thrive and evolve on an industrial scale. To this end, Innovatec Venture's role will not only be that of an investor but also that of an actual industrial partner, making its know-how in the cleantech sector, its facilities dedicated to waste treatment and its commercial footprint on the market available to the selected start-ups, with the aim of accelerating their scale-up to industrial level. Kick-starting this journey to create a network of partners promoting sustainable innovation, Innovatec Venture signed a strategic collaboration agreement with Forest Valley Institute S.r.l., a non-profit company that aims to combat climate change by promoting Climate

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Innovation, i.e. the development of innovative technologies and solutions to support the ecological transition of industries, cities and territories.

- **Exalto Energy & Innovation S.r.l.** (24.79% owned): active in the design of energy efficiency measures and research and testing of innovative technologies in the field of renewables, efficiency and smart cities. Thanks to the expertise of its subsidiary Exalto, a R&D company specialised in energy efficiency, Innovatec Power also supports customers in searching for, obtaining and managing Italian and European incentive mechanisms and Energy Efficiency Certificates.
- **Rete Ambiente S.r.l.** (50% owned) with the trademarks and assets of the company Edizioni Ambiente S.r.l., a historic publishing house specialised in sustainability issues, the company offers the market training, book publishing and magazines on renewable energy, the environment and the circular economy.

4. THE MACROECONOMIC SCENARIO

Forecasts on global economic trends are not very encouraging, especially at a time when the international political situation, also due to the Ukraine crisis, is so uncertain.

According to the Fitch agency (estimate end of March 2022), the world's GDP is expected to grow by 3.5% this year, 0.7 percentage points less than previously forecast, while in 2023 growth is expected to be 2.8%, -0.2 points. Euroland's GDP was cut by 1.5 percentage points to 3.0% in 2022, while US growth was cut by 0.2 points to 3.5%. For Italy, the forecast is a 2.7% growth against a previous 4.3%.

The global economy found important support in the many large recovery plans launched by the governments of many countries. The expense required to provide the appropriate stimulus to the economic and social fabric severely affected by the spread of the pandemic led to a significant increase in public spending financed by the issue of new debt. The European Union approved the Next Generation EU with the aim of allocating substantial resources in excess of Euro 800 billion to the countries of the Union, giving priority to the weak areas hardest hit by the pandemic. Non-repayable investments and loans that the European Union will allocate until 2027, based on demanding national plans submitted by member states characterised by issues such as ecological transition, digitalisation, health and research with the aim of improving the quality of life of European citizens with an eye to the future of the continent and the new generations. These plans will mark the political and economic agenda of the coming years and are also important guidelines for the business world.

The recovery of global economic activity was driven by robust demand conditions that were countered by critical supply-side issues. These imbalances generated upward pressure on prices. Despite the difficulties in global supply chains, plus still high energy commodity prices, the volume of international trade in goods is expanding. The volume of world trade in goods has recovered from last year's loss by exceeding pre-pandemic levels and is expected to grow by 4.8% in 2022 (after the +11% on average estimated for 2021), while for services the projected growth of approximately 15% will not allow full recovery of the "loss" of the two-year period 2020-21.

The main indicators have improved significantly since the last months of 2020 due to the start of the vaccination plan, which has affected the confidence of businesses and households. The strengthening of the service sector – which is still affected by measures restricting mobility and social relations necessary to reduce potential infections – is of particular importance. The recovery of the manufacturing sector continues

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although slowdowns in distribution chains and shortages of components and labour remain. Demand for goods returned to the pre-pandemic growth while services lagged behind caused by the measures to counter the spread of covid-19 still in place in many countries. Consumer confidence returned to early 2020 levels and then showed signs of moderation in the last part of the year, depending on the trend of infections and the first impacts of the growth in prices. Inflation returned to levels not seen since the seventies/eighties, the CPI in the US reached 7% and the Core figure 5.5%, similar if less intense trends in Europe, at 5% and 2.6%, respectively. The large amount of liquidity injected into the system by governments and central banks was the propellant of an inflationary flare-up, at first deemed “temporary” and then “excessive” if not “harmful”. The FED changed its approach and undertook a standardisation strategy that goes through tapering to the raising of official rates. Countering excessive increase in price, due in part to temporary elements that are related to the effects of the pandemic, will lead to progressive interventions on rate during the two-year period 2022-2023. The main contribution to the US price index is made by the energy components, oil and natural gas, which weigh on the basket. Food, new and used cars, services and rents are also growing. The ECB continued to be patient, limiting its action to the beginning of the reduction in the purchase of securities, bringing the PEPP – the emergency plan launched to counter the effects of the pandemic – to a close. The forecast of inflation anchored below the 2% target for the next few years, with the exception of a tolerable overshoot in 2022 and consistent with current policy, allows the Frankfurt bank to postpone action on rates.

In Italy, GDP growth is estimated at an average 3.8 per cent in 2022, 2.5 per cent in 2023 and 1.7 per cent in 2024. There are downward revisions to the initial 2022 target of 4.5%. The Russian-Ukrainian conflict has been added in recent days to the already known – and as yet unresolved – problems stemming from tensions over raw material prices, supply difficulties in some production chains and uncertainty over pandemic developments. The production uncertainties are accompanied by fears of the effects on consumption resulting from rising inflation and higher energy and fuel prices. As has been feared for some months, the continuing tensions in international markets and supply chains are also beginning to produce upturns in sectors other than energy.

The uncertainties arising from the Russia-Ukraine conflict with its effects on the price of raw materials, plus the repercussions of the sanctions imposed by the EU on Russia and the pandemic with its possible repercussions on economic activity and mobility, represent a variable that can impact growth in the coming months.

5. TREND OF THE REFERENCE MARKET

Innovatec positions itself in the field of Clean Technology (Cleantech for short), i.e. the set of technologies that develop processes, products and services that reduce negative environmental impacts through significant improvements in energy efficiency, sustainable use of resources or environmental protection activities. Today, Cleantech models and concepts are building blocks, essential in the transition to a circular economy and for achieving the 2030 and 2050 targets set at COP21 in Paris and sanctioned by the European Union's European Green Deal and Next Generation programmes.

Cleantech ideally involves all sectors whose activities have a significant environmental and ecological impact. From industrial processes to the daily routines of each citizen, the applications can be truly diversified. Cleantech application areas can be grouped as summarised below:



*Ambiti d'intervento di Sostenya – Verticali industriali riaggregati
(da cleantech.org)*

5.1. *The regulations*

The major impulses for growth in the sector are often related to legislative measures by nations and international organisations, which identify environmental sustainability as a priority area for action.

The most recent and relevant developments at European and global level are analysed below: the Green Deal, the European Action Plan for the Circular Economy, the COP21 Paris Agreement and the RRP.

a) The European Green Deal

The most significant novelty on the front of strategic, regulatory and economic measures taken at national and European level is certainly the initiative promoted in December 2019 by the European Commission for a Green Deal that aims to make the climate challenge and ecological transition an opportunity for a new development model, enabling Europe to exercise leadership on the world stage.

The goal is to become the first climate-neutral continent by 2050, strengthening the competitiveness of European industry and ensuring a socially-just ecological transition by promoting a new industrial revolution that ensures sustainable and environmentally friendly production cycles through a series of strategies, action plans and instruments.

To achieve this goal, the European Commission identifies the main sectors involved in incentive policies:

Source: Cleantech Group 100

Energia	Edifici	Industria	Mobilità
<ul style="list-style-type: none"> Decarbonizzare il settore energetico, responsabile di oltre il 75% delle emissioni di gas serra dell'UE 	<ul style="list-style-type: none"> Agevolare la ristrutturazione degli edifici privati al fine di diminuire i costi e i consumi di energia per la popolazione 	<ul style="list-style-type: none"> Sostenere l'industria per innovare e diventare leader nell'economia verde 	<ul style="list-style-type: none"> Introdurre forme di trasporto privato e pubblico più pulite, più economiche e più sane

In order to achieve Europe's climate neutrality, a complex and massive investment plan has been launched that is capable of mobilising more than Euro 1,000 billion over the next 10 years for the required economic, production and labour reconversion.

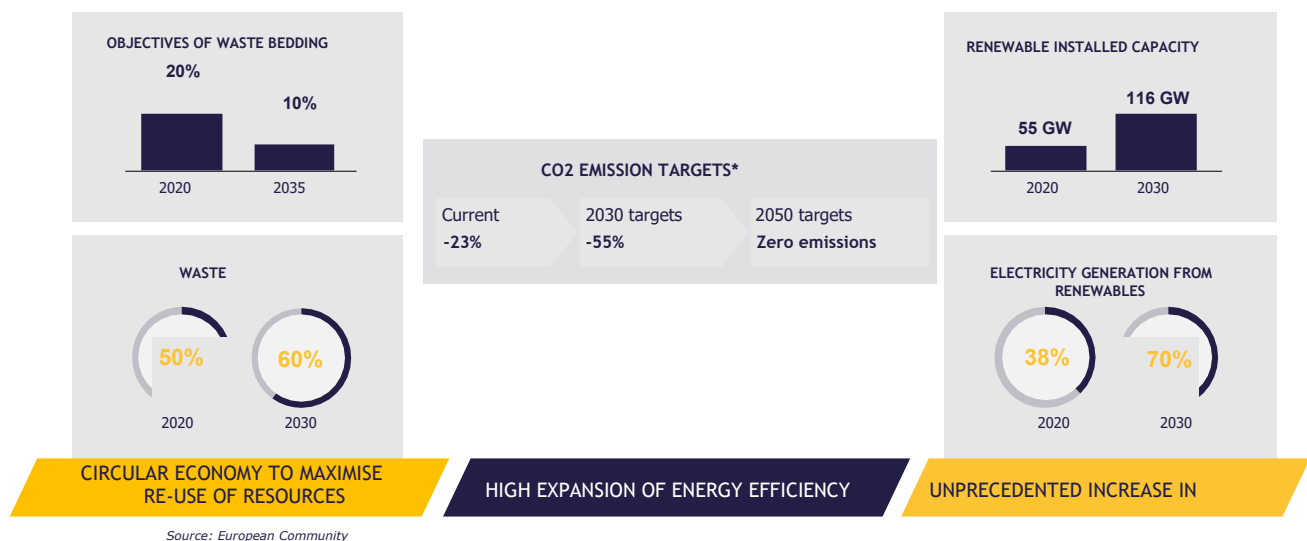
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b) The Goals

Climate change is the greatest challenge of our time and since the nineties the European Union has been playing a leading role at international level, adopting ad hoc policies and setting ambitious targets to reduce greenhouse gases, increase the share of energy from renewable sources in final consumption and improve energy efficiency. In the last two years, the European Commission has raised the bar: in July 2021, it raised the target of reducing greenhouse gas emissions from 40% to at least 55% by 2030.

The main objectives introduced concern:

- reduction of greenhouse gas emissions from 40% to at least 55% by 2030;
- recycling by 2025 for at least 55% of municipal waste (60% by 2030 and 65% by 2035);
- reduction of landfilling to 10% by 2035;
- recycling of 65% of packaging by 2025 and 70% by 2030;
- separate collection of organic waste (by 2023) and textile waste (by 2025);
- coverage of 55% of gross electricity consumption by renewable energy sources (RES), up from 35% in 2019;
- Phase-out from coal-fired generation by 2025;
- 70% of global electricity from renewable sources in 2030: this means installing approximately 70 GW of renewable power in the next ten years.



c) Update of the European Action Plan for the Circular Economy

As part of the Green New Deal, an update of the action plan for the circular economy drawn up in 2015 was also presented.

Among the main new elements, the European Commission announced:

- an initiative for “sustainable products” aimed at the “circular” design of all products, promoting new development models aimed at reduction and reuse, setting requirements to prevent

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environmentally harmful products from being placed on the market and strengthening extended producer liability;

- proposing measures to combat planned obsolescence and greenwashing practices, aiming to improve consumer information on durability and reparability, and establishing a right to repair in the case of early product failure;
- the introduction of mandatory minimum Green Public Procurement (GPP) criteria and targets in sectoral legislation and the gradual introduction of a reporting obligation to monitor the use of GPP;
- the launch of a certification and reporting system to facilitate the use of by-products in industrial symbiosis processes or standards on the recycled contents of electric car batteries and measures to increase collection and recycling rates;
- an EU-wide coordinated model of separate waste collection;
- an increased focus, within the bio-economy, on reducing the environmental impacts of resource extraction and use, aiming at the conservation of biodiversity and natural capital;
- the introduction of a target for the reduction of food waste, and the announcement of measures to improve the sustainability of the distribution and consumption chain in the food sector, especially with regard to product packaging;
- the definition of a European return system for end-of-life mobile phones, tablets and chargers and minimum requirements for their design to improve their durability and recycling;
- the proposed revision of the Packaging and Packaging Waste Directive to strengthen measures to prevent the generation of waste.

d) The COP 21 Paris Agreement

At the 21st meeting of the Conference of the Parties (COP 21) to the Convention on Climate Change, held in Paris, an agreement was reached committing states and international organisations to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. COP 21 is recognised as the first universal and legally binding agreement on climate change. Today, 191 states (out of 195 signatories) are officially part of that agreement.

Under the Agreement, the EU and other developed countries will continue to support climate action to reduce emissions and improve resilience to the impacts of climate change in developing countries. At the same time, other countries are encouraged to provide the same support on a voluntary basis.

Within this framework, developed countries plan to maintain the overall target of mobilising USD 100 billion per year until 2025. After this period, a new, more substantial target will be set.

e) Next Generation EU

Next Generation EU (NGEU), the instrument introduced by the European Union for Covid-19 post-pandemic recovery, boosting the economy of the Member States and making it greener and more digital. The NGEU is a package of grants and loans of Euro 750 billion, the central component of which is the Recovery and Resilience Facility (RRF), which has a duration of six years, from 2021 to 2026,

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and a total size of Euro 672.5 billion (312.5 grants, the remaining 360 billion low-interest loans).

Through the NGEU, the European Commission focuses mainly on four priorities:

- ecological transition: achieving climate neutrality and implementing measures to combat change;
- digital transition: increasing the areas reached by a good Internet connection and, where possible, a 5g connection, investing in training citizens in digital skills;
- macroeconomic stability: investing in young people, creating job and education opportunities;
- equity: promoting actions and measures to counter all forms of hatred and promoting initiatives for gender and LGBT+ equality and tolerance.

These priorities are then translated into the different composition of the European funds in the NGEU and the different spending portions according to the item concerned.

It consists of six missions, i.e. goals to be achieved through loans, which partly refer to those already present in the Next Generation Eu.

- mission 1: digitalisation, innovation, competitiveness and culture. Each national plan will have to include 20% spending on the digital sector;
- mission 2: green revolution and ecological transition, to which at least 37% of the fund is to be dedicated;
- mission 3: infrastructure for sustainable mobility;
- mission 4: education and research;
- mission 5: inclusion and cohesion
- mission 6: health.

f) Recovery and Resilience Plan (RRP)

The RRP is the document each Member State has prepared to access Next Generation EU funds. The Italian RRP envisages investments totalling Euro 222.1 billion: Euro 191.5 billion are financed by the European Union through the Recovery and Resilience Facility (Euro 68.9 billion are non-repayable grants and Euro 122.6 billion are loans), and an additional Euro 30.6 billion of national resources are part of a Supplementary Fund, financed through the multi-year budget variance approved in the Council of Ministers on 15 April 2021 and authorised by Parliament, by an absolute majority, in its session of 22 April 2021.

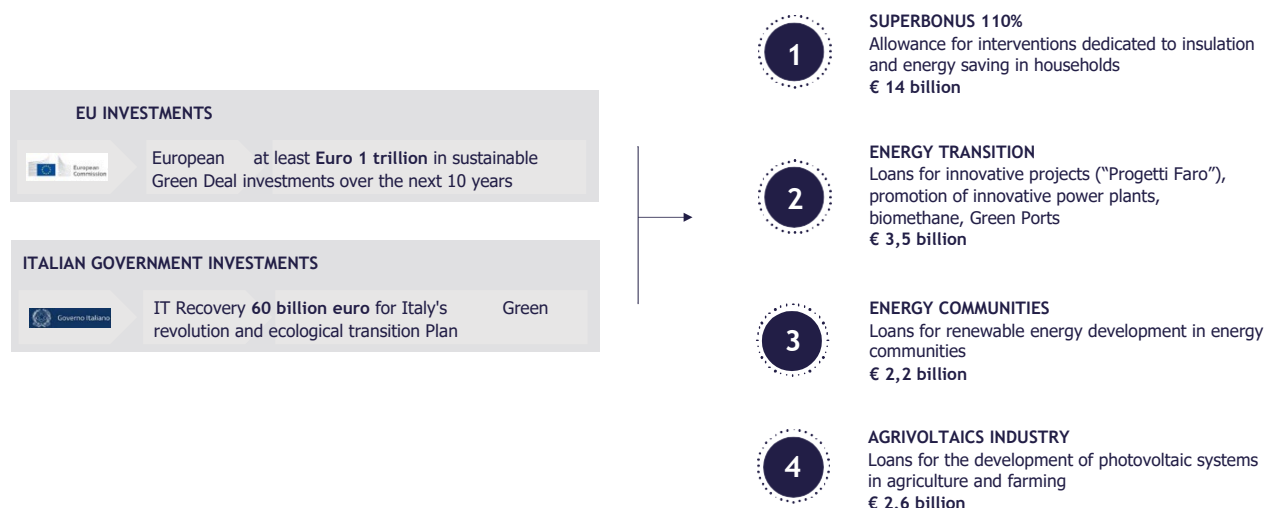
The largest portion of resources is for the implementation of projects under mission 2 (green revolution and ecological transition), which will receive just under Euro 60 billion. Approximately Euro 40.7 billion are allocated to mission 1 (digitalisation, innovation, competitiveness and culture) and almost Euro 31 billion to mission 4 (education and research). Approximately 25 billion will then be allocated to infrastructure, almost 20 to cohesion and inclusion and approximately 15 to the health mission. Overall, 25 per cent of the resources in the RRP are dedicated to digital transition, 37.5 per cent to climate change investments. It should also be noted that the Plan allocates Euro 82 billion to the South out of Euro 206 billion that can be allocated according to the territory-based criterion, corresponding to a 40 per cent share.

All planned interventions will be implemented within five years. In addition to the RRP, there is also the 13 billion of the React EU, the Recovery Assistance for Cohesion and the Territories of Europe, another instrument of the NextGeneration EU, resources that are spent in the years 2021-2023. Therefore, we are talking in total about Euro 235.12

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billion in resources. To complete the picture of the resources to be invested in the country's recovery, the European and national co-financing resources of the Structural Funds for the 2021-2027 programming, which totals approximately 83 billion, as well as the national resources of the Fund for Development and Cohesion for the 2021-2027 programming, allocated in an initial amount of 50 billion by the Budget Law for 2021, which are to be invested according to a principle of complementarity and additionality with respect to the investments and reforms envisaged in the RRP, are to be added to the NextGeneration EU resources. If we also add the Euro 28.7 billion of the current programming period to be spent and certified by the end of 2023, we count a total of Euro 396.9 billion of resources to be invested in the country's recovery.

4 MARKETS FOR INNOVATEC:



- Superbonus 110 (approximately Euro 14 billion allocated) is the single most funded instrument of the national RRP. Innovatec was quick to seize this opportunity by launching the HouseVerde Project;
- Within the Energy Transition macro heading, the Italian government allocated Euro 600 million to finance innovative projects dedicated to 4 vertical areas of advanced waste treatment: WEEE, paper and cardboard, plastics, textiles. Innovatec – also in cooperation with the newly acquired Cobat – participates in WEEE and textile tenders;
- The national RRP allocated Euro 2.2 billion to the development of renewable energy in energy communities, for which the implementing decree was recently published, paving the way for major investments for which Innovatec is perfectly placed as a wide-ranging technical partner;
- Innovatec, thanks to its solid experience in the construction of photovoltaic systems, will promote itself as a turnkey builder of photovoltaic systems and farming by benefiting from the funds provided by the RRP on the Agrivoltaics industry.

g) The 4.0 Transition Plan

The digitalisation of Italian companies remains a key factor in keeping Italian products competitive in national and international markets. For this reason, the Ministry of Economic Development, after the period from 2020 to 2021, extended the bonuses for companies' investment in Industry 4.0 projects through the Transition 4.0 Plan also for 2022. The plan envisages a series of tax benefits in the form of a tax credit for investments made by 31 December 2022 (or by 30 June 2023, but in this case by 31 December 2022 the order must have been accepted and a down payment of at least 20% of the cost must have been made). The subsidies cover three different types of investments, and each type envisages different measures of subsidies:

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- Operating tangible assets: Tax credit: i) 40% of the cost for investments up to Euro 2.5 million, ii) 20% of the cost for investments over Euro 2.5 million and up to Euro 10 million, iii) 10% of the cost for investments over Euro 10 million and up to Euro 20 million.
- Operating intangible assets (software): i) 20% of the cost, subject to a ceiling of eligible expenditure of Euro 1 million.
- Training 4.0: All personnel training activities as part of Industry 4.0. Tax credit: i) 50% for micro/small enterprises, ii) 40% for medium-sized enterprises, iii) 30% for large enterprises.
- Research, development, innovation and design: Tax credit: 20%.

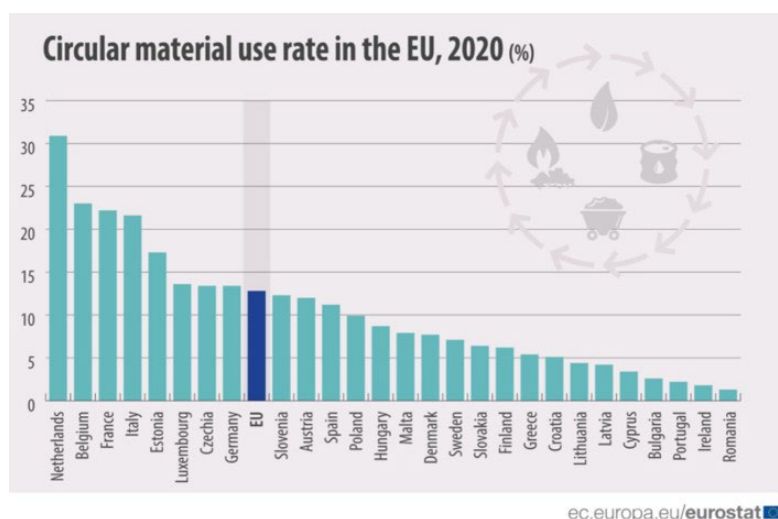
Another recent innovation concerns the cumulability of incentives that had within them resources drawn from the RRP and European funds, confirmed by the State General Accountancy in Circular No. 33 dated 31 December 2021.

5.2. *Focus on circular economy and environmental protection services*

The circular economy brings benefits to businesses, sectors and citizens, such as:

- more innovative and efficient methods of production and consumption;
- protection of companies against shortage of resources and volatility of prices;
- opportunities for local employment and social integration;
- optimisation of waste management that increases recycling and reduces landfills;
- energy savings as fewer production processes require less energy;
- environmental benefits in terms of climate and biodiversity, air, soil and water pollution.

In particular, some European states are credited with important steps in the direction of the circular economy, such as Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Poland, Portugal, Slovenia, Spain and the Netherlands. Italy is among the leaders in recycling practices thanks to a steady progression starting from the early 2000s.



The Italian circularity rate in 2020 was 21.6% (11.5% in 2010). Far above the European average, Italy has one of the highest circularity rates in Europe. The Netherlands (30.9%), Belgium (23%) and France (22.2%) do better than our country.

The European average recycling rate calculated on all waste, excluding mineral waste is 55% (those from mining activities). Italy is at 67%. While the average European recycling rate for municipal waste (2019) is 47.7 per cent. Italy in 2019 was at 51.4%. The European target for 2025 is to recycle 55% of municipal waste.

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Each EU citizen produced, on average, 505 kg of waste in 2020, 4 kg more than in 2019 and 38 kg more than in 1995. Italy is perfectly aligned with the EU average, just with 505 kg per capita in 2020, an improvement on 546 kg in 2005. This is shown by Eurostat data, according to which the Union generated 225.7 million tonnes of waste in 2020, 1.8 million tonnes more than in 2019 (+1%) and 27.7 million tonnes more than in 1995 (27.7 million tonnes).

The amount of waste recycled in 2020 remained almost stable at 67 million tonnes, compared to 68 million in 2019, corresponding to 151 kg per person, as in 2019. Compared to 1995, 44 million tonnes more rubbish was recycled (97 kg more per person). Composting is also recycling: 40 million tonnes (90 kg) per person were composted in 2020, almost three times as much as in 1995 (14 million tonnes more, 33 kg per person). Finally, some good news: despite the increase in the mass of waste produced, the total amount of rubbish going to landfill has decreased: 52 million tonnes in 2020, compared to 121 million tonnes in 1995, for an average annual decrease of 4%.

Ispra data (2019) shows that the total amount of special waste managed in Italy is 164.5 million tonnes, of which 154.7 million tonnes (94% of the total managed) are non-hazardous and the remaining 9.8 million tonnes (6% of the total managed) are hazardous.

The managed total includes waste stored at the facilities and producers as at 31 December 2019, amounting to 18 million tonnes. Compared to 2018, the total quantity managed increased by 7.8%: in particular, the quantities sent to recovery operations increased by 9.6%, those sent for disposal by 1.3%. Material recovery (operations R2 to R12) is the predominant form of management, with 68.9% (113.3 million tonnes), followed with 10.9% (17.9 million tonnes) by other disposal operations (D3, D8, D9, D13, D14) and with 7.3% (12 million tonnes) by the landfill (D1). The quantities for co-incineration (R1; 2 million tonnes) and incineration (D10/R1; 1.2 million tonnes) were residual at 1.2% and 0.7%, respectively. The production of special waste locally is concentrated in northern Italy, with 88.6 million tonnes (equal, in percentage terms, to 57.6% of the total national figure). The production of the Centre stands at 27 million tonnes (17.5% of the total), while that of the South stands at 38.3 million tonnes (24.9%). At regional level, it can be noted that Lombardy, with over 33.5 million tonnes, produces 37.8% of the total special waste generated in northern Italy, followed by Veneto with 17.3 million tonnes (19.6% of the production of the northern regions), Emilia-Romagna with almost 13.8 million tonnes (15.6%) and Piedmont whose total waste production stands at almost 11.9 million tonnes (13.4%).



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The total non-hazardous waste managed is 154.7 million tonnes, of which 128.2 million tonnes are sent to recovery operations (+9.6% compared to 2018), while 26.5 million tonnes go to disposal operations. Material recovery operations (R2 to R12) account for 109.2 million tonnes of waste or 69.7% of the total non-hazardous waste managed. In particular, 64 million tonnes of inorganic substances (R5) are being recovered, which shows an increase of 5.8 million tonnes (+10%) compared to 2018. This is waste from construction and demolition activities. The recovery of metals or metal compounds (R4) involves 19.5 million tonnes; almost stable compared to the previous year. The recovery of organic substances (R3) concerns 11.8 million tonnes of waste. Waste sent to the R12 operation, at 8 million tonnes, increased by 1.5 million tonnes (+22.2%); this can include: pre-treatment, sorting, fragmentation, compacting, pelletising, drying, shredding, conditioning, reconditioning, separation and grouping.

The recovery for the benefit of agriculture and ecology (R10) shows an increase of 1.8 million tonnes (+47.4%). On the other hand, the quantities of non-hazardous waste recovered in the form of energy (R1) are stable.

Among disposal operations, the most common are the landfill with 10.7 million tonnes of waste (compared to 2018, +122 thousand tonnes, +1.2%), physical chemical treatment (D9) with 7.7 million tonnes, (+1.2%) and biological treatment (D8), with 6.1 million tonnes (+129 thousand tonnes, +2.1%).

Material recovery facilities of 4,619 make up 42.6% of the national plant and equipment assets; those dedicated exclusively to the storage of waste awaiting subsequent recovery/disposal operations, corresponding to 1,756 facilities, are 16.2% of the total; finally, car breaking plants of 1,462 account for 13.5%; industrial plants that carry out material recovery within their production cycle of 1,303 account for 12%.

The total number of operational landfills is 305: 142 are inert waste landfills (46.5% of the total number of operational facilities), 153 are non-hazardous waste landfills (50.2% of the total), and 10 are hazardous waste landfills (3.3% of the total). Analysing the three-year period from 2017 to 2019, there is a progressive decrease in the total number of operational landfills from 324 in 2017, to 310 in 2018, and to 305 in 2019. Most landfills are located in the North where there are 172 plants; 45 landfills are located in the Centre and 88 in the South, thus showing an uneven distribution across the country that follows the trend of special waste production, closely linked to the industrial fabric of the country. The total amount of special waste disposed of in landfills amounts to approximately 12 million tonnes or 7.3% of the amount of special waste managed nationwide (approximately 164.5 million tonnes). Compared to 2018, there is a slight increase of 101 thousand tonnes (+0.9%), which, however, shows a largely stable trend. 54.8% of the total disposed of is managed in plants located in the north of the country, where 6.6 million tonnes of waste are disposed of, a decrease compared to 2018 of approximately 62 thousand tonnes (-0.9%). Non-hazardous waste disposed of in landfills amount to 10.7 million tonnes and represent 89.5% of the total waste disposed of nationwide; approximately 1.3 million tonnes are hazardous waste (10.5% of the national total). Non-hazardous waste disposed of in landfills increased by approximately 123 thousand tonnes (+1.2%), while hazardous waste appeared stable. Lombardy is the region where the largest quantities of special waste are disposed of (3.1 million tonnes, equal to 47.5% of the macro-area and 26.1% of the national total), followed by Veneto (1.4 million tonnes, equal to 21.9% of the macro-area and 12% of the national total) and Puglia (1.3 million tonnes, equal to 42.8% of the macro-area and 10.9% of the national total; Table 2.3.1). These regions are characterised by the presence of the largest number of production facilities.

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To achieve virtuous life-cycle closure, the European Circular Economy Package sets targets of 65% actual recovery of municipal waste and less than 10% landfilling by 2035. But Italy – the study “From NIMBY to PIMBY: Circular Economy as a driver of the ecological and sustainable transition of the country and its territories”, carried out by The European House – Ambrosetti in collaboration with A2A warns – is still far from the target, with 20.9% of landfilling still in 2019; a value 30 times higher than that of the European best performers (Switzerland, Sweden, Germany, Belgium and Denmark) who use it on average for 0.7% of the total waste. A figure that – according to the research – will lead in the next three years to the use-up of our country's landfills in which 17.5 million tonnes of waste (urban and special) are delivered each year, corresponding to 26 times the volume of the Milan Cathedral (Duomo). In this scenario, Italy shows significant differences between the North (where landfills will run out in 4.5 years) and the South (1.5 years). Taking into consideration only Forsu (Organic Fraction of Urban Solid Waste), the study shows that, in order to reach the actual recycling target of 65% by 2035 set by the Circular Economy Package, it is necessary to collect and treat the entire quantity produced. Hence the need to be able to manage this type of waste by recovering material (compost) and energy (biogas) for an additional 3.2 million tonnes of Forsu (50% more than the current volumes) and, consequently, to build between 31 and 38 new treatment plants, for a total investment of Euro 1.1 to 1.3 billion. In view of the current gaps, 80% of the works will also have to be located in the Centre and in the South of the country. According to the study, with the development of infrastructure dedicated to the treatment of Forsu, it is also possible to enable the production of biomethane of up to 768 million cubic meters from the purification of biogas. Biomethane is, in fact, an important component for decarbonisation where Italy has a strong potential (approximately 8 billion cubic meters in market scenarios, i.e. 10% of national gas demand), for which the development of agricultural and agri-industrial components, zootechnical effluents and animal by-products should also be enhanced. The study of facility requirements also included an analysis of energy recovery from urban waste and sewage sludge. The research states that, in order to close the environmental cycle, the portion of urban waste that cannot be recovered as a material needs to be recovered as energy: Italy today manages to do this for 19.6% of the total, compared to 45.4% of European countries that have already reduced landfilling to below 5%. Therefore, the research quantifies Italy's need for energy recovery to meet the European targets at an additional 3.1 million tonnes of waste. A regional data analysis shows that 17 Italian regions will eventually have a facility gap for this type of activity, to bridge this gap the country needs 6-7 new waste-to-energy plants for urban waste, for a total investment of Euro 2.2 – 2.5 billion. Moreover, the energy recovery potential of sewage sludge – the main residue of wastewater treatment – amounts to 2.4 million tonnes, which can be managed thanks to the construction of 8 additional lines in existing facilities and an investment of approximately Euro 700 million.

The shock caused by the start of the pandemic in 2020 did not paralyse the national recycling industry, which confirmed its competitiveness among the major European leaders. The flows of waste separation lasted basically long, with some recycling production chains already reaching their targets ahead of schedule, while others, especially in the first half of 2020, were more affected by COVID-19 restrictions and falling demand, with only a partial recovery in the second half of the year. The annual report “L'Italia del Riciclo”, promoted and realised by the Foundation for Sustainable Development and FISE UNICIRCULAR (the Union of Circular Economy Companies), presented on 14 December 2021 during an event in Rome, showed that urban waste in 2020 decreased compared to the previous year by one and a half percentage points from 30 million tonnes to 29.5. Special waste increased by more than 3% from 154 to 158 million tonnes. According to Ispra data, 120 million tonnes of waste were recycled, 65% of the total, while 14 million tonnes of urban waste were recycled, 47%. Comparing with the main European countries, Italy comes second behind Germany (67%) in the recycling of urban waste and second after Poland (75%) in the recycling of special waste.

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The best recycling performance remains that of packaging, which in 2020 recycled 9.5 million tonnes (73%) against the 13 million released for consumption, exceeding, a few years in advance, the target of 65% by 2025 set by the European directive and national regulations. The same applies to individual materials: paper (87%), glass (79%), plastic (49%), wood (62%), aluminium (69%) and steel (80%). The scenarios for the other production chains are different. The production chains of WEEE (Waste Electrical and Electronic Equipment), End-of-Life Vehicles and Batteries do not meet the targets. In 2019, the separate waste collection of WEEE was 39% compared to that released for consumption, far from the European target of 65%. The same applies to end-of-life vehicles, whose reuse and recycling rate (85%) remains far from the 95% targeted for 2015. The collection rate for portable batteries and accumulators also stopped at 43%, two points below the target for 2016. The battery market is taking on a strategic dimension, which is why the European Parliament is working on new regulations to address environmental, ethical and social issues. According to current forecasts, there will be at least 30 million zero-emission electric vehicles on EU roads by 2030. Although electric cars can contribute to the reduction of greenhouse gas emissions, electric mobility comes with a competitive disadvantage in environmental terms: batteries. Globally, some data shows that lithium batteries – which are the ones on which the automotive sector relies – are today recycled at a rate of less than 5%.

In this regard, the European Parliament is working on updating the Battery Directive. The aim is to ensure that at the end of their life cycle, batteries can be reused or recycled. The report on batteries and waste batteries by the rapporteur Simona Bonafè (S&D, IT) was adopted by Parliament on 10 March 2022. This report aims to regulate the entire product life cycle starting from the design phase and ending with recycling into new products. This proposal refers to the EU Action Plan for the Circular Economy and the EU Industrial Strategy.

Approximately 800,000 tonnes of lithium car batteries are placed on the European market every year, and 1 million in total. By 2030, we could reach 7,300,000 tonnes annually, according to some estimates. At the Italian level, in 2018, ENEA also prepared a report for MiSe in which, on the basis of the assessment of the batteries already present in the Italian car fleet in the period from 2010 to 2030, it envisages three scenarios. The most probable forecast is that by 2027 we will have 4,000 tonnes per year of batteries to recycle and this represents a challenge because “the problem will be at least the need for our country to set up a collection system, with all the relevant technical difficulties and management costs”.

There are already experiments aimed mainly at reuse. For example, batteries before being recycled can be used for other purposes: the discarded batteries of the Nissan Leaf are now part of the Amsterdam arena lighting and many car manufacturers (BMW, Nissan, Renault) have proposed to use the batteries for energy storage, i.e. reuse as storage of the electrical network, which would extend the battery life by another ten years and give stability to the increasing production of renewable energy.

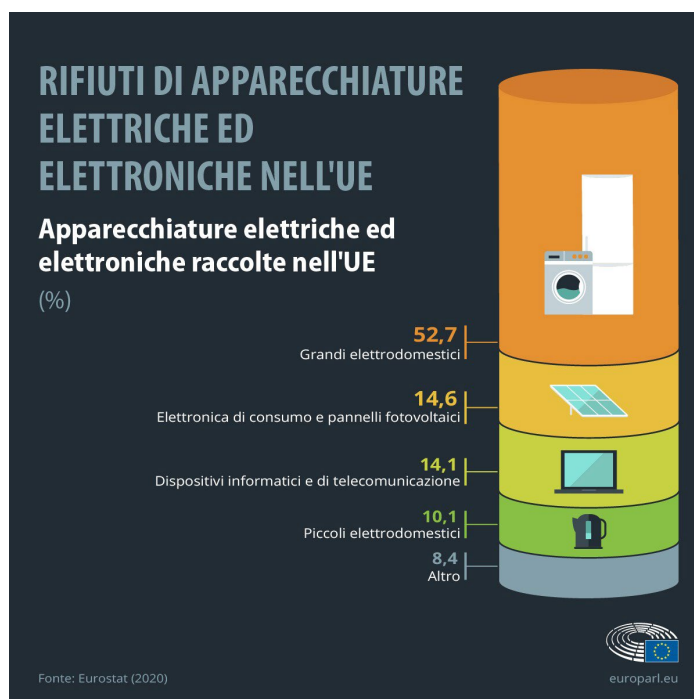
Having a production chain capable of putting batteries back into circulation is in fact a key piece in ensuring that the electrification of the automotive sector can be said to be truly circular and therefore fully sustainable.

The subsidiary Cobat, a key player in Italy in flow management and in the recovery of batteries and accumulators, is preparing to play a strategic role in a market such as the exponentially expanding electric car market thanks to its proprietary patents for the recovery of lithium batteries.

With regard to WEEE, a recent report of the European Court of Auditors entitled “EU actions and existing challenges on electronic waste” shows that European countries recover a significant amount of WEEE, although this is not enough to reach the previously set recycling targets. The problem, according to data from the Global E-Waste Statistics Partnership, is that Europe (made up of EU and non-EU countries) is the continent

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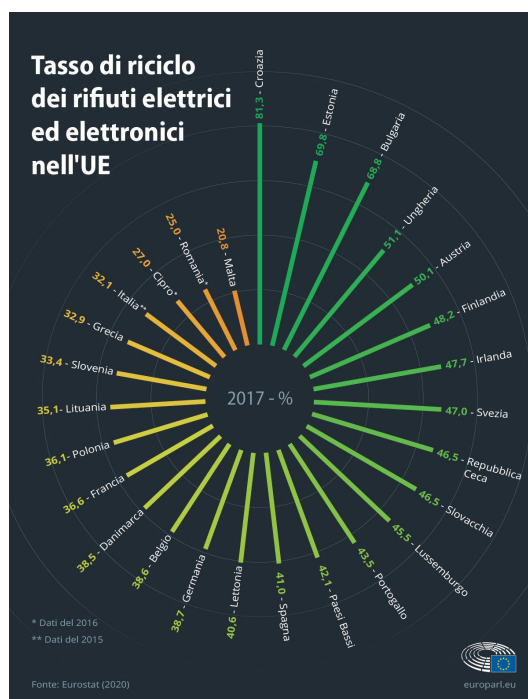
with the highest production of electronic waste per capita (16.2 kg), a volume comparable to that of the Americas and Oceania, albeit with a recycling rate four times higher.



According to the Global E-waste Monitor 2020, “In 2019, 53.6 million metric tonnes (Mt) of WEEE were generated. This represented a 21% increase in the 5 years since 2014”. If this continues, e-waste will reach 74 Mt by 2030. The WEEE Forum points out that “Global e-waste generation is therefore growing annually by 2 Mt, or approximately 3 to 4%, a problem attributed to higher consumption rates of electronics (increasing 3% annually), shorter product lifecycles and limited repair options.” In Europe, it is estimated that 11 out of 72 electronic items in an average household are no longer in use or are broken. Every year in Europe, another 4 – 5 kg of unused electrical and electronic products per capita are accumulated before being disposed of.

Therefore, it is clear why the European Union has decisively stepped up its WEEE regulations, also in the wake of the new Circular Economy Action Plan. The targets that entered into force in 2019 thus envisage that Member States must achieve “a minimum collection rate of 65% of all WEEE relative to the average weight of electrical and electronic equipment placed on the market in the preceding three years or, alternatively, 85% of the WEEE generated on the Member State territory.

Less than 40% of all electronic waste is recycled in the EU, with the rest ending up in unsorted waste. Recycling practices vary from one member state to another: in 2017, Croatia recycled 81.3 % of all electrical and electronic waste, while in Malta the rate was 20.8 %. Italy recorded a percentage of 32.1%.



Italy confirms a positive trend in the management of waste from electrical and electronic equipment (WEEE) in 2020 with a +6% increase over the previous year despite the pandemic emergency. This percentage translates into more than 365 thousand tonnes of waste from electrical and electronic equipment disposed of properly in Italy. EEE producers, through the Collective Systems, continued to increase the loans they make available annually to collection entities, which in 2020 amounted to more than Euro 22 million, marking a positive delta of more than 9% compared to the previous year, dedicated to efficiency premiums, fund for the development of collection infrastructure, and loans for local and national communication. These figures are quite significant when one considers the problems that operators in the production chain had to face, first of all the inaccessibility of many collection centres, as well as the limitations in mobility during the first months of the lockdown.

Therefore, across the country, a positive trend in the collection of WEEE was recorded in 2020, with some peculiarities among different geographical areas. In Northern and Central Italy, quantities increased compared to 2019, but it is in Southern Italy that the most significant growth is recorded, demonstrating an increasingly widespread WEEE culture in the South. The situation of per capita collection is similar, growing throughout the country, but more strongly in the South. The road to reach the per capita collection of almost 11 kg set by the European Union is still very long and by no means easy, and the development of new organisational models capable of responding to the changing demands of the market and society and of deploying concrete actions and resources with a constant and hard-working collaboration between all players in the production chain and institutions must be pursued in this direction.

In Italy, facilities managing household and professional WEEE treated 478,817 tonnes of electrical waste last year, up by 3.20%. Despite this increase, the collection rate on the products released continues to fall, moving away from the European targets. In 2020, almost 480 thousand tonnes of WEEE will be recovered from treatment plants. A very positive first fact emerging from the 2020 WEEE Management Report is the steady growth trend in the number of WEEE management facilities that have made the annual report to the WEEE Coordination Centre, amounting to 1,050, a good 74 more than in 2019. In terms of distribution throughout the country, the largest number of facilities remains in Northern Italy with 729 facilities, followed

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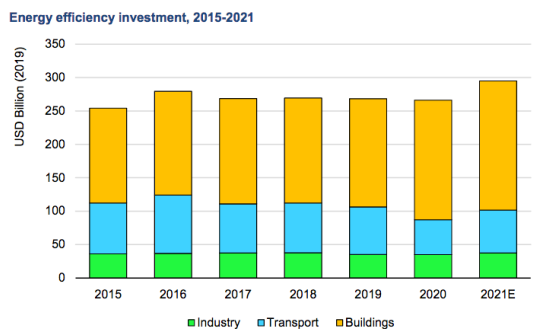
at a distance by the Southern Area, which with 173 facilities (+26 compared to 2019) surpasses Central Italy where there are 148 facilities (+10 compared to 2019).

Finally, with regard to End-of-Life Tyres, an estimated 82,400 tonnes underwent material recovery and 119 thousand tonnes energy recovery. A significant step forward for the sector's circular economy came with the End of Waste decree for vulcanised rubber from Pfu, especially for the restart after the Covid-19 health emergency. Growing trends were recorded for the separate waste collection of the organic fraction (+7.5%), textile waste (+8%) and inert waste, which in 2019, one year ahead of schedule, exceeded the material recovery rate of 70%, reaching 78%.

From research and studies, it is clear that the current economic scenario and the trend in industrial waste production must be compared and adapted, in the medium to long term, to the most recent European regulations on Circular Economy, which envisage the implementation of increasingly high levels of efficiency in the waste management cycle in terms of recycling, dedicated facilities and the reduction of landfilling. For the sector's operators, this scenario represents a demanding challenge and at the same time a great opportunity in social and economic terms, in that the increasingly challenging and ambitious objectives require the development of more virtuous integrated waste cycle management technologies and processes through the construction of new facility equipment.

5.3. Focus on the Renewable Energy and Energy Efficiency market

Energy efficiency remains the cornerstone of the transition to a cleaner, safer and more sustainable energy future. Although it alone is not sufficient to achieve the goals of the Paris Agreement, on the contrary, it has an essential feature that makes it unique. While there are many differences in the methods and mix of energy production between the different predictive scenarios, the full dissemination and adoption of energy efficiency measures in all end-use sectors is the central pillar across all scenarios, as an invariant. The importance and benefits of energy efficiency have been well documented and demonstrated in all key economic sectors, in both developed and emerging economies, and governments are realising more and more that energy efficiency measures can offer multiple benefits to the economy, including cost savings, low emissions, energy security, productivity and trade balance improvements, and better integration of production of electricity from renewable sources. Against these advantages, to unleash the economic potential of energy efficiency, strong and determined policies are needed to overcome the combination of economic and non-economic barriers to efficiency that stand in the way of its improvement in the scenario that Europe and, consequently, our country have set for themselves. In 2021, global energy intensity, a key measure of the economy's energy efficiency, is expected to improve, i.e. decrease by 1.9% after 0.5% in 2020. Total investments in energy efficiency are estimated to amount to \$300 billion by 2021, up 10% on 2020 and at the highest level since 2015. See the graph below, taken from the IEA report.



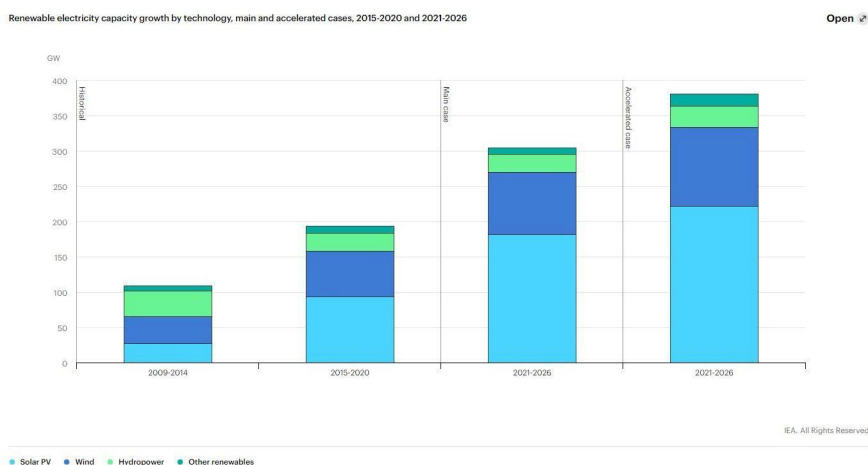
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Looking at performance in recent years, the IEA notes that in 2020, even as economies grappled with Covid-19, renewables such as wind and solar photovoltaics continued to grow rapidly and electric vehicles set new sales records. The post-Covid recovery is rapid but uneven and is putting energy markets under immense pressure, with sharp price increases in the natural gas, coal and electricity markets. In addition to progress in renewables and electric mobility, there will also be a big rebound in coal and oil in 2021. This is why in 2021 the second largest annual increase in CO₂ emissions in history is estimated, and investments in renewables are only 1/3 of what is needed.

The report states that today's commitments cover less than 20% of the emissions reduction gap that needs to be closed by 2030 to keep a 1.5°C process within reach. On the positive side, the new commitments are really starting to bend the demand curves for fossil fuels (gas and oil) and emissions downwards. IEA forecasts say that in 2030, oil demand is expected to be just below its historical peak in 2019, gas demand around 4,300 billion cubic meters (with current policies we would exceed 4,500), and coal drops 20% in the global energy mix compared to today. While clean energy generation from wind and sun is approaching 10,000 TWh by 2030 (today's policies would not reach 8,000 TWh), with 500 new GW installed each year by the end of the decade. Thanks to energy efficiency policies, overall post-2030 global energy demand experiences a plateau. However, this trajectory would only allow for a 40% drop in global emissions by mid-century, and global warming by 2100 would reach 2.1 degrees, exceeding the Paris Agreement.

To put the energy transition back on track, IEA proposes four actions. The first is to push even harder on clean electrification by doubling the growth of installed wind and photovoltaic capacity compared to the pace set by the new climate promises, turbocharge all other low-carbon sources (including nuclear), give more flexibility to the grid, wipe out coal forever and quickly, electrify transport and heating in record time.

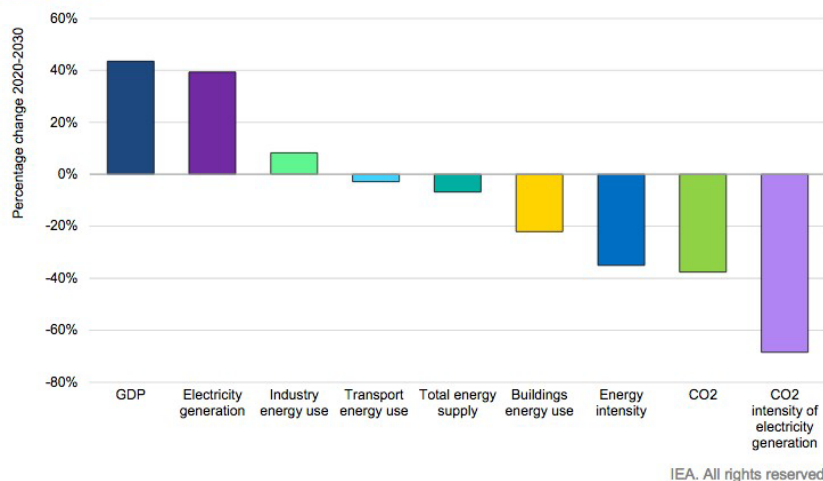


These measures close the 30% emissions gap that separates us from the net-zero scenario. Second step: energy efficiency. Global energy intensity must fall by 4% per year until 2030, (twice the pace of the 2010s). At the third point, the IEA puts the relentless fight against methane emissions from production sites and oil and gas infrastructure. Finally, more innovation is needed as most of the technologies

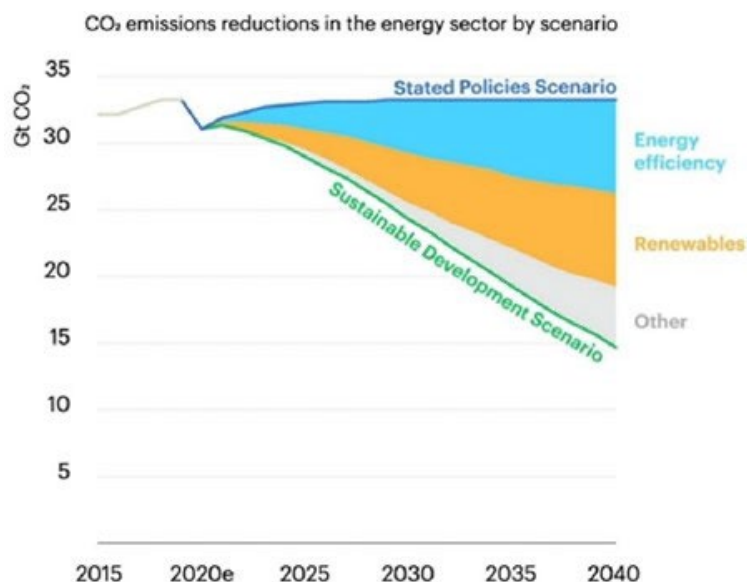
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needed in the IEA carbon neutrality scenario are still prototypes. Crucial steps forward especially to decarbonise iron, steel, cement and other energy-intensive industries, as well as long-distance transport. Focusing on greater efficiency, in many cases, notes the IEA, is the most effective and fastest way to reduce CO₂ emissions. The next graph shows how the main macroeconomic and energy indicators should evolve between 2020 and 2030, to be compatible with the net-zero 2050 scenario.

Macroeconomic and energy indicators in the IEA Net Zero Emissions by 2050 Scenario, 2020-2030



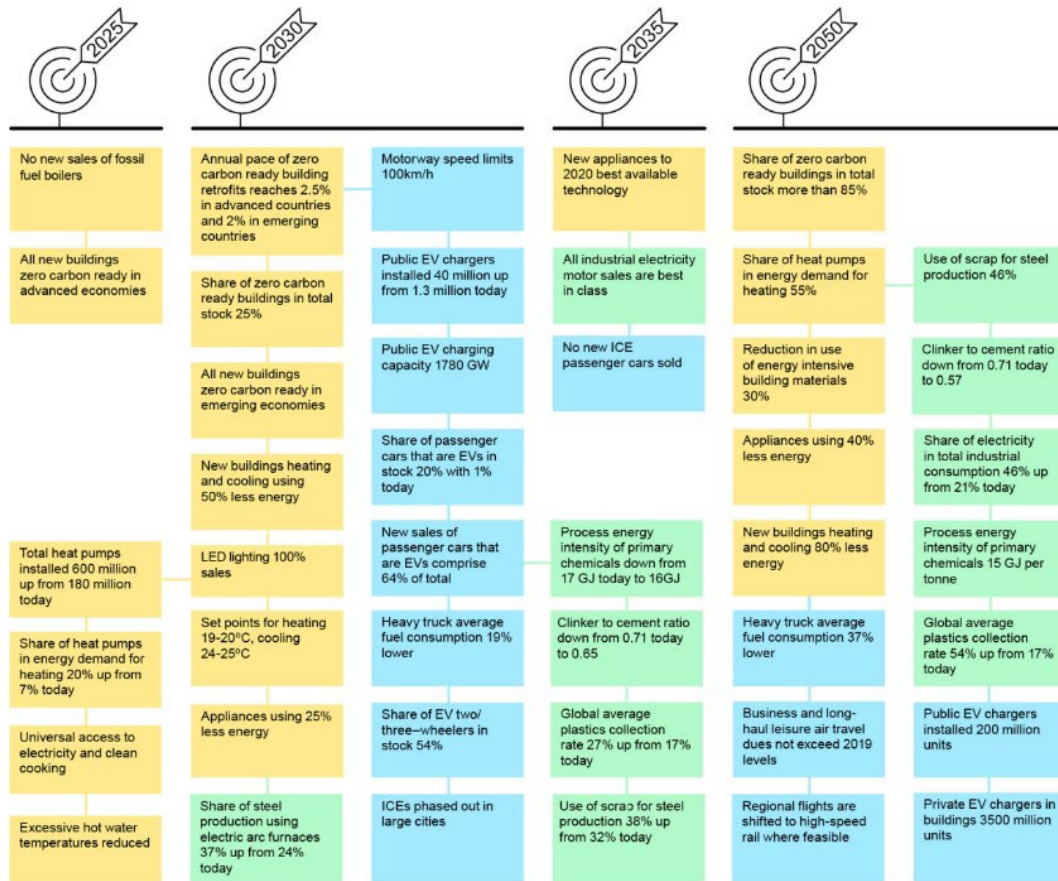
Compared to current levels, the rate of improvement in energy efficiency must double to match the increase outlined in the IEA “Net zero emissions by 2050” scenario.



Essentially, the energy intensity of the global economy is expected to improve (i.e. decrease) by 35 per cent in 2030, compared to 2020, thanks to efficiency measures combined with other policies to move away from fossil fuels, such as the increasing electrification of final consumption with the spread of heat pumps, electric vehicles and new technologies applied to industrial processes. Note that, for example, heat pumps are 3-4 times more efficient than fossil fuel boilers for heating buildings.

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This is why electricity production is expected to increase by 40% by 2030, an increase that will have to be driven by renewables, wind and photovoltaics in primis. In the scenario assumed by the IEA, world GDP will have grown by 40% in 2030, but 7% less energy will be used, compared to current levels. Finally, it is interesting to scroll through the table below, where the IEA has summarised more than 40 efficiency targets to be achieved progressively by 2050. The green boxes refer to industries, while the yellow and blue boxes concern buildings and transport, respectively.



The above-mentioned 40 energy efficiency milestones are to be achieved for IEA, without which total final energy consumption would be approximately 30% higher by 2030.

A decisive aspect of the climate challenge is the timing of the energy transition. EU plans envisage a 55% reduction in CO₂ emissions by 2035 to achieve carbon neutrality in 2050. This requires action on both energy production and its uses.

In our country, 25% of CO₂ emissions come from energy production, 24% from transport, 12% from residential, 20% from industry, 7% from agriculture and farming, and 11% from waste and services. It should be borne in mind that almost 90% of CO₂ from transport is represented by road transport, which is why electric vehicles are so important. Energy efficiency improvements are mainly related to residential buildings where the potential CO₂ reduction is largely dependent on energy efficiency measures such as the 110 per cent bonus. Energy efficiency actions in the building sector provide some of the largest energy savings up to 2030. Today, 75 % of the EU building stock is energy inefficient: approximately 35 % of EU buildings are more than 50 years old and consume twice as much energy as today's buildings. The Italian building stock consists of more than 31 million dwellings and more than 60% belong to inefficient energy classes (18 million dwellings

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to be made more efficient). Ance points out that last year, investments in housing stock redevelopment increased by 25% thanks to building bonuses and credit transfer and invoice discount mechanisms, bringing total investments in the sector to 55 billion. Therefore, the growth in turnover related to tax incentives in the first 11 months of 2021 was 43.4%.

Increasing the share of existing zero-emission buildings to approximately 20% by 2030, from 1% today, is certainly a milestone, as is no longer selling coal- and oil-fired boilers as from 2025. Moreover, the Italian government's plan to produce 70/72% of electricity from renewables by 2030, especially from wind and photovoltaics, is both ambitious and consistent with European guidelines. The recent case of gas price increases also proves that there is a strong need for renewables to grow, because it is precisely gas that a large part of our electricity production is linked to.

In this context, the RRP allocated resources on the agrivoltaics industry (loans for the development of photovoltaic systems in agriculture and farming) of Euro 2.6 billion, on ecobonus on buildings of Euro 14 billion, on innovative "Faro projects, promotion of innovative power plants, biomethane, Green Ports of Euro 3.5 billion, and Euro 2.2 billion on Energy Communities. On the latter, estimates by the Politecnico di Milano say that within five years there will be approximately 40 thousand energy communities in Italy, involving 1.2 million households, 20 thousand offices and 10 thousand SMEs. It is a coalition of potential "prosumers", i.e. producers and consumers of renewable energy at the same time, who will embrace the cause of collective self-consumption. The latest figures speak of an almost imperceptible number of communities: just over 20 across the country, with installations ranging from 20 to 50 kilowatts peak. But the turning point, according to analysts, could come soon thanks to the measures put in place by the government in the RRP, such as the incentive of Euro 110 per MWh of energy shared within the community, recognised for a period of 20 years, in addition to the reimbursement of charges and revenues from the sale of energy produced and not self-consumed to the network. The investment aims to install approximately 2,000 MW of new electricity generation capacity in a configuration distributed by the renewable energy community and self consumers. Assuming an annual production from photovoltaics of 1,250 kWh per kW, this would result in approximately 2,500 GWh per year, avoiding the emission of 1.5 million tonnes of CO₂ per year. In this game, a strategic role will also be played by energy suppliers who, on the strength of their experience in the field, can accelerate the process of disseminating energy communities by offering stakeholders end-to-end (e2e) solutions and services to activate and manage them: from the implementation and management of photovoltaic systems to the creation and technical/economic management of the community itself, from the monitoring of the EC to the optimisation of consumption through efficient technologies and digital platforms. In order to manage the new business model enabled by energy communities, energy retailers need to define the e2e process along the entire energy value chain and identify and qualify the impacts on existing systems, organisation and operations by also introducing new SW and HW solutions that enable them to govern the new business and take full advantage of the data it can provide, monitoring the flows of energy produced and self-consumed, optimising energy storage and consumption in order to maximise the benefits for users and for the system, collecting consumption data useful for drawing up dedicated electricity/gas offers and proposing further services to the customer (known as VAS – Value Added Service).

6. SIGNIFICANT EVENTS OCCURRED IN 2021

6.1 Acquisition of the remaining 49.9% of the Clean Tech Group and Class B PFIs

On 14 July 2021, Innovatec S.p.A., in order to have 100% control of the Environment and Circular Economy business unit, acquired from the minority shareholder Ancient Stone LLC the remaining 49.9% of the share capital of Clean Tech LuxCo S.A., parent company of SPC Green S.p.A., Green Up Holding S.r.l. and the operating companies Green Up S.p.A. and Vescovo Romano & C. S.r.l. The consideration for the acquisition was Euro 10 million, of which the first tranche of Euro 8 million was paid on the same date and the second tranche of Euro 2 million was to be paid in a deferred manner on 30 June 2022. Moreover, Innovatec also acquired, also on the same date and at an equivalent value of Euro 7 million, the entirety of the Class B Participating Financial Instruments ("BPFIs")⁶ with a nominal value of Euro 10 million, issued by the subsidiary SPC Green S.p.A. (now merged into Green Up S.p.A.) and which are in addition to the Waste PFIs⁷ already held by the Group as at 31 December 2021 of Euro 2,080 thousand compared to the total amounts subscribed of Euro 2,472 thousand. With the acquisition, the limitations – envisaged in the BPFI regulation – related to the distribution of dividends were eliminated, while those related to the Waste PFIs limited to Euro 392 thousand remained⁸. The equivalent value for the purchase of the BPFIs of Euro 7 million will be paid in full in a deferred manner in two tranches: the first of Euro 5 million on 28 February 2022 (already paid to date) and the second of Euro 2 million on 31 December 2022.

6.2 Reorganisation of the Innovatec Group by business line.

On 7 May 2021, Innovatec, in order to organise its activities into three lines of business, established Innovatec Circle S.r.l. (now Haiki+ S.r.l.), a company dedicated, also through subsidiaries, to the topics of environmental sustainability and the circular economy. In addition to Matemorfofi S.r.l., which was set up to develop the mattress recycling project, the Haiki+ group includes companies active in the environment and circular economy business such as Clean Tech LuxCo SA and its direct and indirect subsidiaries SPC Green S.p.A., Green Up Holding S.r.l., Green Up S.p.A., Vescovo Romano & C. S.r.l., as well as the newly acquired Cobat S.p.A. and Ecological Wall S.r.l., the latter active in the plasterboard recycling project. With this transaction, Haiki+ becomes Innovatec's new sub-holding company for the surfacing of the group's plant assets' value and the development of projects related to the circular economy, where all new projects and acquisitions related to the circular economy will be merged in the future. Moreover, again with a view to reorganising and simplifying the business unit, during the second half of 2021, Haiki+ S.r.l. finalised a merger of Clean Tech LuxCo SA (after nationalising it by changing its name to Clean Tech S.r.l.) and Green Up S.r.l. finalised a reverse merger by incorporating its direct and indirect parent company Green Up Holding S.r.l. and SPC Green S.p.A., while changing its legal status to S.p.A.

On the other hand, with reference to the reorganisation of the "Energy Efficiency and Renewables" business unit carried out by Innovatec Power S.r.l., the parent company Innovatec S.p.A. on 8 April 2021 transferred, through a contribution in kind in favour of its subsidiary, the business unit called ESCo e Costruzioni, whose object is the provision of integrated energy services as well as the maintenance and management of

⁶ The BPFIs of Euro 10 million (now owned by Innovatec S.p.A.), subject to full satisfaction of the economic rights incorporated by the Waste PFIs (see Note 8) but with preference over the shareholders, enjoy the right to the distribution of profits or reserves equal to 95% of the dividends and/or distributions of SPC Green S.p.A. (now Green Up S.p.A.) up to the threshold of Euro 17 million. In both the BPFI and Waste PFI regulations, a mechanism is also envisaged whereby SPC Green S.p.A. (now Green Up S.p.A.) will be obliged to pay dividends to the holders of the participating instruments out of the available cash and profits or retained earnings resulting from the last approved financial statements (regardless of whether the shareholders' meeting of SPC Green resolved to distribute such dividends), in accordance with the conditions set out in each of the regulations: Waste PFIs 5 December 2023 and for Waste BPFIs from 16 April 2030.

⁷ Waste PFIs: Euro 4,930 thousand, of which Euro 2,472 thousand subscribed and issued, and of which Euro 2,080 million already owned by the group, give the right to participate in any distribution of profits and/or allocation of the liquidation shareholders' equity of SPC Green (now Green Up S.p.A.), with the consequent right to receive – with priority over the shares – 75% of such distributions and/or allocations among all the holders, up to the amount of the shareholders' equity reserve allocated in the financial statements, with the remaining 25% to the shareholders. The Waste PFI regulation also envisages a mechanism whereby SPC Green (now Green Up S.p.A.) will be obliged to pay dividends to the holders of the equity instruments out of the available cash and profits or profit reserves resulting from the last approved financial statements (regardless of whether the shareholders' meeting of Green Up S.p.A. resolved to distribute them) as from 5 December 2023.

⁸ The Waste PFIs issued currently owned by third parties amount to Euro 654,495. Approximately Euro 1.5 million of equity instruments remain to be issued in case of subscription by those entitled to them (unsecured financial creditors of Class VII of the Arrangement with Creditors of Waste Italia S.r.l. to which SPC Green S.p.A. has committed to satisfy the relevant claims to the extent of 2%).

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energy efficiency plants and the construction of environmental plants and landfills. The sale of the ESCo e Costruzioni Branch in favour of Innovatec Power S.r.l., which increased its share capital to Euro 842,217, also allows the ISO 9001 and Esco 11352 certifications, indispensable for the development of the business line, to be transferred to the operating subsidiary. This transaction was the subject matter of a sworn expert's report pursuant to Article 2465 of Italian Civil Code.

Finally, with reference to the third business unit "Innovation and Consulting Services", Innovatec added to the existing companies Circularity S.r.l. and Exalto Energy Innovation S.r.l, the recently established Innovatec Venture S.r.l. (wholly owned), the Group's corporate venture capital vehicle, with the aim, through a network of partners, of selecting the most promising innovative start-ups in the cleantech sector, providing not only financial support, but above all, consolidated experience in the sector, distinctive technological know-how in the field of material recovery, and a strong presence in the country.

6.3 Purchase of 56.45% of Cobat S.p.A.

On 1 December 2021, Innovatec S.p.A. purchased from several selling shareholders 56.45% of the share capital of Cobat S.p.A. B corp, a key player in Italy in the management of material flows and recovery of materials such as WEEE and Batteries. The acquisition, which took place for a consideration of Euro 9.5 million paid out of cash on hand, integrates and creates a perfect complementarity between Cobat's ability to replicate its business model on new production chains of materials to be sent for recovery, and that of its subsidiary Green Up to build and manage plants for their treatment and transformation into secondary raw materials. Moreover, the Cobat Platform, with its widespread network of recovery points throughout the territory, can be replicated for any type of product and guarantees an efficient collection, storage and recycling service for any type of waste. Finally, the company – thanks to proprietary patents for the recovery of lithium batteries – is set to play a strategic role in the exponentially expanding electric car market. In summary, the acquisition accelerates the Innovatec group's ecological transition process by strengthening the group's ability to develop circular economy projects while expanding its market share in end-to-end services. The company carries out its activities through the management of service contracts signed with four Production Chain Consortia and is present throughout the country thanks to a logistics and plant network guaranteeing an efficient service for the collection, storage and sending for recycling of any type of waste. The products of interest to Cobat are regulated by a series of Italian Legislative Decrees and national regulations, namely:

	<u>European Directive</u>	<u>Italian Legislative Decree</u>
- Sector		
- Batteries and Accumulators	Dir. 66/2006/EU	188/2008
- Electrical and electronic equipment	Dir. 19/2012/EU	49/2014
	<u>National regulations</u>	
- Spare tyres	Min. of the Environment	Decree M.D. no. 182/2019
- Distress rockers and Pyrotechnic Products	MD 101/2016,	Italian Legislative Decree 123/2015

The Cobat Platform ensures the proper end-of-life management of products released for consumption, discharges it from the principle of extended producer liability for waste management and ensures the highest standards of environmental sustainability through the completion of the cycle only when the waste is recycled in full compliance with strict safety criteria and thus transformed into raw materials to be reused in the production of new goods.

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6.4 Mini Bond of Euro 10 million and other debt operations

On 23 December 2021, Innovatec issued a Euro 10 million bond ("MiniBond"), 90% backed by SACE's Italian Guarantee (an instrument under the Liquidity Decree intended to support Italian companies during the Covid-19 emergency) with the aim of supporting its plant development in the field of the circular economy. Specifically, the issue of the MiniBond allows Innovatec to intervene in support of its subsidiary Green Up S.r.p.A. to finance investments and working capital related to the treatment, recycling and end-of-life activities of non-hazardous industrial waste. In detail, the MiniBond whose issue was resolved by the Company's Board of Directors on 10 December 2021 has a maturity date on 30 September 2026, an annual interest rate of 6% and an amortising repayment with 18 months of pre-redemption. The bonds were issued at par, with a unit denomination of Euro 100,000.00 and were subscribed by Zenit Sgr S.p.A. (Euro 5 million through the reserved closed-end alternative investment fund called "Progetto MiniBond Italia"), Finlombarda S.p.A. (Euro 4 million), Seac Fin S.p.A. (Euro 500 thousand) and Banca Finnat (Euro 500 thousand), the latter as manager of the two Sicav New Millennium Funds "Large Europe Corporate" and "PIR Bilanciato sistema Italia".

The MiniBond, in line with the practice referring to terms and conditions of bond instruments of a similar nature, is subject, inter alia, to compliance with covenants relating to the level of the Group's total net financial indebtedness with respect to shareholders' equity and EBITDA.

Moreover, in January and February 2021, the parent company Innovatec and the subsidiary Green Up both obtained a loan agreement, thanks to an important partnership with Banca Progetto S.p.A., for a total amount of Euro 2.9 million and Euro 2.6 million, respectively. The loan agreements provide for repayment in 48 and 60 months, respectively, including an initial grace period, at a variable rate in line with market standards. Both loans are also backed by the guarantee given by the Central Guarantee Fund equal to 90% of the amount.

6.5 Establishment of the Advisory Board

In February 2021, the Company set up an Advisory Board chaired by Elio Catania, currently also Chairman of Innovatec's Board of Directors and a leading figure in the Italian managerial situation. The committee is made up of four other members of high standing from the consulting and business sector. The Advisory Board has a proactive and strategic guiding role for the Group. The body's areas of focus are the design of development lines as well as the identification of initiatives and future strategic opportunities for Innovatec in the area of sustainability, innovation and energy and ecological transition. In addition to the Chairman, Elio Catania, the Advisory Board is composed of Pietro Colucci, Gianni Silvestrini, scientific director of the Kyoto Club and the magazine Quale Energia, as an expert in energy transition, Francesco Inguscio, founder of several start-ups also in the USA, as an expert in technological and digital innovation, and Umberto Tamburrino, an expert in renewable energies and CEO of infrastructure funds in Italy and abroad, as well as an expert in internationalisation processes.

7. SIGNIFICANT EVENTS OCCURRED DURING THE FIRST MONTHS OF 2022***7.1 Presentation of the 2022-2024 Development Plan***

On 3 February 2022, the Board of Directors of Innovatec S.p.A. approved the 2022-2024 Development Plan, which represents Innovatec's commitment to a balanced and sustainable development in all the businesses it oversees, with growth targets in terms of revenues and profitability as well as the creation of shareholder value. The Group aims to expand and develop its offer of end-to-end “tailor-made” energy solutions for industrial companies, households and building owners in the areas of EE, circular economy and sustainability with a wide range of concrete and innovative projects that can also benefit from the financing opportunities of the RRP.

7.2 M&A Activities

In the first quarter of 2022, Haiki+ acquired in two tranches 89.996% of S.E.A. S.p.A., – Servizi Ecologici – Ambientali” (“SEA”), a company located in Romano d'Ezzelino (VI) active in the collection, recovery and treatment of waste from electrical and electronic equipment (“WEEE”). The operation gives continuity to Innovatec's strategy of accelerating the ecological transition process with the acquisition of plants to be used for the treatment of material flows identified by production chain consortia. The operation is part of an industrial process, of which it is the first step, aimed at creating a virtuous WEEE recycling production chain based on the availability of technical plants located in strategic locations throughout the country in order to ensure complete coverage of the country from a geographical point of view. The transaction also allows the Group to continue on a growth and supervision process of a high value-added production chain, by acquiring a newly designed and built treatment plant (the one dedicated to the treatment of group R1 equipment) in a market where treatment plants are rare and often outdated. The acquisition also brings on board some key figures with proven technical and managerial skills in the management of WEEE recovery facilities. The consideration for the acquisition totalled Euro 3,625 thousand, of which Euro 2,750 thousand was paid in cash and the remainder to be paid in five annual instalments of Euro 175 thousand each by 31 December of each year, as from 31 December 2022. Moreover, also in the first quarter, the Group increased its equity investment in Cobat S.p.A. from 56.45% to 75.96% with payment of a consideration of Euro 2.3 million for 19.51%.

7.3 Capital and debt transactions

In January 2022, in the light of the strong interest shown by Qualified Investors of high standing in Innovatec's business model and equity story, the Company placed through the accelerated bookbuilding procedure reserved for Qualified Investors 2,368,000 ordinary shares, equal to approximately 2.48% of Innovatec's share capital (after the capital increase), at a price of Euro 1.755 per share for a total consideration of Euro 4,155,840.00. The transaction was finalised as part of the share capital increase with exclusion of the right of option resolved on 20 January 2022 by the Board of Directors, in partial exercise of the power given to it by the Extraordinary Shareholders' Meeting of 3 February 2021.

Moreover, in the same month of January, Green Up S.p.A. obtained from Banca Progetto S.p.A. a further loan agreement of Euro 10 million with the same methods as the previous loans received from the latter backed by the guarantee given by the Central Guarantee Fund equal to 90% of the amount.

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8. INFORMATION TO SHAREHOLDERS

Innovatec S.p.A. is listed on the Euronext Growth Milan market managed by Borsa Italiana. The Company is included in the FTSE Italia Growth index. The company's first day of trading was 20 December 2013.

The ISIN Code of the Innovatec share is: IT0005412298, the Alphanumeric Code: INC, the Reuters Code: INC.MI and the Bloomberg Code: INC IM.

Innovatec S.p.A.'s shares at the date of this Report are 95,445,858 ordinary shares with no par value pursuant to Article 2346 of the Italian Civil Code.

Innovatec S.p.A.	Current share capital		
	<i>Euro</i>	<i>no. of shares</i>	<i>Individual par value</i>
Ordinary shares	10,422,567.45	95,445,858	-

As at 31 December 2021, Innovatec S.p.A. had 93,077,858 shares (share capital Euro 10,162,087.45), while as at 31 December 2020, the total number of outstanding shares was 86,491,486 (share capital Euro 2,862,021.76).

Ordinary shares have the right to vote in ordinary and extraordinary shareholders' meetings, the right to dividends and the right to capital repayment in case of liquidation. It should also be noted that at the date of this report, there are no restrictions of any kind on the transfer of Innovatec S.p.A. securities.

The increase in the number of shares and share capital in 2021 is attributable to the following transactions:

- conversion in January 2021 of 16,723,115 Warrants equal to 3,344,623 newly issued ordinary shares of Innovatec S.p.A., assigned, at a price of Euro 0.275 per share, for a total value of Euro 919,771.35 of which Euro 167 thousand to capital and the remainder to share premium;
- bonus issue of Euro 10 million (Shareholders' Meeting of 3 February 2021). The increase took place pursuant to Article 2442 of the Italian Civil Code, through the allocation to share capital of part of the available reserves resulting from the financial statements and without the issue of new shares with a simultaneous proportional increase in the implied par value in accounting terms of the shares already outstanding, thus leaving unchanged the percentage shareholding of each shareholder pursuant to Article 2442, second paragraph, of the Italian Civil Code and with the sole amendment to the Articles of Association of the amount of share capital;
- conversion in August 2021 (last conversion period) of 16,208,745 Warrants equal to 3,241,749 newly issued ordinary shares of Innovatec, assigned, at a price of Euro 0.275 per share, for a total value of Euro 891,480.99 of which Euro 162 to capital and the remainder to share premium. Following this last conversion, non-exercised and forfeited Warrants amounted to 1,472,665 Warrants or 2.338% of the total Warrants issued in 2018.

The increase in the number of shares and share capital in the first quarter of 2022 is attributable to the following transactions:

- placement through the accelerated bookbuilding procedure reserved for Qualified Investors of 2,368,000 ordinary shares, equal to approximately 2.48% of its share capital (after the increase), at a price of Euro 1.755 per share for a total value of the increase equal to Euro 4,155,840.00, of which Euro 260,480 to capital and the remaining to premium. The transaction was finalised

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as part of the share capital increase resolved on 20 January 2022 by the Board of Directors, in partial exercise of the power given to it by the Extraordinary Shareholders' Meeting of 3 February 2021.

Based on the information available to the Company, the shareholding structure at the date of this Report is as follows:

Innovatec S.p.A.	Share Capital	
	<i>no. of shares</i>	<i>%</i>
Sostenya Group S.r.l.	42,515,651	44.54%
Gruppo Waste Italia S.r.l.*	435,770	0.46%
Market	52,494,437	55.00%
TOTAL	95,445,858	100.00%

*Gruppo Waste Italia S.r.l. is 99.48% controlled by Sostenya Group S.r.l.

At the date of this Report, the reference shareholder is Sostenya Group S.r.l., with a stake of 44.54%. Sostenya Group S.r.l. is 51% owned by Pietro Colucci and the remaining equally owned at 24.50% by his son Nicola Colucci and daughter Camilla Colucci.



Following the share capital increase with the exclusion of the right of option that took place in mid-January 2022, several institutional investors of high standing subscribed to new shares for a total stake of approximately 2.48%, resulting in a dilution of the Colucci Family from 46.15% of 31 December 2021 to 45.00% as at the current date.

Innovatec's share price as at 31 December 2021 was Euro 1.7920, up from Euro 0.793 at the end of December 2020 and Euro 0.637 at the end of June 2021. The capitalisation as at 31 December amounted to Euro 166.8 million, up from the capitalisation as at 31 December 2020 of Euro 68.6 million.

Innovatec's share price at the date of this Report was Euro 2.00 per share. The capitalisation amounted to Euro 191 million.

The performance of Innovatec's share on the Euronext Growth Milan market over the last two years as from the date of this document can be summarised as follows:

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Innovatec share performance year 2021 and from 1 January-15 March 2022

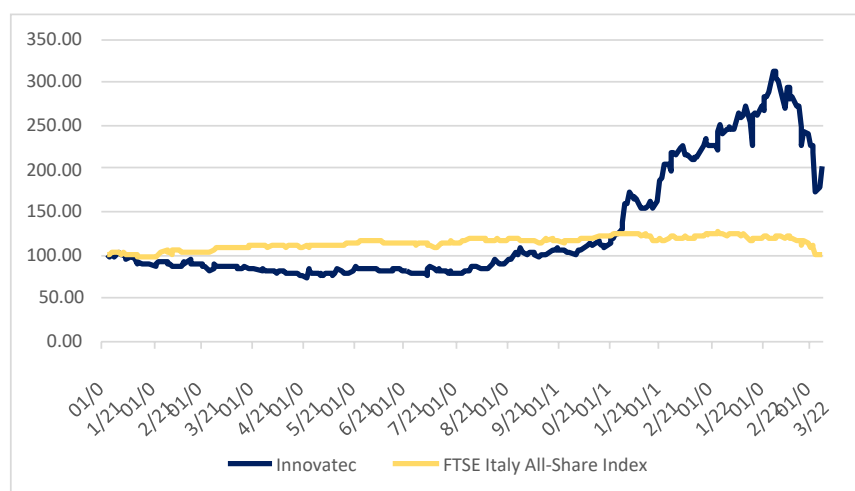


The first evidence of the solid growth prospects that emerged with the publication of the 2021 half-year results and the intensification of investor relations activities starting from the autumn have been appreciated by investors, as reflected in the share price trend.

In fact, Innovatec's share price increased by 126% over the course of 2021, from Euro 0.793 as at 30 December 2020 to Euro 1.792 as at 30 December 2021. The 2021 high of Euro 1.85 was reached on 28 December, while the low of Euro 0.59 was marked on 3 May.

The stock market's appreciation for Innovatec's equity story is even more evident when one considers the remarkable overperformance that Innovatec's stock has achieved compared to the Italian stock market index, the FTSE Italy All-Share Index, which has risen by 23.7% over 2021.

Innovatec share performance compared to the FTSE Italia All-Share index (base 4 January 2021 = 100)



Innovatec's average prices and volumes – compared to the financial year 2021 – for the last month, three months, six months, nine months and one year can be summarised below:

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<i>Euro</i>	Average price	Average daily volumes no.	Period volumes no.	Total average free-floating shares	impact on the total of traded volumes/free-floating shares no.
30/12/21	1.7920				
last month	1.6625	2,490,337	52,297,073	50,011,437	1.05
last three months	1.3148	2,196,517	140,577,145	50,011,437	2.81
last six months	1.1120	1,697,272	220,645,447	48,819,000	4.52
last nine months	1.0616	1,283,331	247,682,924	47,627,000	5.20
last 12 months	0.9984	1,196,210	306,229,821	46,752,000	6.55

For 2020:

<i>Euro</i>	Average price	Average daily volumes no.	Period volumes no.	Total average free-floating shares	impact on the total of traded volumes/free-floating shares no.
30/12/20	0.7930				
last month	0.7823	3,498,969	69,979,370	42,412,497	1.65
last three months	0.7084	1,520,523	95,792,946	42,412,497	2.26
last six months	0.6967	949,069	122,429,866	42,077,000	2.91
last nine months	0.7050	824,607	157,499,984	40,306,000	3.91
last 12 months	0.7244	1,132,087	288,682,148	39,207,000	7.36

Values were adjusted after reverse splitting in 2020

From the end of 2020, when the share price was Euro 0.793 per share, the share price steadily declined until it reached the Euro 0.60 area at the beginning of May and then began to strengthen with increasing volumes from the end of September when it was at Euro 0.83 to Euro 1.793 per share on 30 December 2021.

During 2021, the average daily trading of Innovatec shares was very high, averaging 1.2 million units per day. The peaks in volumes were mainly concentrated in the last months of the year, with the session of 10 November 2021 recording the highest figure of 8.6 million units traded.

From the beginning of January 2022, Innovatec's share price continued to rise to a high of Euro 2.53 per share on 8 February 2022, reaching a capitalisation of more than Euro 240 million. Volumes also increased to an average of 2.4 million shares traded daily, compared to an average of approximately 2.2 million shares in the last quarter.

<i>Euro</i>	Average price	Average daily volumes no.	Period volumes no.	Total average free-floating shares	impact on the total of traded volumes/free-floating shares no.
1 Jan – 15 Mar 2022	1.9868	2,422,500	125,969,360	51,789,802	2.43
last quarter of 2021	1.3148	2,196,517	140,577,145	50,011,437	2.81

Since the high of 8 February 2022, the share price has rolled over from the previous high for more than half, making a period low on 4 March 2022 at Euro 1.364. The correction in recent weeks started in correspondence with growing inflationary fears, which led to expectations of a less accommodating monetary policy also on the part of the ECB, with negative repercussions on the rates at which future cash flows are discounted in equity valuations. The roll-over of part of the previous rise then became even more significant as the Russian-Ukrainian conflict started and developed due to investor concerns about a widening of the conflict, the potential slowdown in future economic growth in the face of a lack of gas supplies from Russia and economic sanctions.

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From 7 March onwards, following a recovery in the confidence of investors and world stock exchanges, the share price appreciated again, rising from Euro 1.418 per share to the closing price on 15 March of Euro 2.035 per share, an increase also supported by the initiation by Value Track S.r.l. – on 14 March 2022 – of the hedge on Innovatec with the assignment to the Company of a fair value of Euro 2.70 per share, a valuation that incorporates a potential upside of 57% compared to the price of Friday 11 March 2022 (Euro 1.71 per share at the close).

On 2 August 2018, Borsa Italiana had arranged for the admission on the AIM Italia market of 62,993,280 contractual options (“Warrant Ordinary Shares 2018-2021” ISIN IT0005057770) to begin trading from 6 August 2018. These options gave the right to subscribe for new ordinary shares at the price and under the conditions determined in the regulations and with a paid increase of share capital to service the Warrants of Euro 3,464,630.40 by issuing 12,598,656 new ordinary shares after reverse splitting. The Warrant holders were entitled to subscribe for new shares in the ratio of 1 new share for every 5 Warrants held at a price of Euro 0.275 per share after reverse splitting (“Strike Price”).

As at 1 January 2020, 62,993,280 2018-2021 Innovatec Warrants (IT0005333270) were outstanding. In June 2020, a first conversion of 14,437,670 Warrants took place with the assignment of 14,437,670 new Innovatec shares before reverse splitting (5 shares before reverse splitting = 1 share after reverse splitting) for a value recorded in the share capital of Euro 144,376.70 and Euro 649,695.17 as share premium reserve. The subsequent exercise period of the 2018-2021 Innovatec Warrants contractually envisaged pursuant to the Warrant regulations (1 – 21 July 2020), resulted in a further conversion of

14,151,085 Warrants with the assignment of 2,830,217 new Innovatec shares after reverse splitting for a value of Euro 141,510.86 recorded as share capital and Euro 636,798.84 to the share premium reserve bringing the number of outstanding shares of the Company as at 31 December 2020 to 86,491,486 shares.

The third exercise period (January 2021) resulted in the conversion of 16,723,115 Warrants, equal to 3,344,623 new ordinary shares of Innovatec S.p.A., assigned at a price of Euro 0.275 per share, for a total value of Euro 919,771.35, of which Euro 167,231.15 to share capital and the remainder to share premium. The fourth and final exercise period (July August 2021) resulted in the conversion of

16,208,745 Warrants, equal to 3,241,749 newly issued Innovatec S.p.A. shares, at a price of Euro 0.275 per share, for a total value of Euro 891,480.99 of which Euro 162,087.45 to share capital and Euro 729,393.54 to the share premium reserve. Since the issue, the total number of Warrants exercised was 61,520,615, equivalent to 97.662% of the total number of Warrants issued of 62,993,280, corresponding to 12,304,123 new shares for a value of Euro 3,383,633.90, of which Euro 615,206.15 to share capital and Euro 2,768,427.75 to share premium. The non-exercised Warrants amounted to 1,472,665 Warrants (representing 2.338% of the total Warrants issued in 2018) and were forfeited as from 13 August 2021.

In addition to the presentation to investors and analysts on 3 February 2022 of the 2022-2024 Development Plan, on 14 April, 19 May and 15 October 2021, the Company participated in events organised by IR Top Consulting such as the second edition of “Irtop Green Sustainable Investor Day”, the AIM RETAIL INVESTOR DAY and the XI edition of the “Lugano Small & Mid Cap Investor”. Moreover, Innovatec participated at the end of November in the Next Gems Conference 2021 event organised by Virgilio IR and on 16 February 2022 in the “EnVent Winter Conference – Call For Growth”.

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During 2021 and the first quarter of 2022, Innovatec participated in several one-to-one meetings with institutional investors. These meetings led some institutional investors to invest in the security by subscribing – through the accelerated bookbuilding procedure – 2,368,000 ordinary shares, equal to approximately 2.48% of its share capital (after the increase), at a price of Euro 1.755 per share for a total value of the increase of Euro 4,155,840.00.

On 13 March 2022, Value Track started the hedge on Innovatec by assigning a fair value of Euro 2.70 per share with additional value creation opportunities for Innovatec arising from the implementation of the business plan that could bring the value of the shares towards Euro 3.80 per share in the medium term. On 30 March 2022, Intesa San Paolo also started the hedge on Innovatec by assigning a BUY recommendation, with a Target Price of Euro 3.40: a valuation that incorporates a potential upside of 61% compared to the previous day's price. The publication of these first two studies is for Innovatec a further step towards increasing its openness to the market and investors, testifying to the desire to increase transparency and visibility to which the company declared its commitment during the presentation of its 2022-2024 Development Plan.

Innovatec remains focused on advancing its investor relations programme with the forthcoming publication of two more research papers and a series of meetings with investors already scheduled, confident that the publication of the results will strengthen its position on the path towards the Plan's objectives.

9. THE 2022-2024 DEVELOPMENT PLAN

On 3 February 2022, the Board of Directors of Innovatec S.p.A. approved the 2022-2024 Development Plan, which represents Innovatec's commitment to a balanced and sustainable development in all the businesses it oversees, with growth targets in terms of revenues and profitability as well as the creation of shareholder value. With Revenues expected to reach Euro 405 million in 2024, EBITDA and EBIT expected to reach Euro 55 million and Euro 38 million, respectively, and total investments of approximately Euro 59 million over the period covered by the Plan, of which Euro 12 million in M&A, the three-year Development Plan is based on the strategic integration of the “Environmental Services and Circular Economy”, “Energy Efficiency and Renewables”, and “Innovation and Consulting” businesses.

The Plan also confirms the Group's financial equilibrium and solidity: the NFP at the end of 2024 is expected to be positive and equal to Euro 31 million after having generated a free cash flow to equity of Euro 15 million over the period covered by the plan.

The Plan envisages increasing profitability for shareholders and on invested capital with end-of-plan targets of ROE at 29% and ROI at 38% in order to allow for a healthy sharing of the value production envisaged by the Plan among all Group stakeholders.

Innovatec's 2022-24 strategy is consistent with the main macro-trends in the sector or decarbonisation and the development of renewables, the circular economy, energy efficiency and the protection of natural resources. Innovatec's ambition is to be the benchmark of the new environmental sustainability for the ecological transition towards the 2050 goals and in offering end-to-end “tailor-made” energy solutions for industrial companies, households and building owners in the fields of EE, environmental protection and circular economy as well as in the sustainable use of resources.

Sustainability is in Innovatec's DNA and is fully integrated in the Group's business strategy, which aims to expand and develop its offer of services in terms of circularity and sustainability with a wide range of concrete and innovative projects that can also benefit from the financing opportunities of the RRP.

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The Plan was prepared against a macroeconomic backdrop of recovery, with the European and Italian economies returning to sustained growth. Within this framework, European and national institutions are implementing coordinated and convergent actions towards the goals of a fair, sustainable and inclusive transition. In particular, with the RRP, our country has entered the implementation phase of the Green Deal with funds to support mainly carbon neutrality and circular, regenerative and energy-efficient development models. In a recovery scenario, with ever-increasing thrusts towards sustainability and energy efficiency, also facilitated by the RRP, Innovatec will be able to continue to leverage its asset base to grow, from the consolidation of its competitive position achieved in 2021 in Environmental Services and Circular Economy and in Energy Efficiency (the latter through the HouseVerde project) as well as the acquisition of Cobat. In particular, Cobat – the acquisition of which took place at the beginning of December last year – is a key player in Italy in the flow management and recovery of batteries and accumulators, with important development strategies in a market such as the electric car market that is expanding exponentially thanks to proprietary patents for the recovery of lithium batteries. Moreover, the acquisition integrates Cobat's ability to replicate its business model on new production chains of materials to be sent for recovery, and that of its subsidiary Green Up, active in environmental and circular economy services, to build and manage plants for their treatment and transformation, thus creating a perfect complementarity by strengthening the Group's ability to develop circular economy projects and expand its market share. In view of the three-year time horizon taken into consideration for the preparation of the Development Plan, it is believed that even the changed scenario conditions we have been witnessing in recent weeks, which have certainly overshadowed the much more optimistic general expectations present at the time the plan was prepared, may result in some time shifts in the achievement of the individual intermediate plan targets without affecting their medium-term soundness, and therefore the three-year targets contained in the submitted Plan are still considered valid.

Therefore, Innovatec's Development Plan is based on the strategy of integrating its three core businesses and on the development:

- of the Environmental Services and Circular Economy area driven both by organic growth, with an increase in the customer base and improvement of advanced facilities to support the business, and by the expansion of the service proposal supported by innovative investments in treatment and recycling plants as well as the implementation of consortium management to other waste classes. The planned development will also take place through acquisitions (M&A) with the acquisition of treatment and recycling facilities;
- of the Energy Efficiency and Renewables area driven both by the growth of the House Verde project results with an increase in market share to which the council house and hotel sectors will be added, and in B2B with the increase of EE projects on industrial plants, creation of energy communities, implementation of new vertical technologies to reduce emissions as well as construction of photovoltaic systems in EPC turnkey mode;
- through acquisitions (M&A): Euro 12 million for the consolidation of companies operating in the treatment and recycling of waste within the circular economy; the Plan in 2024 estimates revenues of Euro 15 million and a prospective EBITDA of Euro 2.4 million with an EBITDA margin of 16% contributed by prospects in the acquisition phase;
- of recruitment and sustainable investments: 125 people are expected to join the Group (total at the end of 2024: 385), of which 63 in the EE business and 62 in the Environmental Services and Circular Economy business. At the end of 2024, the total workforce of 385 is divided into 117 employees in the EE business and 268 employees in the Environmental Services and Circular Economy business. The estimated tangible investments over the period covered by the Plan amount to Euro 47 million, focused on the Environmental Services and Circular Economy business, of which sustainable investments are estimated at Euro 26 million, or 55% of the productive investments.

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In detail, **Group revenues** in 2024 are expected to reach Euro 405 million with a Cagr 21-24 of 22% (this figure is calculated on the basis of preliminary 2021 revenues), thanks to organic growth and the expansion of end-to-end services, EE development driven by RRP incentives, while the circular economy sector will focus on developing recovery production chains and innovative facilities dedicated to material and energy recovery in specific verticals. **Revenues of the Environmental Services and Circular Economy business** are expected to amount to approximately Euro 205 million at an organic CAGR of 14% expected from the collection activity through the acquisition of corporate customers as well as the development of the lithium battery and photovoltaic module treatment and recycling business. The M&A activity focused on treatment facilities will lead to additional revenues of Euro 15 million in 2024, while the bedding activity will gradually decline (CAGR of -3%) over the period covered by the Plan. **Revenues from the Energy Efficiency business** are expected to be approximately Euro 200 million. The Houseverde Project in 2024 will contribute Euro 135 million to revenues (target 2024: 60% in council housing), while revenues from the EPC turnkey construction of photovoltaic systems are expected to be Euro 40 million. The remaining increase in turnover will come from increased B2B for EE projects on industrial plants, the creation of energy communities and the implementation of new vertical technologies to reduce emissions.

The **2024 Group EBITDA** is expected to be Euro 55 million with a Cagr 21-24 of 22% (again calculated from the preliminary closing figure of 2021), **EBITDA of the Environmental Services and Circular Economy business** is expected to be approximately Euro 35 million with a *2024 EBITDA margin* of 10% due to the collection business resulting from the increase in critical mass and the acquisition of major customers. The increase of COBAT's revenues in 2024 to approximately Euro 100 million is estimated to lead to an expected EBITDA of Euro 3.8 million also due to cost optimisations, synergies and cross-selling. The M&A activity focused on the treatment facilities will bring additional margins of Euro 2.4 million in 2024, while the margins of the bedding activity will have the same decreasing dynamics as on the estimated revenues in the plan. **The EBITDA of the Energy Efficiency business** is expected to be approximately Euro 21 million. The Houseverde Project in 2024 will contribute Euro 18 million to EBITDA with a progressive reduction in margins due to competitive pressure and rising equipment costs. EPC activities in the photovoltaic sector contribute 15% to the 2024 EBITDA.

EBITDA margin is continuing at 14%. The EBITDA margin of the Environmental Services and Circular Economy segment, as a result of the different revenue mix, increased compared to the actual figure in 2021 and amounted to approximately 14%, with an end-of-period target of 16% in 2024, while for the Energy Efficiency segment, as a result of competitive pressure and increased contract costs, a gradual reduction in the margin to 11% in 2024 is expected (from the actual 18% in 2021).

The estimated **EBIT** as at 2024 is Euro 38.3 million with a Cagr 21-24 of 58%. The increase in operating margins derives from the higher contribution of the EE business – characterised by a substantial absence of amortisation/depreciation – and the Group's steady transition to more sustainable activities such as material recovery and advanced waste treatment. **The EBIT for the Environmental Services and Circular Economy business** came to approximately Euro 18 million, thanks to the Group's steady transition to more sustainable activities at the expense of landfill activities (characterised by a greater weight of depreciation and amortisation and provisions for closure and post closure provisions), which are progressively decreasing (CAGR of -3% over the period covered by the Plan) in line with the indication received from the European legislator of a progressive reduction in the final disposal of waste. **The EBIT of the Energy Efficiency business** amounted to approximately Euro 20 million due to the increased contribution of the House Verde project, for which a contribution of approximately Euro 18 million is estimated. **EBIT margin** expected to increase to 9.5%.

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To support this Development Plan, **total gross investments** of Euro 59 million are planned, of which Euro 47 million for operating Capex in Environmental Services and Circular Economy and Euro 12 million for M&A in treatment facility projects. Specifically, operating capex of Euro 47 million refers for Euro 27 million to the renovation, expansion and innovation of existing plants and sites and Euro 10 million to innovative plants dedicated to material recovery from mattresses and plasterboard. M&A investments of Euro 12 million will focus on acquisitions of companies that own waste collection, treatment and recycling facilities.

The cash generation resulting from the profitability recorded over the period covered by the Plan, net of planned investments and repayment of financial payables of Euro 19 million, will lead to a further increase in the positive **Net Financial Position**, which is expected to rise from Euro 10.7 million at the end of December 2020 to Euro 31 million at the end of 2024, confirming the group's financial solidity. Over the period covered by the Plan, the Group expects to generate Euro 15 million of Free Cash Flow to Equity with cash on hand at the end of the plan expected to be Euro 40 million.

The presented 2022-2024 Development Plan has been made available on the website **Errore. Riferimento a collegamento ipertestuale non valido.** in the "Investor Relations/Presentations" section.

10. THE GROUP'S NET RESULTS

Innovatec group Reclassified Income Statement as at 31 December 2021

<i>in Euro/000</i>	2021	%	2020	%	Change	Change %
Revenue from ordinary operations	136,868	95	23,799	84	113,069	475
Changes in inventories and construction contracts	3,069	2	537	2	2,532	472
Own work capitalised	1,509	1	0	0	1,509	>100
Other revenues and income	3,160	2	4,059	14	(898)	(22)
REVENUES	144,606	100	28,394	100	116,212	409
Costs for purchases, services and sundry costs	(18,070)	(12)	(2,194)	(8)	(15,876)	724
Costs for services and leased assets	(79,739)	(55)	(20,295)	(71)	(59,444)	293
Labour cost	(12,220)	(8)	(1,538)	(5)	(10,682)	695
Other operating costs	(3,744)	(3)	(1,336)	(5)	(2,408)	180
EBITDA	30,834	21	3,031	11	27,802	917
Amortisation/Depreciations	(15,205)	(11)	(346)	(1)	(14,859)	>100
Provisions and write-downs	(5,439)	(4)	0	0	(5,439)	>100
EBIT	10,189	7	2,685	9	7,504	279
Net financial income (expenses)	401	0	(211)	(1)	612	(290)
Value adjustments to financial assets	111	0	(994)	(4)	1,105	(111)
Profit/(loss) before tax	10,701	7	1,480	5	9,221	623
Income taxes	(3,972)	(3)	(807)	(3)	(3,165)	392
Net result	6,729	5	673	2	6,056	900
Profit (loss) attributable to non-controlling interests	360	0	(1)	(0)	361	>100
Net result	6,369	4	673	2	5,695	>100

The Gross Operating Margin (EBITDA) is a measure used by the Group to monitor and evaluate the operating performance and is not defined as an accounting measure under ITA GAAP and therefore should not be considered as an alternative measure to the financial statement results for evaluating the operating performance. Since the composition of Gross Operating Margin (EBITDA) is not regulated by the reference accounting standards, the calculation criterion used by the Group may not be in line with the criterion used by others and, consequently, may not be comparable.

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The 2021 income statement figures are not comparable with the same period last year due to the acquisition at the beginning of December 2021 of 56.45% of Cobat S.p.A., the results of which do not contribute to the income statement for the year. Moreover, the 2020 income statement figures, unlike the consolidated results for 2021, did not include the net results of the Clean Tech Group (Environment BU) as it was acquired (50.1% of the share capital) at the end of December 2020.

The 2021 consolidated net results show **Revenues** of Euro 144.6 million (2020: Euro 28.4 million), **EBITDA** of Euro 30.8 million (2020: Euro 3 million) and **EBIT** of Euro 10.2 million (2020: Euro 2.7 million). Revenues and margins for the year show significant and solid growth thanks to the contribution of all the Group's business units. In particular, consolidated revenues and operating margins benefited from a solid performance of the Energy Efficiency business and continued improvements in the Environment and Circular Economy business.

10.1 The Revenues of the Group

Consolidated revenues in 2021 amounted to Euro 144.6 million, a fivefold increase, compared to Euro 28.4 million in 2020. The improvement in the results for the year was mainly due to the contribution of the Environment and Circular Economy business resulting from the acquisition of the Clean Tech group (Euro 77 million) and the strong increase in the Energy Efficiency business, whose revenues of Euro 67 million in 2021 tripled compared to 2020, driven by the HouseVerde Project.

Energy Efficiency (EE) and Renewables

Revenues amounted to Euro 67 million in the financial year (2020: Euro 12 million) and were mainly related to:

- the continuation of the HouseVerde Project for the sustainable improvement of energy efficiency and securing of the Italian real estate thanks to the “superbonus 110%”, which recorded revenues of Euro 58.1 million (2020: Euro 3.8 million) and inventories and work in progress of Euro 3.1 million (2020: Euro 0.5 million). With regard to this project, the subsidiary Innovatec Power s.r.l. has, as of today, a portfolio of final contracts for approximately Euro 156 million and a portfolio of project proposals (“Computi metrici estimativi” CME (Bill of Quantities)) of Euro 114 million in addition to the initiatives already contracted;
- the construction of plants in the Industry sector, which, following the reopening of activities after the lockdown, was able to resume commercial activities dedicated to contracting customers in the sector from the second half of 2020. The 2021 revenues of this B2B segment amounted to Euro 5 million, compared to Euro 3.9 million last year;
- the construction of renewable energy and waste disposal plants amounted to Euro 1.2 million in the financial year (2020: Euro 3.8 million).

Environment and Circular Economy

The **revenues** generated by the Environment and Circular Economy business amounted to Euro 77 million (2020: nil), registering an increase compared to the unconsolidated net results in 2020 of approximately 10 per cent over the previous year (Euro +7.5 million) with increasing volumes and average prices. The business unit also strengthened its strategic position by steadily increasing its revenue base through the acquisition of key higher-margin customers. The collection and treatment activities generated revenues of approximately Euro 25 million with about 150 thousand tonnes of waste managed. The management's ability to intervene proved to be fundamental in optimising the operating and profitability management of the subsidiaries, maximising opportunities arising from M&A, such as the integration of Vescovo Romano, which contributed Euro 13.4 million to revenues, benefiting in particular from a positive market price environment for recovered materials with volumes processed of approximately 74 thousand tonnes and volumes sold of approximately 42 thousand tonnes. The bedding of non-recoverable waste by the group and third parties at owned and managed plants

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recorded revenues of Euro 35.8 million and volumes of approximately 250 thousand tonnes. Revenues from biogas amounted to Euro 1.4 million.

The 2020 revenues of the discontinued “waste intermediation” segment generated by the former subsidiary Sostenya Green S.p.A. amounted to Euro 12.4 million.

Non-recurring income for the year amounted to Euro 1.6 million (2020: Euro 3.7 million).

The operating income statement reclassified by business line is shown below:

Innovatec group

Reclassified Consolidated Income Statement by business line 2021 vs 2020

<i>in Euro/000</i>	Holding	EE	EC	discontinued operations	Adj	Total
REVENUES	2,297	67,376	76,679	13	(1,758)	144,607
Operating costs	(2,800)	(56,224)	(56,399)	(240)	1,890	(113,773)
EBITDA	(503)	11,152	20,280	(227)	132	30,834
%	-22%	16%	26%			21%
Amortisation/Depreciations	(335)	(225)	(14,645)	0	0	(15,206)
Provisions and write-downs	(20)	(1,268)	(4,151)	0	0	(5,439)
EBIT	(858)	9,659	1,483	(227)	132	10,189

<i>in Euro/000</i>	Holding*	EE	EC	discontinued operations	Adj	Total
REVENUES	3,942	12,029	0	12,486	(62)	28,395
Operating costs	(2,172)	(10,766)	0	(12,509)	89	(25,358)
EBITDA	1,770	1,263	0	(23)	27	3,037
%	45%	10%	0%	0%	-44%	11%
Amortisation/Depreciations	0	(90)	0	(256)	0	(90)
Provisions and write-downs	0	0	0	0	0	0
EBIT	1,770	1,173	0	(279)	27	2,691

* The Holding company in 2020 is shown net of the EE business “Progetto Serre” (Greenhouses Project) and the ESCo costruzioni business transferred to Innovatec Power in the second quarter of 2021

10.2 Group Operating costs

The Group's operating costs amounted to approximately Euro 114 million in the financial year, registering, in line with revenues, a strong increase compared to 2020 (amounting to approximately Euro 25 million):

- The ***purchasing costs*** amounted to Euro 18.1 million (2020: Euro 2.2 million), of which Euro 13 million related to the Energy Efficiency business, attributable to the development of the HouseVerde Project, and Euro 5.1 million to the Environment and Circular Economy business;
- The ***costs for services and leased assets*** of Euro 79.7 million (2020: Euro 20.3 million) are broken down as follows:
 - EE-related operating costs:

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amounted to Euro 40 million (2020: Euro 4.3 million) and refer to the House Verde project for approximately Euro 33 million, while Euro 4.2 million refer to Industria B2B work orders and Euro 1.2 million to costs for in-house expansion works at landfills owned and operated by the Group;

➤ operating costs related to Environment and Circular Economy:

amounted to Euro 37.8 million and refer to all services, maintenance, transport and rental of equipment and vehicles for the regular and proper performance of collection, treatment, disposal and recovery of recyclable materials. This category of costs follows the trend in revenues.

- **Group personnel costs** amounted to Euro 12.2 million (2020: Euro 1.5 million). The average number of personnel in 2021 stood at 212 (2020: 25). Personnel costs for the EE business amounted to Euro 1.8 million (2020: Euro 0.9 million), an increase compared to the same period last year as a result of the development of the HouseVerde Project, which entailed the hiring of new resources to support the sudden growth in turnover volumes (persons in 2021: 50, persons in 2020: 18). Personnel costs of the Environment and Circular Economy business amounted to Euro 10 million (persons in 2021: 175). The personnel costs of the holding company decreased from Euro 0.5 million to Euro 0.4 million (persons in 2021: 4, persons in 2020: 7), following the transfer of personnel to the operating subsidiaries;
- **Other operating costs** amounted to Euro 3.7 million (2020: Euro 1.3 million) and are mainly attributable for Euro 3.1 million to the Environment and Circular Economy business referring to the eco-tax of Euro 2.1 million proportional to the increase in the business. *Non-recurring* costs amounted to Euro 0.9 million compared to Euro 1.1 million in the previous year.

10.3 Group EBITDA

The upward trend in the group's business was reflected in the **EBITDA**, which rose sharply to Euro 30.8 million, compared to the 2020 figure of Euro 3 million, thanks to the contribution of the Environment and Circular Economy business of Euro 20.3 million, and the increase in the Energy Efficiency business – thanks to the ecobonus 110% HouseVerde Project – which contributes Euro 11.1 million (2020: Euro 2.4 million). Net costs of the parent company Innovatec S.p.A. amounted to Euro 0.5 million.

The EBITDA margin of the Environment and Circular Economy business amounted to 26% in the year as a result of increased volumes, prices, and optimisations implemented in the operational and profitability management of the controlled activities. As a result of the positive operating performance of the EE business and especially the HouseVerde Project, the EBITDA margin stood at 16% in 2021.

10.4 Group amortisation/depreciation and allocations

Amortisation/depreciation for the year amounted to Euro 15.2 million (2020: Euro 0.3 million) and mainly reflected the Environment and Circular Economy business of Euro 14.7 million and the residual Energy Efficiency business (Euro 0.2 million) and Innovatec S.p.A.'s holding business (Euro 0.3 million). In 2020, the Group decided to suspend the depreciation charges of property, plant and equipment and the amortisation charges of intangible fixed assets (effect: Euro 0.2 million) up to 100% in accordance with current regulations, with the result that the 2020 figure only reflects the amortisation on goodwill of Innovatec Power S.r.l. (Euro 0.1 million) and the transferred company Sostenya Green S.p.A. (Euro 0.2 million).

Provisions amounted to Euro 5.4 million (2020: nil). They refer to the Environment and Circular Economy business of Euro 4.1 million and the remaining Euro 1.3 million to the Energy Efficiency business.

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With reference to the Environment business, they mainly reflect the annual portion of the closing and post closing allocations for landfills of Euro 3.7 million, whereas with reference to the EE business, they reflect the estimated litigation risks related to the HouseVerde and B2B orders.

10.5 Group EBIT

Consolidated **EBIT** in 2021 amounted to Euro 10.2 million, compared to Euro 2.7 million in 2020, as a result of the higher profitability for the year. The operating margins of the Environment and Circular Economy business amounted to Euro 1.5 million as a result of the weight of depreciation, amortisation, provisions and closing and post closing landfill charges for a total of Euro 18.8 million, including the partial release for approximately Euro 0.9 million of depreciation and amortisation suspended in 2020, following the incentive envisaged by Italian Decree Law No. 104 of 2020, converted into Italian Law No. 126 of 13 October 2020 (2020 total depreciations and amortisation suspended: Euro 4.4 million). The operating margins of the Energy Efficiency business amounted to Euro 9.7 million (2020: Euro 1.2 million) as a result of the recovery of depreciations and amortisation compared to the 2020 suspension, the amortisation of Innovatec Power's goodwill (Euro 0.1 million in line with 2020) as well as provisions for litigation risks with regard to the HouseVerde Project and B2B (Euro 1.2 million). Net operating costs of the parent company Innovatec S.p.A. amounted to Euro 0.9 million as a result of depreciations and amortisation for the year of Euro 0.3 million (in 2020 they had been suspended).

10.6 Net financial income and expenses of the Group

Net financial income/(expenses) amounted to Euro 0.4 million (2020: Euro -0.2 million), and substantially reflect the net financial benefit generated by the sale of receivables related to the "Superbonus" (Euro 0.5 million) and the deferral to 2028 of the payment of certain non-operating payables to the related company Ecosavona (Euro 0.3 million). This income was partially offset by financial expenses of Euro -0.4 million, mainly related to the bank exposures of the subsidiary Vescovo Romano and the new loans of Euro 5.5 million entered into with Banca Progetto in January and February 2021. The MiniBond of Euro 10 million issued on 23 December 2021 will generate interest expenses during 2022.

10.7 Value adjustments to financial assets

The **Value adjustments to financial assets** amounted to Euro 0.1 million, (2020: Euro -1 million) substantially related to dividends received from the associated company Exalto S.r.l. of Euro 0.1 million, to the adjustment of the values of asset management and the valuation at equity of minority and jointly controlled companies (approximately Euro 3 thousand). The 2020 balance of Euro 1 million mainly reflected the write-off of the goodwill of Sostenya Green S.p.A. to adjust the value of the equity investment to the consideration for its sale (which took place at the beginning of January 2021) as part of the acquisition of the Clean Tech Group.

10.8 Taxes

Taxes for the year amounted to Euro 4 million (2020: Euro 0.8 million) and increased as a result of the development of core businesses. The tax rate in 2020 is 37% due to the non-deductibility of provisions for litigation risks with regard to the HouseVerde Project and B2B (Euro 1.3 million) as well as amortisation on goodwill generated by acquisitions (Euro 0.9 million).

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10.9 Group net profit

The **Group Net Profit** amounted to Euro 6.4 million (2020: Euro 0.7 million), confirming the Group's increased operating profitability compared to the same period of the previous year, which did not include the Environment and Circular Economy business.

10.10 Profit attributable to non-controlling interests

Net profit attributable to non-controlling interests amounted to Euro 0.4 million and essentially reflected the profit (loss) attributable to non-controlling interests in the subsidiary Vescovo Romano & C. S.r.l.

11. FINANCIAL TREND OF THE GROUP

Innovatec group

Reclassified consolidated Statement of financial position as at 31 December 2021

<i>In Euro/000</i>	31 December 2021	%	31 December 2020	%	Change	% change
Intangible fixed assets	5,052	12	6,725	80	(1,672)	(25)
Goodwill	36,655	90	22,840	270	13,815	60
Property, plant and equipment	32,058	79	27,358	324	4,701	17
Equity investments	1,436	4	1,246	15	189	15
Other financial assets	2,033	5	2,301	27	(268)	(12)
Fixed assets	77,234	190	60,469	716	16,765	28
Trade receivables	43,301	106	16,235	192	27,066	167
Inventories and Work in progress	3,890	10	791	9	3,099	392
Trade payables	(44,580)	(109)	(15,333)	(182)	(29,247)	191
Net current receivables/(payables) from/to affiliated companies	(3,588)	(9)	(8,253)	(98)	4,665	(57)
Other current receivables	25,746	63	15,803	187	9,942	63
Other current payables	(12,130)	(30)	(12,543)	(148)	413	(3)
Net working capital within 12 months	12,638	31	(3,300)	(39)	15,938	(483)
Payables >12 months	(5,970)	(15)	(7,904)	(94)	1,935	(24)
Post-employment benefits, Provisions for Taxes, Risks and Charges	(43,179)	(106)	(40,817)	(483)	(2,363)	6
Net invested capital	40,723	100	8,448	100	32,275	382
Cash and cash equivalents	24,953	61	15,118	179	9,835	65
Other net financial assets/(liabilities)	(34,994)	(86)	(4,431)	(52)	(30,563)	690
(Indebtedness)/net available funds	(10,041)	(25)	10,687	127	(20,728)	(194)
Shareholders' Equity attributable to the Group	25,384	62	17,185	203	8,199	48
Shareholders' equity attributable to non-controlling interests	5,298	13	1,951	23	3,347	172
Total sources of funds	40,723	100	8,448	100	32,275	382

The Net Working Capital is obtained as the difference between current assets and current liabilities, excluding financial assets and liabilities. Deferred tax assets were included in other current assets. The Net Working Capital is not identified as an accounting measure under the relevant accounting standards. The Net Invested Capital is obtained as the algebraic sum of net working capital, non-current assets and long-term liabilities. The Net Invested Capital is not identified as an accounting measure under the relevant accounting standards. The Net Financial Position "NFP" is obtained as the algebraic sum of cash and cash equivalents, current financial assets and short- and long-term financial liabilities (current and non-current liabilities).

As at 31 December 2021, the Innovatec Group showed a **Net Invested Capital** of Euro 40.7 million, a **Shareholders' Equity attributable to the Group** of Euro 25.4 million and a **Net Financial Position** of Euro -10 million.

The **Net Invested Capital** was Euro 40.7 million at the end of 2021, an increase of Euro 32.3 million compared to Euro 8.4 million at the end of December 2020. The acquisitions finalised in the financial year of approximately Euro 27 million,

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the investments made of Euro 8 million, as well as the increase in net working capital of Euro 16 million – essentially as a result of the increase in the ecobonus 110% activities of the HouseVerde Project – were partially offset by the higher amortisation and depreciation for the period of Euro 15.2 million and the deconsolidation of the assets of the transferred company Sostenya Green S.p.A. of Euro 4.4 million.

In detail, **Fixed Assets** amounted to Euro 77.2 million in 2021 compared to Euro 60.5 million as at 31 December 2020, an increase of Euro 16.7 million mainly as a result of the acquisitions finalised during the year of Euro 27 million and the investments incurred of Euro 8 million net of the amortisation/depreciation for the period of Euro 15.2 million and the deconsolidation of fixed assets recognised by the transferred company Sostenya Green S.p.A. for approximately Euro 4 million. Fixed assets as at 31 December 2021 mainly include goodwill from the acquisition of the Environment and Circular Economy business and Cobat of Euro 36 million, landfills owned by the group of Euro 12 million, real estate and buildings of Euro 12 million, software, hardware, WEEE containers and material recovery and recycling lines of Cobat for a total of Euro 3.1 million, and the remaining facilities, equipment, vehicles and skips. It should be noted that in 2020, pursuant to Article 60 of Italian Decree Law no. 104 of 14 August 2020, converted into law in October, some group companies resorted to a waiver of the provisions laid down by Article 2426 of the Italian Civil Code, concerning the depreciation of property, plant and equipment and the amortisation of intangible assets, by not recognising all or part of the amortisation relating to intangible assets in the 2020 financial statements, following the impact of the pandemic that caused a significant reduction in their use. In the 2021 financial year, there was a first release of the above-mentioned suspension of approximately Euro 1 million.

The **Net Working Capital** (“NWC”) increased from Euro -3.3 million at the end of December 2020 to Euro 12.6 million as at 31 December 2021 as a result of the Cobat acquisition, which contributed approximately Euro 12 million to the NWC, as well as the positive 2021 development of the activities of the core businesses and especially the Energy Efficiency business, which contributed approximately Euro 4 million to the NWC.

In particular,

Trade Receivables increased to Euro 43.3 million (Euro + 27.1 million vs. 2020) mainly due to the contribution of receivables of the recently acquired Cobat, which amounted to Euro 25.6 million as at 31 December 2021, as well as the increase in the Energy Efficiency business, which recorded receivables of Euro 5.9 million (Euro +3.5 million vs. 2020). The Environment business reduced its credit exposures by Euro 1.9 million (2021: Euro 7.9 million vs. 2020: Euro 9.8 million) as a result of improvements in collection policies.

The increase in Inventories is mainly attributable to the development of the Energy Efficiency business and especially the HouseVerde Project. Cobat's contribution is approximately Euro 0.2 million.

The increase in Trade payables to Euro 44.5 million (2020: Euro 15.3 million, Euro +29.2 million) is substantially attributable to exposures to Cobat's suppliers (Euro 13.6 million) and the development of the Energy Efficiency business and especially the HouseVerde Project, which led, as for customers, to an increase in trade payables of Euro 15.2 million from Euro 3.3 million at the end of the previous year to Euro 18.5 million as at 31 December 2021.

Net current /(payables) from/to affiliated companies amounted to Euro -3.6 million (2020: Euro -8.2 million), decreasing by Euro 4.6 million mainly as a result of higher receivables claimed by Green Up S.p.A. from the affiliated company Sostenya Green S.p.A. of Euro 2 million deriving from the sale of landfill space and a reduction in payables of Euro 2.8 million (2021: Euro -0.3 million) to the related party supplier for the Energy Efficiency business Exalto S.r.l.

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Other Current Receivables amounted to Euro 25.7 million as at 31 December 2021, an increase of Euro 9.9 million compared to the figure as at the end of December of Euro 15.8 million. They mainly refer to tax credits and deferred tax assets of Euro 20.1 million (of which Euro 16 million in receivables for Ecobonus), advance payments to suppliers of Euro 1.2 million, as well as prepaid expenses for sureties, advances to municipalities and other costs of Euro 2.7 million. The increase mainly reflects the increase in tax credits and other HouseVerde Project ecobonus credits of Euro 11.5 million (2021: Euro 16 million vs. 2020: Euro 4.5 million) as well as the entry into the scope of consolidation (Euro 1.6 million mainly VAT credits for Euro 1 million). This increase was partially offset by a decrease in VAT credits of Euro 2 million and the deconsolidation of other receivables of Sostenya Green S.p.A. of Euro 2.1 million.

Other Current Payables amounted to Euro 12.1 million as at 31 December 2021, substantially in line with the figure as at the end of December of Euro 12.5 million. The entry into the scope of consolidation of Cobat (effect: Euro 1.8 million) and the increase in tax payables (Euro 1.4 million) were entirely offset by the exit from the scope of consolidation of Sostenya Green S.p.A. (Euro 1.3 million) and the reduction of Euro 0.9 million in the TEE payables pertaining to the Serre Project and Euro 1.7 million to the owner of the landfill located in Bedizzole managed by Green Up S.p.A.

The item **Post-employment benefits, Provisions for Risks and Charges** amounted to Euro 43.2 million as at 31 December 2021, compared to Euro 40.8 million as at 31 December 2020. The difference is represented by provisions of Euro 3.7 million set aside for the closure and post-closure of landfills, provisions for risks mainly on work orders in the Energy Efficiency business (Euro 1.3 million) and the increase in deferred tax liabilities of Euro 1.6 million and Post-employment benefits of Euro 0.6 million. These increases were partially offset by the deconsolidation of the closure and post-closure provisions of Euro 3.7 million recognised in the financial statements of the transferred company Sostenya Green S.p.A.

The item **Payables beyond 12 months** amounted to Euro 6 million as at 31 December 2021, compared to Euro 7.9 million as at 31 December 2020. They refer mainly to payables arising from the assumption procedure of the Environment business of the Waste Italia S.r.l. arrangement with creditors, the most significant part of which is the tax settlement with a residual payable beyond 12 months as at 31 December 2021 of Euro 4.1 million

Consolidated **shareholders' equity** as at 31 December 2021 amounted to Euro 25.4 million, an increase of Euro 8.2 million compared to Euro 17.2 million as at 31 December 2020. This increase is substantially due to the net profit/(loss) for the period of Euro 6.4 million and the capital transactions of Euro 1.8 million following the conversions into shares of the 2018-2021 Innovatec Warrants.

The **Shareholders' Equity attributable to non-controlling interests** as at 31 December 2021, amounting to Euro 5.3 million (31 December 2020: Euro 1.9 million), reflects the interests of minority shareholders holding 30% of the share capital of Vescovo Romano & Co S.r.l. and 43.55% of Cobat S.p.A.

The analysis of the Consolidated **Net Financial Position** as at 31 December 2021, for which reference is made to Chapter 14 of this Report, amounted to Euro -10 million, compared to the net cash flow of Euro 10.7 million at the end of December 2020.

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12. THE NET RESULTS OF INNOVATEC S.p.A.

Innovatec S.p.A.

Reclassified Income Statement as at 31 December 2021

<i>in Euro/000</i>	2021	%	2020	%	Change % change	
Revenue from ordinary operations	1,983	86	4,445	55	(2,462)	(55)
Other revenues and income	313	14	3,709	45	(3,396)	>100
REVENUES	2,297	100	8,154	100	(5,858)	(72)
Costs for purchases, services and sundry costs	(81)	(4)	(4)	(0)	(77)	>100
Costs for services and leased assets	(1,833)	(80)	(4,167)	(51)	2,334	(56)
Labour cost	(435)	(19)	(527)	(6)	93	(18)
Other operating costs	(450)	(20)	(671)	(8)	220	(33)
EBITDA	(503)	(22)	2,784	34	(3,287)	<100
Amortisation/Depreciations	(335)	(15)	0	0	(335)	>100
Provisions and write-downs	(106)	(5)	(0)	(0)	(106)	>100
EBIT	(944)	(41)	2,784	34	(3,728)	<100
Net financial income (expenses)	50	2	(203)	(2)	253	>100
Value adjustments to financial assets	(1)	(0)	(766)	(9)	766	<100
Profit/(loss) before tax	(895)	(39)	1,815	22	(2,710)	<100
Income taxes	(4)	(0)	(378)	(5)	374	(99)
Net result	(898)	(39)	1,438	18	(2,336)	<100

The Gross Operating Margin (EBITDA) corresponds to the net result adjusted for financial income and expenses as well as depreciation and amortisation of tangible and intangible fixed assets, costs for liabilities related to the Serre Project and write-downs of non-current assets, goodwill and projects. The Gross Operating Margin (EBITDA) is a measure used by the Company to monitor and evaluate the operating performance and is not defined as an accounting measure under ITA GAAP and therefore should not be considered as an alternative measure to the financial statement interim results for evaluating the operating performance. Since the composition of Gross Operating Margin (EBITDA) is not regulated by the reference accounting standards, the calculation criterion used by the Company may not be in line with the criterion used by others and, consequently, may not be comparable.

The 2021 income statement figures of Innovatec S.p.A. alone show **Revenues** of Euro 2.3 million (2020: Euro 8.2 million -66%), an **EBITDA** of Euro -0.5 million (2020: Euro 2.8 million) and a **Net Loss** of Euro 0.9 million (2020: Profit of Euro 1.4 million).

12.1. The Revenues

The 2020 **Revenues** of Euro 2.3 million mainly refer to revenues from services and cost reversal to subsidiaries of Euro 1.6 million. The rest refers to revenues (Euro 0.3 million) on work orders for the construction of the group's landfill facilities, work orders that were then transferred to Innovatec Power S.r.l. in the first half of the year with the transfer of the Esco Costruzioni business unit, on which the parent company made a revenue of Euro 0.2 million.

12.2. The Operating costs

Operating costs before depreciation, amortisation and provisions amounted to approximately Euro 2.8 million (2020: Euro 5.4 million) and consisted mainly of:

- Costs for services and leased assets of Euro 1.8 million (2020: Euro 4.2 million): the costs of the EPC work orders relating to the *construction of waste disposal facilities* amounted to Euro 0.3

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million (2020: Euro 3.2 million) in line with the related revenues. The rest mainly reflects consultancy fees of Euro 0.6 million (2020: Euro 0.3 million), directors' and auditors' fees of Euro 0.2 million (2020: Euro 0.1 million) and management fees from the former parent company Sostenya Group Ltd of Euro 0.2 million (2020: Euro 0.2 million)

- the group's personnel costs amounted to Euro 0.4 million, down from Euro 0.5 million in 2020 due to the reallocation of part of the personnel to the operating companies (average 2021: 5.1 persons; average 2010: 6.5 persons);
- sundry operating expenses decreased to Euro 0.4 million (2020: Euro 0.7 million), of which Euro 0.2 million related to contingent liabilities. Last year's figure reflected contingencies, losses and penalties of Euro 0.5 million as well as donations of Euro 0.1 million to support the health facilities involved in the management of the pandemic.

12.3. The EBITDA

The revenue trend was also reflected on the **EBITDA**, which amounted to Euro -0.5 million (2020: Euro 2.8 million)

12.4. The EBIT

The Operating Loss amounted to Euro -0.9 million (2020: Euro 2.8 million) as a result of amortisation/depreciations (Euro 0.3 million) and provisions (Euro 0.1 million) mainly on residual risks arising from the Serre Project terminated in 2019. In the 2020 financial year, the company availed itself of the regulations on the suspension of depreciations/amortisation pursuant to Italian Decree Law No. 104/2020 (with a benefit of Euro 0.2 million).

12.5. Net financial income/(expenses)

Net financial income/(expenses) amounted to Euro 50 thousand (2020: Euro -0.2 million). During the year, the parent company received dividends from Innovatec Power S.r.l. of approximately Euro 0.3 million and from the associated company Exalto S.r.l. of Euro 0.1 million, profits on asset management of Euro 0.1 million, as well as interest income on loans to subsidiaries of Euro 0.1 million and financial discounts of Euro 0.1 million. This income was partially offset by the capital loss on the sale of the Volteo equity investment of Euro 0.3 million, financial expenses on third-party loans of Euro 0.2 million and interest expense to related parties of Euro 0.2 million.

12.6. Adjustments to financial assets

The 2020 value adjustments to financial assets of Euro 0.8 million were mainly affected by write-downs on the equity investments Volteo Energie S.r.l. and Sostenya Green S.p.A.

12.7. The Profit

In the light of the above, the Net Loss was Euro 0.9 million compared to a 2020 Profit of Euro 1.4 million.

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13. FINANCIAL TREND OF INNOVATEC S.P.A.

Innovatec S.p.A.

Reclassified Statement of financial position as at 31 December 2021

<i>in Euro/000</i>	31 December 2021	%	31 December 2020	%	Change	% change
Intangible fixed assets	618	2	554	4	65	12
Property, plant and equipment	4,105	10	4,119	29	(13)	(0)
Equity investments	17,213	44	11,800	83	5,413	46
Other non-current financial assets	16,419	42	108	1	16,310	>100
Fixed assets	38,355	98	16,581	117	21,775	131
Trade receivables	95	0	192	1	(97)	(51)
Inventories and Work in progress	0	0	189	1	(189)	(100)
Trade payables	(654)	(2)	(2,498)	(18)	1,844	(74)
Current receivables from parent companies and associates	3,957	10	3,107	22	850	27
Current payables from parent companies and associates	(1,568)	(4)	(2,373)	(17)	805	(34)
Other current receivables	1,214	3	1,906	13	(691)	(36)
Other current payables	(1,903)	(5)	(2,588)	(18)	686	(26)
Net working capital	1,141	3	(2,066)	(15)	3,207	>100
Post-employment benefits, Provisions for Taxes, Risks and Charges	(269)	(1)	(292)	(2)	23	(8)
Net invested capital	39,228	100	14,223	100	25,005	176
Cash and cash equivalents	369	1	2,086	15	(1,716)	(82)
Other net financial assets/(liabilities)	(20,952)	(53)	1,424	10	(22,376)	>100
(Indebtedness)/net available funds	(20,582)	(52)	3,510	25	(24,092)	(686)
Shareholders' equity	18,645	48	17,733	125	913	5
Total sources of funds	39,228	100	14,223	100	25,005	176

The Net Working Capital is obtained as the difference between current assets and current liabilities, excluding financial assets and liabilities. Deferred tax assets were included in other current assets. The Net Working Capital is not identified as an accounting measure under the relevant accounting standards. The Net Invested Capital is obtained as the algebraic sum of net working capital, non-current assets and long-term liabilities. The Net Invested Capital is not identified as an accounting measure under the relevant accounting standards. The Net Financial Position "NFP" is obtained as the algebraic sum of cash and cash equivalents, current financial assets and short- and long-term financial liabilities (current and non-current liabilities).

As at 31 December 2021, the parent company Innovatec S.p.A. showed a **Net Invested Capital** of Euro 39.2 million, a **Group Shareholders' Equity** of Euro 18.6 million and a **Net Financial Position** of Euro -20.6 million.

Net Invested Capital amounted to Euro 39.2 million at the end of 2021, an increase of Euro 25 million compared to Euro 14.2 million at the end of December 2020 as a result of the higher equity investments held, net of the sales to Haiki+ S.r.l. of Clean Tech (Euro 5.8 million) and Sostenya Green S. p.A. to the parent company (Euro 1.7 million), in Haiki+ S.r.l. (Euro 5 million), Innovatec Venture S.r.l. (Euro 0.9 million) and the purchases of Category A and B Equity Instruments issued by SPC Green S.p.A. (now merged into Green Up S.p.A.) of Euro 0.3 million and Euro 7 million, respectively. Moreover, the increase in Net Invested Capital is also attributable to the reduction in operating payables following the corporate reorganisation into a mere holding company and greater chargebacks and services to subsidiaries, as well as to the residual loans (Euro 6 million) disbursed in 2021 to Haiki+ S.r.l. for the latter to purchase the Clean Tech and Cobat equity investments, and to loans disbursed to Green Up S.p.A. and Innovatec USA of Euro 10 million and Euro 0.5 million, respectively, for production investments.

In detail, **Fixed Assets** amounted to Euro 38.4 million in 2021 compared to Euro 16.6 million as at 31 December 2020. The increase of Euro 21.8 million is mainly attributable to the already mentioned changes in equity investments and PFIs (Euro +5.7 million) as well as to the residual loans (Euro 6 million) disbursed in 2021 to

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Haiki+ S.r.l. for the latter to purchase the Clean Tech and Cobat equity investments, and to loans disbursed to Green Up S.p.A. and Innovatec USA of Euro 10 million and Euro 0.5 million, respectively, for production investments.

The **Net Working Capital** ("NWC") decreased from Euro -2.1 million at the end of December 2020 to Euro 1.1 million as at 31 December 2021 as a result of the reduction in operating payables following the corporate reorganisation to a mere holding company and increased chargebacks and services to subsidiaries. Specifically, receivables from affiliated companies increased from Euro 3.1 million at the end of 2020 to Euro 4 million as at 31 December 2021 as a result of higher chargebacks and services to subsidiaries (Euro 0.9 million) and receivables for tax consolidation from Innovatec Power S.r.l. (Euro 0.9 million). These increases were partially offset by payments of payables owed to Volteo Energie S.r.l. and Sostenya Green S.p.A. (Euro 0.9 million) following their sale in 2021. Payables to affiliated companies decreased from Euro 2.4 million at the end of 2020 to Euro 1.6 million as at 31 December 2021 as a result of payments made to the former parent companies Sostenya Group Plc and Gruppo Waste Italia S.r.l. Other receivables amounted to Euro 1.2 million (2020: Euro 1.9 million) as a result of the reduction in VAT credits from Euro 1.7 million to Euro 0.3 million, partially offset by IRES and IRAP advances paid during the year of Euro 0.7 million. Other payables amounted to Euro 1.9 million (2020: Euro 2.6 million) as a result of the reduction of Euro 0.9 million in TEE payables pertaining to the Serre Project, partially offset by the higher tax liability resulting from the IRES tax consolidation.

The **Shareholders' Equity** amounted to Euro 18.6 million (31 December 2020: 17.7 million), which increased as a result of the conversion of the 2018-2021 Warrants outstanding and discharged to date, partially offset by the loss for the year.

The analysis of the **Net Financial Position** as at 31 December 2021, for which reference is made to Chapter 15 of this Report, equal to Euro -20.6 million, compared to the net cash flow of Euro 3.5 million at the end of December 2020.

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14. THE NET FINANCIAL POSITION OF THE INNOVATEC GROUP

Innovatec group

Values in euro thousand

Net financial position	31/12/21	31/12/20	Changes
Cash	28	23	5
Demand and term deposits with banks	24,925	15,095	9,830
Liquidity	24,953	15,118	9,835
Portfolio, securities and Investment management	2,993	1,813	1,180
Current financial receivables	2,993	1,813	1,180
Short-term borrowings	(6,531)	(197)	(6,334)
Current financial payables	(4,776)	(1,319)	(3,457)
Current financial payables to parent companies	(77)	(2,482)	2,405
Payables for equity investments	(7,401)	0	(7,401)
Overdue payables for suppliers	(929)	0	(929)
Current financial indebtedness	(19,714)	(3,998)	(15,716)
Net current financial indebtedness	8,232	12,933	(4,701)
Long-term borrowings	(6,826)	(1,936)	(4,890)
Non-current financial payables	0	(3)	3
Non-current financial payables to parent companies and affiliated companies	(1,531)	(307)	(1,224)
Payables for equity investments	(300)	0	(300)
Bond	(9,616)	0	(9,616)
Non-current financial indebtedness	(18,273)	(2,245)	(16,028)
Net non-current financial indebtedness	(18,273)	(2,245)	(16,028)
Net financial position	(10,041)	10,688	(20,729)

The **Consolidated Net Financial Position** as at 31 December 2021 amounted to Euro -10 million, compared to the net cash flow of Euro 10.7 million at the end of December 2020. The operating cash flows generated during the year of Euro 27 million, thanks to the increase in the Group's business and profitability as well as the collection of Euro 1.8 million from the exercise of the last outstanding 2018-2021 Warrants, were partially offset by production investments of Euro 8 million, by the acquisitions for a total of Euro 27 million of the remaining equity investment (49.9%) in Clean Tech, of the Class B Participating Financial Instruments issued by SPC Green S.p.A., now merged into Green Up S.p.A., and 56.45% of Cobat, as well as the deconsolidation of the cash and cash equivalents of Sostinya Green S.p.A. (now Sostinya Green S.r.l.) of Euro 2.5 million and the acquisition of the financial payable present in Cobat of approximately Euro 10 million.

Cash and cash equivalents amounted to Euro 25 million compared to Euro 15.1 million at the end of December 2020, an increase of Euro 9.8 million as a result of the positive margins achieved in the period.

Portfolio, securities and other investment management amounted to Euro 3 million, compared to Euro 1.8 million at the end of December 2020. The increase is substantially attributable to Cobat's bonds in the portfolio, which amounted to Euro 2.6 million as at 31 December 2021, partially offset by the disinvestment of Euro 1.4 million by the parent company Innovatec S.p.A. of the "BG Solution TOP Client" Portfolio management of Banca Generali. The residual amount refers for Euro 300 thousand to the investment made in December 2020 by Green Up S.p.A. in the Fidelity Fund Sicav and for Euro 55 thousand to securities held by the subsidiary Vescovo Romano & C. S.r.l.

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Situation of Loans in the Group

In January 2021, the parent company Innovatec took out a loan agreement with Banca Progetto S.p.A. of Euro 2.9 million. The residual value as at 31 December 2021, recorded at “amortised cost”, amounted to Euro 2.3 million. The loan agreement provides for the repayment in 48 months, including an initial grace period of 3 months, at a variable rate of Euribor 1m + 450bps (zero floor) and is backed by the guarantee granted by the Central Guarantee Fund equal to 90% of the amount.

The Integrated Environmental Services division has bank loans outstanding as at 31 December 2021 for a residual value of Euro 11 million, of which: i) Euro 2.3 million relating to a loan – backed by the guarantee granted by the Central Guarantee Fund equal to 90% of the amount – taken out by Green Up S.p.A. in February 2021 with Banca Progetto S.p.A. for a disbursed value of Euro 2.6 million, with a 4-month grace period (first principal instalment expected in September) and at a variable Euribor 1m + 450bps rate (zero floor),

ii) Euro 0.9 million taken out with various banks, by the subsidiary Vescovo Romano & C. S.r.l., of which Euro 0.6 million amortising expiring on 30 June 2025, iii) Euro 7.7 million for opening of credit lines, loans and mortgage on the property owned by Cobat S.p.A. and iv) Euro 42 thousand taken out with BCC by Ecological Wall S.r.l. amortising 2024.

In detail:

Short-term bank payables amounted to Euro 6.5 million and mainly refer for Euro 0.7 million and Euro 0.5 million to the short-term portions of loans granted by Banca Progetto to Innovatec S.p.A. and Green Up S.p.A., respectively, Cobat's mortgages, loans and opening of credit lines of Euro 5 million as well as to the short-term portions of loans granted to Vescovo Romano & C. of Euro 0.3 million. S.r.l.

Long-term borrowings amounted to Euro 6.8 million and refer for Euro 1.6 million and Euro 1.8 million to the long-term portions of the two loans granted by Banca Progetto to Innovatec and Green Up, for Euro 2.8 million to the long-term portion of the loan on Cobat's real estate as well as for Euro 0.6 million to the long-term portion of the bank loans granted to Vescovo Romano & C. S.r.l.

Current financial payables to third parties amounted to Euro 4.8 million and refer to forms of disinvestment of receivables from major Cobat customers through the signing of agreements for the sale of such receivables to factoring companies. The amount recognised in the financial statements refers to financial advances received from factors in connection with assignments of receivables outstanding at the end of the reporting period, while the related assigned receivables continue to be recognised as current assets.

Current payables for equity investments amounted to Euro 7.4 million and refer to residual payables for the purchase of 49.9% of the Clean Tech equity investment and Participating Financial Instruments (BPFI) issued by SPC Green S.p.A., now merged into Green Up.

Overdue payables for suppliers of Euro 0.9 million refer to items over 120 days past due with Group suppliers.

Non-current financial payables to parent companies and affiliated companies of Euro 1.5 million mainly refer to interest-bearing loans granted by Sostenya Group S.r.l. and Sostenya Group Ltd. of Euro 0.75 million each.

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Current payables for equity investments of Euro 0.3 million refer to the payable for the acquisition of 90% of Ecological Wall S.r.l.

Bond: Euro 9.6 million. On 23 December 2021, it finalised the issue of a bond of Euro 10 million ("MiniBond"), backed by SACE's Italian Guarantee, the instrument envisaged by the Liquidità (Liquidity) Decree intended to support Italian companies during the Covid-19 emergency, for 90% of the value, with the aim of supporting its plant development in the field of the circular economy. Specifically, the issue of the MiniBond allows Innovatec to intervene in support of its subsidiary Green Up S.p.A. to finance investments and working capital related to the treatment, recycling and end-of-life activities of non-hazardous industrial waste. In detail, the MiniBond whose issue was resolved by the Company's Board of Directors on 10 December 2021 has a maturity date on 30 September 2026, an annual interest rate of 6% and an amortising repayment with 18 months of pre-redemption. The bonds were issued at par, with a unit denomination of Euro 100,000.00. Moreover, the MiniBond, in line with the practice referring to terms and conditions of bond instruments of a similar nature, is subject, inter alia, to compliance with covenants relating to the level of the Group's total net financial indebtedness with respect to shareholders' equity and EBITDA. The subscribers were: ZENIT SGR S.p.A. (Euro 5 million through the reserved closed-end alternative investment fund called "Progetto MiniBond Italia"), Finlombarda S.p.A. – a financial company of the Lombardy Region – (Euro 4 million), Seac Fin S.p.A. (Euro 500 thousand) and Banca Fintat (Euro 500 thousand), the latter as manager of the two Sicav New Millennium Funds "Large Europe Corporate" and "PIR Bilanciato sistema Italia".

#	Date	Depreciation/amortisation plan Euro 000's		
		Residual nominal value	Repayment of the principal amount	% of repayment of the cumulated principal amount
1	30/09/23	8,572	1,429	14.29%
2	31/03/24	7,143	1,429	28.57%
3	30/09/24	5,715	1,429	42.86%
4	31/03/25	4,286	1,429	57.14%
5	30/09/25	2,858	1,429	71.43%
6	31/03/26	1,429	1,429	85.71%
7	30/09/26	0	1,429	100.00%

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15. THE NET FINANCIAL POSITION OF INNOVATEC S.P.A.

Innovatec S.p.A.

Values in euro thousand

Net financial position	31/12/20	31/12/20	Changes
Cash	1	0	1
Demand and term deposits with banks	369	2,085	(1,717)
Liquidity	369	2,086	(1,716)
Portfolio, securities and Investment management	3	1,457	(1,455)
Financial receivables from subsidiaries	0	1,703	(1,703)
Current financial receivables	3	3,161	(3,158)
Short-term borrowings	(696)	(5)	(691)
Payables for equity investments	(7,401)	0	(7,401)
Current financial payables to parent companies and affiliated companies	(1,531)	(1,731)	200
Overdue payables for suppliers	(92)	0	(92)
Current financial indebtedness	(9,720)	(1,736)	(7,984)
Net current financial indebtedness	(9,348)	3,510	(12,858)
Long-term borrowings	(1,619)	0	(1,619)
Bond	(9,616)	0	(9,616)
Non-current financial indebtedness	(11,235)	0	(11,235)
Net non-current financial indebtedness	(11,235)	0	(11,235)
Net financial position	(20,582)	3,510	(24,092)

The **Net Financial Position** as at 31 December 2021 is equal to Euro -20.6 million, compared to the net cash flow of Euro 3.5 million at the end of December 2020. The increase in indebtedness of Euro 24.1 million mainly reflects the acquisitions for a total of Euro 27 million of the remaining equity investment in Clean Tech, the Class B Participating Financial Instruments issued by SPC Green S.p.A. now merged into Green Up and 56.45% of Cobat partially offset by the collection of Euro 1.8 million deriving from the exercise of the last 2018-2021 Warrants in circulation. Equity investments in Clean Tech and Cobat totalling Euro 20 million were subsequently sold during the year to the subsidiary Haiki+ S.r.l., sub-holding company of the Environment and Circular Economy business. The liquidity of Euro 10 million deriving from the aforementioned bond ("MiniBond") was transferred on 31 December 2021 – pursuant to the MiniBond regulation – to Green Up with the taking out of a specific intercompany loan mirroring the MiniBond in terms of duration, amortisation, expenses and interest.

Short-term bank payables amounted to Euro 0.7 million and refer to the short-term portion of the loan granted by Banca Progetto of Euro 2.9 million, of which Euro 1.6 million is recorded under **Long-term borrowings**.

Current payables for equity investments amounted to Euro 7.4 million and refer to residual payables for the purchase of 49.9% of the Clean Tech equity investment and Participating Financial Instruments (BPFI) issued by SPC Green S.p.A., now merged into Green Up S.p.A.

Non-current financial payables to parent companies and affiliated companies of Euro 1.5 million mainly refer to interest-bearing loans granted by Sostenya Group S.r.l. and Sostenya Group Ltd. of Euro 0.75 million each.

The **Bond** of Euro 9.6 million has already been fully described at the beginning of Chapter 14.

16. RISK FACTORS AND UNCERTAINTIES

The businesses carried out by the Innovatec Group are highly regulated, and the Innovatec Group companies pay particular attention to the relevant regulations in order to be constantly updated so as to adopt, where possible, the best application solutions in response to regulatory changes. Therefore, in carrying out its operations, the Group and Innovatec S.p.A. incur risks deriving from external factors related to the regulatory and macroeconomic environment, including the legislative, financial, credit, sectors in which the Group operates or consequent to strategic choices made by management that expose it to specific risks, as well as internal risks of ordinary operations, respectively. In particular, the activities of the companies operating in the Integrated Environmental Services business are subject to the environmental protection regulations in force in Italy. Moreover, due to the peculiar nature of the sector in which it operates, the Group is potentially subject to a wide range of legal and administrative proceedings with reference to environmental issues. Therefore, the Group and Innovatec S.p.A. are significantly affected by the trend of scenario variables beyond Innovatec's control, including the issue and/or revocation of administrative authorisations and the development of the legal and regulatory framework. The Group and Innovatec S.p.A. constantly monitor these risk factors in order to assess in advance their potential negative effects and take appropriate actions to mitigate them.

The main risks and uncertainties facing the Innovatec Group and Innovatec S.p.A. are presented below. It should be noted, however, that there may be risks that are not currently identified, or are not considered significantly relevant, that could nevertheless have an impact on the Group's business and individually on the parent company Innovatec S.p.A.

16.1 Environmental and Operational Regulatory Risks

At the level of environmental and operational regulatory risks, Innovatec S.p.A. and the Innovatec Group are currently engaged in a continuous monitoring activity in order to promptly acknowledge the changes that have occurred, while working to minimise the economic impact that may derive from them. The Company and the Innovatec Group operate in highly regulated business sectors and are required to comply with a large number of applicable laws and regulations. The feasibility and success of such services depend on many external factors, including the high degree of complexity of the provisions regulating the construction of the facilities, their going into operation and their running, the performance of waste collection, treatment, sorting and bedding, the protection of the environment and the recognition of legal incentives on the activities and services offered.

Therefore, these factors affect the way in which the Group and the Company carry on their business. Moreover, the high degree of complexity and fragmentary nature of national and local regulations in the relevant sectors, combined with their not always uniform interpretation by the competent authorities, makes the actions of operators in the sector complex, generating situations of uncertainty and legal disputes. Any future changes in the regulatory framework, or restrictive interpretations thereof, or any failure to obtain, renew and/or revoke the necessary concessions/authorisations and incentives, as well as any appeals, could have an adverse effect on the business and operating results, financial position and/or cash flows of the Company and the Group, and could cause the Group to change or reduce its development targets in certain areas or technologies.

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16.1.1. Risks related to changes in incentive policies

The Innovatec Group is exposed to the risk of possible discontinuations and/or changes in incentive policies for energy efficiency and/or possible downsizing of measures to encourage the development of renewable energy and energy efficiency. Although incentive policies for energy efficiency have been applied continuously over the last few years, some of them have a fixed duration and may run out in the coming years. There is no guarantee that these policies will be renewed in the future and that the activities offered by the group will therefore benefit from the incentives currently in place.

Despite the fact that the sector benefits at the date of this Report from objective incentives (in terms of tax deductions, ecobonus invoicing discounts, green certificates, white certificates, etc.), any changes or downsizing in the measures aimed at fostering the development of renewable energy and energy efficiency or a radical change in the incentive policies supported to date by the legislator, could induce the group to change or reduce its development plans and therefore negatively affect the profitability of production, with consequent negative effects on Innovatec's operating results, financial position and/or cash flows.

16.1.2. Risks related to amendments to the laws and/or regulations in which Innovatec operates

The Group operates in highly regulated business sectors and is required to comply with a large number of applicable laws and regulations. These regulations cover energy efficiency, renewable energy, incentive mechanisms, construction and putting into operation of plants, environmental protection, as well as waste management, treatment and disposal.

The high degree of complexity and fragmentary nature of national and local regulations in the relevant sectors, combined with their not always uniform interpretation by the competent authorities, makes the actions of operators in the sector complex, generating situations of uncertainty and legal disputes.

The introduction of new laws and regulations or the imposition of new or increased regulatory requirements, also applicable to facilities that have already been authorised, could entail additional costs and generate new or increased liabilities that could reduce profitability and available liquidity or have a significant impact on the Integrated Group's reference markets and adversely affect the Group's operations and operating results, financial position and/or cash flows.

The possible adoption of more restrictive or unfavourable regulatory measures, as well as the imposition of obligations to adapt and modify existing facilities or further obligations related to the operation of plants, could lead to changes in operating conditions and require an increase in investments, production costs or otherwise slow down the development of activities.

This risk is even more significant in the presence of recently issued regulations characterised by the need to be executed by implementing decrees, regulations and/or other measures such as the Superbonus regulated by the "Rilancio" (Relaunch) Decree. The adoption of regulatory measures, as well as interventions by authorities such as the Italian Internal Revenue, make the regulatory framework in which the Innovatec Group intends to operate with HouseVerde changeable. Such changes may result in the Innovatec Group having to adjust, modify and/or vary its offer of services and/or adversely affect the development of its activities.

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Therefore, any future changes in the regulatory framework, which could also have retroactive effects, or any restrictive interpretations thereof, could adversely affect the Group's business and its operating results, financial position and/or cash flows.

16.1.3. Risks related to permits, concessions and administrative authorisations for the carrying out and development of the Environment and Circular Economy business

The activities of the corporate group underlying Haiki+ S.r.l. and specifically Green Up and Vescovo Romano & C. S.r.l. are subject to particularly complex administrative procedures, which require obtaining permits and/or authorisations from the competent authorities. Such applications may be rejected by the competent authorities for many reasons or be approved with delays, even significant delays, compared to the planned timing. Obtaining permits and/or authorisations can also be delayed or hindered by changes in the regulatory framework or even by opposition from communities in the areas affected by the projects.

Moreover, there is no certainty that the Group will be able to retain the authorisations, licences and/or permits already granted and/or in place that are required to continue its activities. Any failure to obtain or delay in obtaining the required permits, concessions and/or authorisations, the revocation, cancellation or non-renewal of permits and authorisations obtained by the Group, as well as any challenge by third parties to the issue of such permits, concessions and authorisations, can therefore be considered as risks typical of the activities carried out by the Group, and this could induce Innovatec to change or reduce its development objectives in certain areas or technologies, and/or cause adverse effects on the Group's business and its operating results, financial position and/or cash flows.

16.1.4 Risks related to the Superbonus 110% regulation

The bonuses envisaged by the “Rilancio” (Relaunch) Decree of 19 May 2020, converted into Italian Law no. 77 of 17 July 2020, allow for redevelopment works on building structures (excluding those that do not require building permits (“edilizia libera”) – Ministerial Decree of 2 March 2018), subject to urban planning compliance of the building units on which the work is being carried out, thus requiring a building matrix check followed by a suitable sworn deed, which allows the contracting company to start work.

Any difference found – even after the work has been carried out and the credit has been assigned – that downgrades the redevelopment operation to “ineligible” for the superbonus benefit, will generate a joint and several liability of the individual parties involved (customer, certified technicians, contractors, performers of the works), with the right of recourse against the professional(s) actually responsible, to the extent determined by the seriousness of their respective fault and the extent of the consequences arising therefrom.

As a result, projects bear regulatory risks, interpretation risks, execution risks and risks of certification of the work carried out. To cover these risks, each of the professionals already involved in the production chain of activities, including also the Innovatec Group as “Contractor”, has taken out specific insurance policies, as will be taken out by any new professional who joins the production chain.

16.1.5. Risks related to technological development

The technologies used in the Innovatec Group's business sectors are subject to rapid change and a constant process of improvement. In order to keep the cost of the offer of energy efficiency services competitive and

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to develop its business, the Group must therefore continuously update its technologies to support its offers and constantly monitor the evolving technology market. Moreover, with reference to the Integrated Environmental Services business, the trend in industrial waste production must be compared and adapted, in the medium to long term, to the most recent European regulations on Circular Economy, which envisage the implementation of increasingly high levels of efficiency in the waste management cycle in terms of recycling, dedicated facilities and the reduction of landfilling. This requires the development of more virtuous integrated waste cycle management technologies and processes through the construction of new facilities.

Should the Innovatec Group be unable to adequately acquire or develop available technologies, or should it be unable to develop new technologies that may become available in the future, the Innovatec Group may have to change or reduce its development targets or face a reduction in the efficiency of its offers and facilities, which may have a negative impact on Innovatec's business and financial condition.

16.1.6 Risks related to the distribution of dividends and limits on the property rights of participating financial instruments issued by SPC Green S.p.A. now merged into Green Up S.p.A. as well as the governance structure

On 15 July 2019 and 15 April 2020, the Extraordinary Shareholders' Meeting of SPC Green S.p.A. – as part of the assumption contract approved by the Court of Milan of the discharged assets and liabilities of the Ambiente business unit of Waste Italia S.r.l. – approved respectively:

- the issue of participating financial instruments for a total maximum amount of Euro 4,931 thousand denominated PFS, category A “APFI”, intended for the financial creditors of class VII of the Waste Italia S.r.l. arrangement with creditors (i.e. *bondholders and BNP with reference to the revolving credit facility*);
- the issue of participating financial instruments for a total maximum amount of Euro 10 million denominated PFS, category B “BPFI”, subscribed by the Sound Point Beacon Master Fund LP, managed by Sound Point Capital Management LP.

The APFI and BPFI participating financial instruments envisage a specific preferential distribution in the event of the distribution of reserves, profits or dividends by SPC Green S.p.A. (now Green Up S.p.A.). In both regulations, a mechanism is also envisaged whereby the company will be obliged to pay dividends to the holders of the participating instruments out of the available cash and profits or retained earnings resulting from the last approved financial statements (regardless of whether the shareholders' meeting of Green Up S.p.A. resolved to distribute such dividends), in accordance with the conditions set out in each of the regulations, from December 2023 for APFIs and from 16 April 2030 for BPFIs.

In particular, the APFIs of Euro 4,931 give the right to participate in any distribution of profits and/or allocation of the liquidation shareholders' equity, with the consequent right to receive – with priority over the shares – 75% of such distributions and/or allocations among all the holders, up to the amount of the shareholders' equity reserve allocated in the financial statements, with the remaining 25% to the shareholders. On the other hand, BPFIs, subject to full satisfaction of the economic rights incorporated by the APFIs but with preference over the shareholders, enjoy the right to the distribution of profits or reserves equal to 95% of the dividends and/or distributions up to the threshold of Euro 17 million.

On 14 July 2021, as part of Innovatec's acquisition of the remaining equity investment (49.9%) in Clean Tech LuxCo SA (*subsequently Clean tech S.r.l.* now merged into Haiki+ S.r.l.), Innovatec acquired all of the outstanding BPFIs resulting in the elimination of the right to preferential dividends to third parties and governance rights.

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On the other hand, with reference to APFIs, SPC Green S.p.A. (now merged into Green Up S.p.A.) had requests in 2020 that were followed by the relevant issue of instruments for a total value of Euro 2,472 thousand, equal to 50.14% of the maximum amount approved. A majority portion of the above-mentioned APFIs (Euro 2,080 thousand) are owned by the Group, while the remaining 392 thousand APFIs are owned by third parties and 2,388 thousand rights have not yet been exercised.

As at the date of this Report, the limitations envisaged in the governance of Green Up S.p.A. in the regulations of the BPFIs have been eliminated, while those relating to APFIs remain limited to Euro 355 thousand of APFIs issued and no. 2,459 thousand of rights pending.

16.1.7 Risks related to the execution of the Waste Arrangement with Creditors by SPC Green S.p.A. now merged into Green Up S.p.A.

The Company and the Group, in the presence of current obligations resulting from past events, which may be legal or contractual or derive from statements or behaviour of the company such as to create in third parties a reasonable expectation that the company is responsible or takes responsibility for fulfilling an obligation, makes provisions for risks and charges present among the liabilities in the financial statements. As at 31 December 2021, provisions for risks and charges amounted to Euro 37.3 million, of which Euro 21.4 million for liabilities recognised in SPC Green S.p.A. (now merged into Green Up) arising from the assumption procedure of the assets and liabilities discharged in the arrangement with creditors of Waste Italia S.r.l.

On 5 December 2018, the Court of Milan published the decree approving the arrangement with creditors submitted by Waste Italia, whose arrangement plan was aimed at ensuring “indirect going concern” through the assumption of the relevant assets and liabilities by two assumptors: SPC Green S.p.A. (now merged into Green Up) and the now affiliated Sostenya Green S.p.A., who undertook to fulfil the payment obligations under the Waste Arrangement with creditors. The deeds of transfer against the assumpor SPC Green are final, irrevocable and cannot be revoked even in the event of a reform of the Waste Arrangement with creditors. Therefore, even in the event of a reform of the Waste Arrangement with creditors, Green Up will definitively remain the owner of the transferred assets and exclusively liable for the liabilities within the limits of the write-off percentage. Therefore, as also provided for in the deed of transfer of Waste Italia's business units to SPC Green, the revival of the written off portion will be the sole responsibility of Waste Italia and SPC Green will not be able to write-back the liabilities or be held liable for liabilities in excess of those provided for in the assumption deed.

As at 31 December 2021, residual exposures amounted to Euro 29.2 million, of which Euro 2.1 million within twelve months, Euro 5.7 million beyond twelve months, (of which Euro 4.1 million to the Italian Inland Revenue amortising with a final date of 2027) and Euro 21.4 million for risk provisions and other liabilities assumed. These include other unsecured funds and other liabilities for assumption of Euro 0.1 million, whereas Euro 21.3 million reflect the liabilities under the composition agreement for closure and post-closure provisions of the landfills formerly held by Waste Italia, which will actually occur only when the landfills (now managed by Green Up) are in the closure phase and will be spread over the next thirty years from that date.

The Provisions for Risks also include liabilities of Euro 14.1 million referring to the allocations made by Green Up (which manages the Group's landfills) of the costs to be incurred for the closure and post-closure of the Group's landfills, i.e. the total of all costs to be borne by the Group for landfill closure and post-closure works. These costs are defined by means of a technical report and are set aside over the useful life of the landfill in relation to the filling percentages of the various sites and are to be understood as additional to those initially passed on to SPC Green as a result of the assumption.

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The flow of payments for the fulfillment of the original SPC Green commitments as well as the other funds will be secured by the foreseeable future cash flows generated by the subsidiary Green Up. Therefore, the Group's ability to manage this risk – which the Group considers to have a low probability of occurrence – depends on Green Up's ability to continue to generate adequate cash flow to support the business and these exposures.

16.2.7 Risks and disputes

The Group is a party to recovery lawsuits related to the normal course of its sales and supply activities. However, on the basis of the information currently available and the advice of the in-house legal department and the external lawyers contracted, and considering the recognised payables and the allocated risk provisions, it is believed that the outcome of these proceedings and actions will not result in significant adverse effects on the Group's operating results, financial position and/or cash flows that are not already adequately covered by appropriate risk provisions.

16.2.7.1. Serre Project – GSE dispute

In 2014, Innovatec launched the Serre Project and submitted 24 projects to the GSE requesting the recognition of 173,045 TEEs determined in application of “technical data sheet no. 40E” as amended by the Decree of the Ministry of Economic Development of 18 December 2012. Against these requests, the GSE recognised a number of TEEs lower than expected (88,025 TEEs compared to the 173,045 TEEs requested), contesting the calculation methods applied by Innovatec.

In connection with this circumstance, during 2015 and 2016, Innovatec filed formal appeals with the Regional Administrative Court of Lazio in respect of 21 (out of the total of 24) projects submitted, requesting the annulment, in some cases subject to the suspension of the effectiveness, of the GSE measures whereby and in the part in which a number of TEEs lower than the number requested was recognised, and of any prior, connected and/or consequential act.

During 2018 and 2019, the Regional Administrative Court of Lazio upheld 20 of Innovatec's appeals, annulling the GSE's denial orders concerning the practices for boiler replacement interventions submitted under the Serre Project. The issue of the favourable judgements for the Issuer resulted in the recognition of TEEs and the resulting liquidity of approximately Euro 12.5 million in total, of which Euro 6.1 million in 2019.

The judgements of the Regional Administrative Court of Lazio were appealed against by the GSE before the Council of State for a total relief sought of approximately 65,000 TEEs, equivalent to a value at current prices of approximately Euro 16.25 million. At the beginning of April 2022, the disputed issue relating to the technical form model 40E was settled on the basis of and pursuant to the principles expressed in the judgements issued during 2018 and 2019 by the Regional Administrative Court of Lazio with the release of Innovatec against GSE Gestore dei Servizi Elettrici S.p.A. from all contingent liabilities relating to the repayment of part of the incentives received with regard to the Serre Project amounting to approximately Euro 16.25 million. In consideration of the above, Innovatec and the GSE have waived all pending litigations and all present and future actions and/or claims.

16.2.7.2. Civil dispute pursuant to Art. 702-bis Italian Code of Civil Procedure with Vivai Cecere Aniello Soc. Agr.

By appeal notified to Innovatec on 25 February 2016, Vivai Cecere Aniello Soc. Agr. (“**Vivai Cecere**”) started a summary action requiring adjudication of substantive rights pursuant to Article 702-bis Italian Code of Civil Procedure before the Court of Benevento (G.R. no 655/2019) in order to obtain the order of Innovatec to pay damages arising from the alleged breach of a loan for use agreement of no. 2 biomass

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boilers, quantified in Euro 268,865.00 as shown in the technical report prepared by Rispoli, in addition to economic and non-economic damages, legal and default interest.

In particular, on 11 April 2014, Innovatec and Vivai Cecere signed a loan for use agreement, whereby Innovatec undertook to install and grant on free loan 2 biomass boilers. Some problems arose during the course of the works, including the explosion of a puffer. Vivai Cecere prevented the final testing of the facility by first promoting an Expert Review (G.R. no. 848/2015), during which the damages were quantified in Euro 268,865.00, and subsequently the lawsuit on the merits pursuant to Article 702-bis Italian Code of Civil Procedure, which is the subject matter of this paragraph.

Innovatec appeared before the court requesting initially a change of procedure pursuant to Article 702-ter of the Italian Code of Civil Procedure and, on the merits, the rejection of all of the requests of the opposite party, in that groundless in fact and in law, as well as the rejection of the request to obtain the file of the Expert Review procedure, since the expert's report is to be considered null and/or inadmissible and/or seriously flawed and to carry out a new opinion of the court-appointed expert. By measure of 15 July 2020, the case was remanded for preliminary investigation and adjourned to the hearing of 9 October 2020 for the appointment of Innovatec's court-appointed expert and PTC. This was followed by an adjournment by the court to the hearing on 19 March 2021 for the same formalities.

Innovatec set aside a sum equal to half the amount requested by the counterparty in the provision for risks and charges in the financial statements. On 22 February 2022, the parties signed a settlement agreement recognising Euro 222 thousand in favour of Vivai Cecere, including legal fees. On 11 March 2022, the case was removed from the register by the Court of Benevento.

16.2.7.3 Criminal procedure no. 5706/2015, Criminal procedure no. 2188/2019 at the Court of Trani

With judgement no. 2442/2019 of 15 October 2019, the Court of Trani applied, at the request of the parties pursuant to Article 444 of the Code of Criminal Procedure, with reference to Innovatec, the pecuniary administrative sanction of Euro 13,000 as part of the criminal proceedings concerning industrial injuries that occurred on 8 August 2015 to Gian Marco Corvasce and Giuseppe Ricco, employed de facto by the company AC Elettronica Sistem di A. Corvasce, subcontractor of Innovatec, while they were carrying out assembly and installation operations of photovoltaic panels on the roofs of a greenhouse owned by Tricarico Vincenzo in Terlizzi.

In particular, the works were originally commissioned by Tricarico Vincenzo to Stea Divisione Energia Solare S.r.l. (later merged into Innovatec) and later subcontracted by Innovatec to the individual companies AC Elettronica and G Elettric.

As part of these criminal proceedings no. 5706/2015, Innovatec was liable for the administrative offence depending on offence set forth in the paragraph sub D) pursuant to Art. 5, paragraph 1, letter a) – Art. 6, paragraph 1, letter a) – Art. 25-septies, paragraph 3 of Decree 231, for having failed to adopt and effectively implement, prior to the commission of the offence, the organisation and management model suitable for the prevention of industrial injuries.

As at the date of this Report, penalty 231 was paid on 29 March 2022.

It should also be noted that Innovatec, on 22 October 2018, signed, together with the other defendants, two settlement agreements with Gian Marco Corvasce and Giuseppe Ricco, which, without acknowledging anything with regard to liability, in full and final settlement with effectual discharge of all claims in relation to the facts, defined by way of compromise the claims for damages with the waiver at the same time of the civil legal action in the criminal proceedings.

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16.2.7.4 Proceedings concerning the fire at the Bedizzole landfill

On 27 July 2019, a fire occurred inside the Bedizzole landfill, as a result of which criminal proceeding no. 1405/2020 pending at the Court of Brescia and the administrative procedure for the review of the AIA pursuant to Article 29-*octies*, paragraph 5 of the Consolidated Law on Environment were started. In particular, on 27 July 2019, following a report from the Civil Defence of the Lombardy Region, the personnel of ARPA Lombardia on duty at the Brescia Department carried out extraordinary inspection activities pursuant to the Consolidated Law on Environment at the landfill and issued, on 31 July 2019, the final report in which critical issues were found regarding biogas management.

On 7 August 2019, Green Up sent to ARPA Lombardia a technical report contesting the findings made by ARPA Lombardia concerning the management of the site and in particular the biogas collection system.

The proceedings for the review of the AIA (Autorizzazione Integrata Ambientale; Integrated environmental authorisation) started by the Province of Brescia was concluded with the issue of the AIA D.D. Province of Brescia no. 3768 of 20 November 2019 and subsequent clarification note prot. no. 9585/2020 of 22 January 2020.

With regard to criminal proceedings no. 1405/2020 pending at the Court of Brescia, it should be noted that it is at the preliminary investigation stage.

On 18 February 2020, the criminal police carried out an access with acquisition of documents, summary witness information and formal identification of the suspects.

As at the Date of the Information Document, to the Issuer's knowledge, Flavio Raimondo, as sole director of Green Up, Giorgio Mancini, as technical director, and Luca Negrato, as plant manager, are entered in the register pursuant to Article 335 of the Italian Criminal Code. On 1 April 2021, the public prosecutor's office announced the conclusion of the investigation.

16.2.7.5 Ongoing investigations in relation to the Bossarino landfill

Notice is hereby given that on 19 October 2020, the Italian Tax Police delegated by the Court of Savona carried out technical operations at the Bossarino site, substantially referring to the collection and acquisition of leachate and groundwater samples for subsequent laboratory analyses. This analytical reporting phase is still in progress.

Green Up provided the necessary collaboration to the Criminal Police who intervened, offering consultation of the data relating to the historical series of environmental monitoring carried out under the AIA self-control system, which confirms the timely and strict compliance with authorisation requirements, with a special reference to the results of the monitoring carried out under the self-control system, which are fully known to all the public subjects involved, without having generated any findings whatsoever.

Note that the acquisition of the samples described above is related to an investigation by the Court of Savona concerning a remote situation of alleged critical environmental issues related to environmental data referring to 2004, thus prior to the acquisition of management by Waste Italia.

The analysis and expert witness activities carried out by the expert Narizzano, appointed by the Court of Savona, revealed, at the hearing of 22 April 2022, the non-existence of any significant situation of contamination. The company's lawyers requested that these proceedings be dismissed.

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16.2.7.6 Ongoing investigations in relation to the Romagnano Sesia treatment facility

On 15 April 2020, a fire occurred at the treatment facility located in Romagnano Sesia related to the work being carried out by a company hired by the owner of the building, which resulted in extensive damage to both the facility and the property therein. Criminal proceedings were started at the Court of Novara that, at present, only involve third parties of the Target Group and Green Up is a plaintiff.

Note that, as from the date of the fire and up to the date of this Report, the operational activities carried out at the facility have not yet resumed.

17. GOING CONCERN

The measurements in the financial statements were made on a going concern basis, after considering the provisions of OIC 11 and Art. 2423-bis of the Italian Civil Code and then analysing all available elements in this respect. For this purpose, the information provided in the other parts of this Directors' Report on the assessment of risks and uncertainties to which the Company is exposed, the analysis of performance for the year, the analysis of related party transactions and significant events in 2021 and in the first quarter of 2022 should be considered as referred to in this paragraph.

The Group is able to act on the entire value chain in the field of environmental sustainability: from energy efficiency to the optimisation of environmental procedures, from water efficiency to integrated consulting, research and training services dedicated to the different production chains in the sector, contributing in an increasingly important way to support the development of the “Circular Economy”.

Thanks to the acquisition – at the end of December 2020 and mid-July 2021 – of 100% of the Clean Tech Group, the new group offers, through its operating subsidiaries Green Up and Vescovo Romano & C. S.r.l., integrated management services for the collection, transport, treatment, recovery, enhancement and disposal of special non-hazardous waste, supporting its customers in the correct and effective management of waste, reducing the environmental impact of the business activity with a progressive increase in the quantities of materials recovered in line with the principles of circular economy and zero waste. With the acquisition of the Clean Tech Group, Innovatec enters a market of enormous potential and aims to become a leading player in sustainability through the responsible and efficient use of resources by linking energy and energy efficiency with the materials cycle, waste recovery and recycling. Moreover, with the target of accelerating the ecological transition process by strengthening the group's capacity to develop circular economy projects by expanding its market share in end-to-end services, the Group established Matemoforsi S.r.l. and acquired 90% of Ecological Wall S.r.l. with the aim of offering the market solutions for the treatment and recovery of mattresses and plasterboard, respectively. The Group also acquired – between December 2021 and March 2022 – 75.96% of Cobat S.p.A., a key player in Italy in flow management and in the recovery of batteries and accumulators and is preparing to play a strategic role in a market such as the exponentially expanding electric car market thanks to its proprietary patents for the recovery of lithium batteries. Moreover, the acquisition of Cobat integrates its ability to replicate its business model on new production chains of materials to be sent for recovery, and that of Green Up to build and manage plants for their treatment and transformation into secondary raw materials by creating a perfect complementarity.

The challenge represented by the end of the incentivised period of the Serre Project, the spread of the covid-19 pandemic and the RRP, was taken up positively by the management, which responded by developing the HouseVerde Project (real estate improvement of energy efficiency thanks to the 110% ecobonus), which

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achieved a production value of Euro 61.2 million, exceeding all expectations for 2021 in terms of volumes (>900 sites) and still leaving room for further growth in 2022 thanks to the solid backlog developed and the commercial and partnership network structured throughout the country. To date, the HouseVerde Project reached a final contract portfolio of approximately Euro 156 million and a portfolio of project proposals ("Computi Metrici Estimativi" CME (Bill of Quantities)), in addition to the already contracted initiatives, of Euro 114 million.

All of the above activities are characterised by good operating margins. The consolidated operating margins generated by the core business continue – as in the previous year – to be positive.

In 2021, the Group closed the consolidated financial statements with an EBITDA of Euro 30.8 million and a net profit of Euro 6.4 million. The Environment and Circular Economy business acquired with Clean Tech contributes Euro 76.7 million and Euro 20.3 million to Group revenues and EBITDA 2021, respectively. The contribution of this business to the consolidated results, as shown by the net results achieved in the last two years, will be able to stabilise revenues and margins contributed by Innovatec's core business, which are instead characterised by greater volatility depending on the incentive policies in force from time to time. The Energy Efficiency business contributes Euro 67.4 million and Euro 11.2 million to the Group's 2021 Revenues and EBITDA, respectively, with a backlog of final and preliminary contracts covering the next twelve months. In the light of the above, Innovatec's business generates margins and cash: the 2021 operating cash flow was Euro 27 million, which, together with the taking out of new debt of approximately Euro 15 million, allowed new production investments of Euro 8 million and acquisitions of Euro 27 million, while still maintaining cash and cash equivalents at the end of December of Euro 25 million. Net working capital amounted to Euro 12.4 million at the end of the year (2020: Euro -3.3 million) and further secured the ability to repay short-term financial payables of Euro 19.7 million. Long-term financial payables amounting to Euro 18.3 million are largely covered by the future flows envisaged in the 2022-2024 Development Plan approved by the Board of Directors at the beginning of February 2022 and presented to the financial community on 3 February 2022 (see Chapter 9). The performance in the first two months of the year, which was in line with the budget if not slightly better, puts the outlook for the coming year in a further positive light with regard to the ability to honour its payment commitments while developing its growth projects.

In the light of all the above, the directors, consistent with the provisions of OIC 11, have a reasonable expectation that the Company and the Group will be able to continue their operations in the foreseeable future. Therefore, the Directors deemed it appropriate to prepare the Report as at 31 December 2021 on a going concern basis.

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18. GOVERNANCE

18.1 Share capital structure

Innovatec S.p.A.'s shares at the date of this Report are 95,445,858 ordinary shares with no par value pursuant to Article 2346 of the Italian Civil Code.

Innovatec S.p.A.	Current share capital		
	<i>Euro</i>	<i>no. of shares</i>	<i>Individual par value</i>
Ordinary shares	10,422,567.45	95,445,858	-

As at 31 December 2021, Innovatec S.p.A. had 93,077,858 shares (share capital Euro 10,162,087.45), while as at 31 December 2020, the total number of outstanding shares was 86,491,486 (share capital Euro 2,862,021.76).

The increase in the number of shares and share capital in 2021 is attributable to the following transactions:

- conversion in January 2021 of 16,723,115 Warrants equal to 3,344,623 newly issued ordinary shares of Innovatec S.p.A., assigned, at a price of Euro 0.275 per share, for a total value of Euro 919,771.35 of which Euro 167 thousand to capital and the remainder to share premium;
- bonus issue of Euro 10 million (Shareholders' Meeting of 3 February 2021). The increase took place pursuant to Article 2442 of the Italian Civil Code, through the allocation to share capital of part of the available reserves resulting from the financial statements and without the issue of new shares with a simultaneous proportional increase in the implied par value in accounting terms of the shares already outstanding, thus leaving unchanged the percentage shareholding of each shareholder pursuant to Article 2442, second paragraph, of the Italian Civil Code and with the sole amendment to the Articles of Association of the amount of share capital;
- conversion in August 2021 (last conversion period) of 16,208,745 Warrants equal to 3,241,749 newly issued ordinary shares of Innovatec, assigned, at a price of Euro 0.275 per share, for a total value of Euro 891,480.99 of which Euro 162 to capital and the remainder to share premium. Following this last conversion, non-exercised and forfeited Warrants amounted to 1,472,665 Warrants or 2.338% of the total Warrants issued in 2018.

The increase in the number of shares and share capital in the first quarter of 2022 is attributable to the following transactions:

- placement through the accelerated bookbuilding procedure reserved for Qualified Investors of 2,368,000 ordinary shares, equal to approximately 2.48% of its share capital (after the increase), at a price of Euro 1.755 per share for a total value of the increase equal to Euro 4,155,840.00, of which Euro 260,480 to capital and the remaining to premium. The transaction was finalised as part of the share capital increase resolved on 20 January 2022 by the Board of Directors, in partial exercise of the power given to it by the Extraordinary Shareholders' Meeting of 3 February 2021.

Ordinary shares have the right to vote in ordinary and extraordinary shareholders' meetings, the right to dividends and the right to capital repayment in case of liquidation.

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It should also be noted that at the date of this report, there are no restrictions of any kind on the transfer of Innovatec S.p.A. securities.

Innovatec S.p.A. did not issue any securities that give special controlling rights, there are no restrictions or time limits imposed on the exercise of voting rights, and there are also no systems in which the financial rights attached to the securities are separate from the ownership of the securities. There are no stock option plans in place and there is no shareholding of employees that grants voting rights that are not exercised directly by employees. Moreover, there are no change of control clauses.

Note that Innovatec S.p.A. has not entered into any agreements and/or shareholders' agreements on corporate governance. All provisions in favour of the former minority shareholder of Clean Tech SA, Ancient Stone LLC present last year were eliminated following the acquisition from the latter of 49.90% of Clean Tech finalised in mid-July 2021.

There are limitations on the dividends payable by Green Up related to the property rights of participating financial instruments issued by SPC Green S.p.A. now merged into Green Up S.p.A. (type A and B PFIs) but limited to type A Participating Financial Instruments ("APFI") for a total of Euro 355 thousand and 2,459 thousand of rights pending.

On 15 July 2019, SPC Green S.p.A. (now merged into Green Up) approved the issue of up to a maximum of Euro 4,930,944.28 of "APFI" participating financial instruments intended for assignment in favour of the unsecured financial creditors of Class VII of the Waste Arrangement with creditors against which SPC Green had committed to satisfy the relevant claims to the total extent of 2%. The deadline for the allocation of the relevant instruments was 30 June 2020.

The APFI regulations envisage the following:

- the value is equal to Euro 4,860,000.00 or 2% of the total payable of Class VII of the Waste Arrangement with creditors;
- the contribution for the issue and assignment of the instruments is non-payable, with no right to refund not even when the company is being liquidated and is recognised in a special equity reserve ("**APFI Reserve**"), which cannot be merged with other equity reserves or used to cover losses, unless all other reserves have been fully used;
- APFIs can only circulate with the prior approval of SPC Green's administrative body;
- the APFIs give the right to participate in any distribution of profits ("**SPC Dividends**") and/or allocation of the liquidation shareholders' equity ("**SPC Distribution**"), with the consequent right to receive – with priority over the shares – 75% of such distributions and/or allocations among all the holders, up to the amount of the allocated SPC Reserve A as well as the right to participate and vote in the special meeting of the holders of the instruments, under the terms and for the matters set forth in the regulation;
- as from the end of the fifth financial year following the enforceability of the approval (the latter occurred on 5 December 2018) of the Waste Arrangement with creditors, SPC Green (now Green Up S.p.A.) shall be obliged to pay SPC Dividends out of the available cash and up to 75% of profits or retained earnings resulting from the last approved financial statements (regardless of whether the shareholders' meeting of Green Up S.p.A. resolved to distribute such dividends), up to a maximum aggregate amount equal to the residual APFI Reserve (if SPC Dividends have already been previously paid pursuant to the Waste PFI Regulation), provided that (i) the payment of the SPC Dividends does not result in

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a financial-equity imbalance of the company (to be measured based on the situation resulting after the distribution) and (ii) all payables have been paid in full and in advance and creditors with a lien have been satisfied – within the limits of the lien capacity pursuant to Article 160, second paragraph, of the Bankruptcy Law – up to the degree referred to in Article 2751-bis, paragraph I, no. 1, of the Italian Civil Code (employees) as provided for in the proposal of the Waste Arrangement with creditors.

As at 31 December 2020, the assignee SPC Green received requests followed by the related issue of instruments for a total value of Euro 2,472,341, representing 50.14% of the maximum amount envisaged by the Waste Arrangement with creditors in relation to Class VII creditors.

A majority portion of the above-mentioned APFIs (Euro 2,080 thousand) are owned by the Group (of which Euro 1,813 thousand is owned by Green Up S.p.A. and the rest is owned by Innovatec), while the remaining 355 thousand APFIs are owned by third parties and 2,459 thousand rights have not yet been exercised.

On the other hand, with reference to the BPFIs, in accordance with the commitments undertaken by SPC Green as part of the Waste Arrangement with creditors, on 15 April 2020 (resolution of the extraordinary shareholders' meeting held on the same date), a number of participating financial instruments amounting to Euro 10,000,000.00 were issued and fully subscribed by the minority shareholder of Clean Tech SA, the Sound Point Beacon Master Fund LP, managed by Sound Point Capital Management LP.

The BPFI regulations envisage the following:

- BPFIs have no nominal value;
- the contribution for the purpose of the assignment is non-repayable, with no right to refund even when SPC Green is being liquidated, and is recognised in a special equity reserve, “SPC Green B Participating Financial Instruments Contribution Reserve” (“BPFI Reserve”). The BPFI Reserve – as long as an amount equal to Euro 17,000,000.00 (“Reference Threshold”) is paid to BPFI holders – can only be used after the full use of the other reserves, other than the legal reserve and the APFI Reserve. In any event, even in the event of use, the property and administrative rights given by the BPFI remain unaffected;
- they give voting rights only in the special meeting of BPFI holders;
- that each BPFI shall entitle the holder to receive, upon full satisfaction of the economic rights related to the APFIs, with preference over the Company's shareholders in proportion to the number of BPFIs held, and upon the terms and conditions set forth in the following paragraphs:
 - a. the profits or retained earnings resulting from the last approved financial statements subject to distribution (“Dividends”) or, in any case, the profits or retained earnings resulting from the last approved financial statements (irrespective of whether distribution is approved); or
 - b. at any time, the distribution of the liquidation shareholders' equity of the Company (“liquidation shareholders' equity”);
- In case of distributions of Dividends, the BPFIs will entitle the shareholders to receive, upon full satisfaction of the economic rights related to the APFIs, up to a maximum aggregate amount equal to the Reference Threshold, as defined below, 95% of the Dividends, distributed in proportion to the number of BPFIs held, with the remaining 5% of Dividends to the shareholders;
- In the case of distributions of Liquidation shareholders' equity, subject to the payment in full of all of the Company's creditors, the BPFIs will entitle the shareholders to receive, upon full satisfaction of the economic rights related to the APFIs, up to a maximum aggregate amount equal to the Reference Threshold, as defined below, 95% of the Liquidation shareholders' equity, distributed in proportion to the number of BPFIs held, with the remaining 5% of Dividends to the shareholders;
- It is understood that:

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- a. in no event shall the overall distributions made for any reason whatsoever and in any financial year to the holders exceed, as a whole, an amount equal to the Reference Threshold, where "Reference Threshold" shall mean an amount equal in the aggregate to the sum of Euro 17,000,000.00;
- b. As from 16 April 2030 and provided that (i) the economic rights related to the Waste BPFIs have been fully met in advance and (ii) all payables have been paid in full and in advance by the Company, as Assumptor of the liabilities under the Waste arrangement with creditors, and all creditors, both preferential and unsecured, have been paid off in accordance with the provisions of the proposal of the Waste arrangement with creditors, the Company shall make distributions (regardless of whether the Company's Shareholders' Meeting has approved the distribution) to the BPFIs – who shall participate in such distributions in proportion to the number of BPFIs and in accordance with the allocation of 95% in favour of the BPFIs and 5% in favour of the shareholders – out of the available cash and 100% of profits or retained earnings resulting from the last approved financial statements up to a maximum total amount equal to the Reference Threshold.

On 14 July 2021, as part of Innovatec's acquisition of the remaining equity investment (49.9%) in Clean Tech LuxCo SA (*subsequently Clean tech S.r.l.* now merged into Haiki+ S.r.l.), Innovatec acquired all of the outstanding BPFIs resulting in the elimination of the right to preferential dividends to third parties and governance rights.

As at the date of this Report, the limitations envisaged in the governance of Green Up S.p.A. in the regulations of the BPFIs have been eliminated, while those relating to APFIs remain limited to Euro 355 thousand of APFIs issued and no. 2,459 thousand of rights pending.

18.2 Major shareholdings

Based on the information available to the Company, the shareholding structure at the date of this Report is as follows:

Innovatec S.p.A.	Share Capital	
	no. of shares	%
Sostenya Group S.r.l.	42,515,651	44.54%
Gruppo Waste Italia S.r.l.*	435,770	0.46%
Market	52,494,437	55.00%
TOTAL	95,445,858	100.00%

*Gruppo Waste Italia S.r.l. is 99.48% controlled by Sostenya Group S.r.l.

At the date of this Report, the reference shareholder is Sostenya Group S.r.l., with a stake of 44.54%. Sostenya Group S.r.l. is 51% owned by Pietro Colucci and the remaining equally owned at 24.50% by his son Nicola Colucci and daughter Camilla Colucci. Following the share capital increase with the exclusion of the right of option that took place in mid-January 2022, several institutional investors of high standing subscribed to new shares for a total stake of approximately 2.48%, resulting in a dilution of the Colucci Family from 46.15% of 31 December 2021 to 45.00%.

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18.3 Giving the Board the power to increase the share capital and bond issues

On 3 February 2021, Innovatec's Shareholders' Meeting approved the proposal to amend Article 5 (Share Capital) of the Company's Articles of Association in order to give the Board of Directors, for a maximum of five years and for a maximum amount of Euro 25 million, (a) the power, pursuant to Article 2443 of the Italian Civil Code, to increase the share capital, free of charge or against payment, in one or more tranches and partially subscribed, also with the exclusion of the right of option pursuant to Article 2441, paragraphs 4 and 5, of the Italian Civil Code, with or without warrants, and (b) the power, pursuant to Article 2420-ter of the Italian Civil Code, to issue convertible bonds with or without warrants, also with the exclusion of the right of option pursuant to Article 2441 of the Italian Civil Code, subject to the revocation, for the portion not exercised, of the power given to the Board of Directors by the Extraordinary Shareholders' Meeting of 25 July 2019. The sum of the amount of the share capital increase (including share premium) resolved in the exercise of the power pursuant to Article 2443 of the Italian Civil Code and the amount of the share capital increase (including share premium) to service the conversion of the convertible bonds issued in the exercise of the power pursuant to Article 2420-ter of the Italian Civil Code or the exercise of any warrants issued in the exercise of the powers may not in any event exceed the maximum overall amount of Euro 25,000,000 on a cumulative basis and also including any share premium.

As at the date of this Report, the Board of Directors of Innovatec S.p.A. used this power when increasing the Share Capital with exclusion of the right of option that took place in January 2022 of Euro 4,155,840.00.

18.4 Information on shareholdings held by directors, auditors, general managers and executives with strategic responsibilities

No member of the board of directors of Innovatec S.p.A. directly owns shares in Innovatec S.p.A. The directors Nicola Colucci and Camilla Colucci are each equal shareholders of 24.5% in Sostenya Group S.r.l., which directly and indirectly holds 45% of the total outstanding shares of Innovatec S.p.A.

The Company is not aware of any executives with strategic responsibilities, as well as their non-separated spouses and dependent children, who hold, directly or through subsidiaries, trust companies or third parties, shares in Innovatec S.p.A. or shares or equity investments in companies controlled by them, on the basis of the information contained in the shareholders' register, communications received and other information acquired from the members of the Board of Statutory Auditors and executives with strategic responsibilities.

The Company is not aware of any member of the Board of Statutory Auditors, as well as their non-separated spouses and dependent children, who hold, directly or through subsidiaries, trust companies or third parties, shares in Innovatec S.p.A. or shares or equity investments in companies controlled by them, on the basis of the information contained in the communications received and other information acquired from the members of the Board of Statutory Auditors and executives with strategic responsibilities.

The Company approved the procedure relating to the identification of relevant persons and to the disclosure of transactions carried out by them, concerning shares issued by Innovatec S.p.A. or other financial instruments related to them pursuant to the Euronext Growth Milan (formerly AIM Italia) Regulations and this procedure is in force.

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18.5 Dividend-right shares

The company did not issue any dividend-right shares.

18.6 Other financial instruments issued – The 2018-2021 Warrant Ordinary Shares

The remaining 2018-2021 Warrant ordinary shares (IT0005333270) still outstanding amounting to 1,472,665 (representing 2.338% of the total Warrants issued in 2018 of 62,993,280 Warrants) were extinguished in August 2021 upon the last tranche of their possible conversion. 97.662% of the Warrants issued were converted by the market during 2020 and 2021.

18.7 Monetary revaluations

In accordance with and pursuant to Art. 10 of Italian Law no. 72 of 19 March 1983, as also recalled by the subsequent monetary revaluation laws, it is noted that no monetary revaluation has been made for the fixed assets still held.

18.8 Assets allocated to a specific business project

It is stated that, at the end of the reporting period, there were no assets allocated to a specific business project set forth in no. 20 of paragraph 1 of Article 2427 of the Italian Civil Code.

18.9 Loans allocated to a specific business project

It is stated that, at the end of the reporting period, there were no loans allocated to a specific business project set forth in no. 21 of paragraph 1 of Article 2427 of the Italian Civil Code.

18.10 List of branches

The Company has no branches.

18.11 Implementation of corporate governance regulations

The Company applied certain provisions to its corporate governance system aimed at favouring the protection of minority shareholders. In particular, Innovatec S.p.A.:

- (i) envisaged in its articles of association the possibility, for shareholders representing at least 10% of the share capital with voting rights in the shareholders' meeting, of requesting the integration of the matters to be discussed;
- (ii) envisaged in its articles of association the list voting for the election of the board of directors;
- (iii) envisaged in its articles of association the list voting for the election of the board of statutory auditors;
- (iv) envisaged in its articles of association that shareholders who alone or together with other shareholders represent at least 5% of the share capital are entitled to submit lists;
- (v) envisaged in its Articles of Association the mandatory appointment, within the board of directors, of at least one director in possession of the independence requirements set forth in Article 148, paragraph 3,

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of the Consolidated Law on Finance, who has been previously identified or positively assessed by the Nominated Adviser, pursuant to the Euronext Growth Milan (formerly AIM Italia) Regulation;

- (vi) envisaged in its Articles of Association that from the time the shares issued by the Company are admitted to trading on Euronext Growth Milan (formerly AIM Italia), voluntary recall would be applicable, and insofar as the provisions on compulsory takeover bid and public exchange offer relating to listed companies set forth in the Consolidated Law on Finance are compatible, to Consob's implementing regulations limited to the provisions referred to in the Euronext Growth Milan (formerly AIM Italia) Regulations as subsequently amended;
- (vii) envisaged in its Articles of Association a reporting obligation for shareholders whose shareholding reaches or exceeds one of the thresholds established pursuant to the Euronext Growth Milan (formerly AIM Italia) Issuers' Regulation and any "Substantial Change" as defined in the Issuers' Regulation;
- (viii) envisaged in its Articles of Association, from the time the shares issued by the Company are admitted to trading on Euronext Growth Milan (formerly AIM Italia), and/or otherwise envisaged by the AIM Italia Regulation and/or by a provision of Borsa Italiana SpA, the prior authorisation of the Ordinary Shareholders' Meeting for reverse take-over transactions, substantial change of business and withdrawal from trading on Euronext Growth Milan (formerly AIM Italia) of the Shares;
- (ix) adopted a procedure for related party transactions;
- (x) adopted an internal dealing procedure;
- (xi) adopted a procedure for mandatory communications to the Nomad;
- (xii) adopted a procedure for the management and disclosure of inside information and for maintaining the *insider list*;
- (xiii) implemented the possibility to limit the rights of option pursuant to Article 2441, paragraph 4, second sentence, of the Italian Civil Code;
- (xiv) updates on compulsory takeover bid and public exchange offer;
- (xv) introduced a call concerning the obligation to purchase and the right to purchase pursuant to Articles 108 and 111 of Italian Legislative Decree no. 58 of 24 February 1998 Consolidated Law on Finance (T.U.F.);
- (xvi) introduced the discipline of shareholder identification;
- (xvii) inserted the provision on withdrawal from admission to trading;
- (xviii) update on relevant shareholdings, shareholders' agreements and applicable regulations.

18.12 Compliance with Article 2428 of the Italian Civil Code

Pursuant to point 4) of Article 2428 of the Italian Civil Code, it is hereby announced that the Company did not purchase or sell any treasury shares or shares of parent companies held directly or indirectly during the year.

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19. RESEARCH AND DEVELOPMENT

In line with the service contracts, the recently acquired Cobat qualified its activities in terms of R&D, also participating in international meetings of reference in its sector:

- EUCOBAT: as the European association of reference for Battery and Accumulator collection systems;
- RENEOS: as a cooperative established for the supranational management of LITHO accumulators etc., it is participated by the most important European national systems, and for Italy by Cobat.

With reference to the patent that Cobat holds on Lithium accumulators, the subsidiary set up, with Cobat RIPA and the company Esploidenti Sabino, holder of a particular patent for preparing accumulators for recycling, the company Cobat Ecofactory S.r.l., necessary to prepare the project for participation in the Recovery and Resilience Plan (RRP M2C.1.1 I 1.2 Line of Intervention A. Ministerial Decree No. 397 of 28 September 2021) concerning the expansion of facilities and the construction of new ones for waste treatment aimed at material recycling.

Cobat is present on many technical tables with a number of ministries for the development of study projects aimed at defining Minimum Environmental Contents in products and tenders.

20. CODE OF CORPORATE GOVERNANCE AND OF ETHICAL BEHAVIOUR AND ENVIRONMENTAL POLICY

The Code of Ethics in force together with MOG, prepared as an annexe to the Organisation, Management and Control Model adopted pursuant to Italian Legislative Decree 231/2001, is that of Innovatec S.p.A. approved by the Board of Directors in September 2014, updated on 24 June 2016 and subsequently on 30 September 2021. On 14 March 2022, Innovatec S.p.A. approved the update of the Model.

The Group's mission is to respect and protect the environment: it operates in the energy, environment and service sectors with a view to sustainable development, with economic growth, eco-efficiency and social progress as its objectives. The Group's mission expresses the aim of seeking an ever higher level of performance in pursuing a policy of innovation and economic growth while respecting the ecosystem through the careful use of natural resources. In this perspective, management has defined and pursued clear corporate objectives that are consistent with the set business strategies and market opportunities, on the basis of which it:

- confirms its commitment to improving customer satisfaction by ensuring that their needs and expectations are identified and converted into requirements to be fulfilled during the production process;
- confirms its commitment from a social and environmental point of view, fitting into a context of exploiting renewable energy sources and reducing the greenhouse effect, and ensuring greater safety from an environmental point of view;
- is committed to guaranteeing constant quality products and services over time, also thanks to the continuous monitoring and updating of the operating methods adopted, always keeping the Quality System active and effective in compliance with the reference standard;
- is active in seeking management solutions, appropriate to the new regulations and to the growing global attention to environmental issues, according to criteria of functionality and collaboration with the Entities involved, also promoting the awareness of its personnel with meetings and specialised refresher courses.

The management is committed to the implementation of these principles and their dissemination, making them a reference document for the management of the Company and the Group, making available the human resources

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and materials required to achieve the objectives set, and asking all employees to cooperate extensively in the implementation of the programme.

Each activity is planned and implemented under controlled conditions, in order to ensure: i) the suitability of personnel, service vehicles and facilities, ii) compliance with the reference standards for facility management activities, and iii) compliance with the established methods and timescales for carrying out the service.

In order to manage the group according to the above-mentioned principles, the following subsidiaries are certified according to ISO 9001 and ISO 14001 standards, with the following details for the individual units:

Green Up S.p.A. holds the following certifications:

- ISO 9001:2015 certificate no. 35759/17/S valid until 23 October 2023;
- ISO 14001:2015 certificate no. EMS-6910/S valid until 17 October

2023. Moreover, there are the following site-specific EMAS registrations:

- Albonese EMAS Registration no. 1686 valid until 27 July 2023;
- Bedizzole EMAS Registration no. 213 valid until 16 May 2022;
- Bossarino EMAS Registration no. E-356 valid until 04 July 2023.

Vescovo Romano & C. S.r.l. holds the following certifications:

- ISO 9001:2015 certificate no. 262649/2018 valid until 05 June 2024;
- ISO 14001:2015 certificate no. 262648/2018 valid until 18 June 2024;
- End of Waste certification – EU Reg. 333/2011 – certificate no. 126127-2012-OTH-ITA-DNV valid until 22 November 2024.

Cobat S.p.A. holds the following certifications:

- ISO 9001 Certificate no. 8400 valid until 28 June 2022
- ISO 14001 Certificate no. 8401 valid until 28 June 2022
- EMAS Certificate E-213 valid until 08 July 2024
- ISO 27001 Certificate no. 50001 valid until 14 October 2022

Moreover, for the companies that have recently joined the group, Metamorfosi, Ecological Wall and Haiki +, preparatory activities for their certification in accordance with ISO 9001 and ISO 14001 have begun.

During the financial year, no damage was caused to the environment and no final sentences were imposed for offences committed or damage caused to the environment.

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21. HUMAN RESOURCES

The total number of employees of the Company and the Group (including the recent acquisition of Cobat) are classified as follows:

	Year 2021	Year 2020
Innovatec group	Exact 2021	Exact 2020
Executives	12	8
Middle managers	11	10
White Collars	141	98
Blue Collars	96	96
TOTAL	260	212

Innovatec S.p.A.	Exact 2021	Exact 2020
Executives	1	2
Middle managers	0	1
White Collars	3	4
TOTAL	4	7

Group employees excluding the recent Cobat acquisition have the following age distribution:

- age under 30: 25%.
- age between 30 and 50: 43%
- age over 50: 32%.

Their distribution by gender is as follows:

- Males 66%
- Females 34%

Human resource policy

Human capital is the primary asset of the Group, which considers the value of the team one of its main strengths. That is why, over the years, in keeping with its mission and the focus on its corporate values, the management of this wealth has acquired an increasingly strategic role. The team is made up of competent professionals who make their skills available, not only in the technical work entrusted to them, but also and above all with a view to common enhancement made up of constant comparison and mutual collaboration. Professionalism, competitiveness and profit are concepts that are widespread within the Group's companies, just as the need for flexibility as an essential condition for responding to the growing challenges of the markets is increasingly recognised by employees.

Selective recruitment and placement

The Group strongly believes that selecting young talent is the basis for the future growth of the Group's companies. For this reason, a special attention is paid to the choice of channels to be used, the organisation of assessments aimed at evaluating potential, and the professional approach during cognitive interviews.

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In 2021, in the light of the numerous placements in various areas/functions of the Group, an onboarding process was implemented, aimed at facilitating the placement and integration of new resources into the business structure.

By supporting the academic knowledge of young talents, relations with academic institutions are also increased in order to develop further multidisciplinary projects, round tables and theme seminars.

Training

For the Group, training represents a lever for the professional growth of resources, for process innovation and for the achievement of the Group's business objectives.

Innovatec's commitment to its employees includes training activities aimed at the Group's entire workforce, so as to encourage the acquisition of all the skills required to perform their role and to keep their level of professionalism up-to-date.

Each year, a training and development plan is drawn up in line with the needs of the company and all employees. This is a constantly evolving process to meet the needs of a constantly changing work horizon.

During the year, each employee can request to attend voluntary training or refresher courses, also outside the company, in order to improve his or her professional preparation on a personalised basis. The Human Resources Department, together with the management, assesses the suitability of the applications received and their consistency with the career path, organising ad hoc initiatives.

During 2021, 2,836 hours of training were provided. This indicator underlines the extent to which training is considered as a vector of success and competitiveness.

In particular, the training delivered to Group employees covered three main subject areas:

- managerial development;
- specialised training;
- regulatory training,

in particular on the following topics:

- Environment/Quality
- Safety
- Technical Area
- Marketing and sales
- CSR and Sustainability
- Technical training

In order to offer adequate training, the Group also benefited from loans through the Knowledge Fund for non-managerial personnel.

Health and safety

The Group complies with all the highest national and international health and safety standards. To this end, it is committed to disseminating and consolidating a safety culture by developing awareness of all risks

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and promoting responsible behaviour by all workers; it also works to preserve, especially through preventive actions, the health of workers and the safety of workplaces. The aim is to preserve the health and safety of the human resources, assets and financial resources of the group companies, constantly seeking the required synergies not only within the companies, but also externally, in order to guarantee the group's objectives.

The aim of the occupational health and safety management system is to:

- help improve levels of occupational health and safety;
- progressively reduce the overall costs of occupational health and safety, including those arising from accidents, injuries and work-related diseases, by minimising the risks to which employees or third parties (atypical employees, customers, suppliers, visitors, etc.) can be exposed;
- increase the efficiency and performance of the company/organisation;
- improve the internal and external image of the company/organisation.

Innovatec undertakes through its subsidiaries, as envisaged by the regulations in force, to guarantee compliance with the provisions on the protection of occupational health and safety, as well as to ensure a safe, healthy and suitable working environment for the carrying-on of work activities, including through the following means:

- the maintenance of its own equipment and machinery or those at its disposal, used in order to reduce possible accidents caused by them;
- the dissemination of an adequate knowledge of the issues regulated by the regulations to the Health and Safety Officer (HSO), to the Workers' Safety Representatives (WSR), to those in charge where appointed, to the Occupational health specialist (OHS) and to all the persons entrusted with the fulfillment of obligations in accident prevention matters;
- regular medical examinations for each work category;
- the coordination among all the subjects, identified by Italian Legislative Decree No. 81/2008 (employer, HSO, WSR, OHS, etc.) in the application of its provisions;
- the management of an adequate and effective training programme for all company employees on safety issues.

There is currently no Health and Safety Committee at Innovatec, but at least one Workers' Safety Representative (WSR) is appointed for each facility, who interfaces periodically with the QAS office and the HSO for the continuous improvement of working conditions and regulatory compliance.

The Group, in order to constantly monitor and improve the health and safety of its workers, as well as having drawn up a management system in accordance with Article 30 of Italian Legislative Decree 81/08 (Consolidated Law), organises meetings throughout the year with personnel representatives. In these meetings, problems that employees encounter during normal working activities are explained and analysed together with the Employer and the QAS office. Such reports are resolved through the adoption of new procedures or the purchase of new equipment.

The ratio between the number of WRSs and the number of employees for the various Group companies where these figures are present is specified below:

- Innovatec: 14%;
- Innovatec Power: 2%;
- Green Up: 7%;
- Vescovo Romano: 2%;
- Ecological Wall: 50%;
- Circularity: 14%

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The committees analyse the types of accidents, depending on the consequences, the tasks involved and the reasons. In addition to accidents occurred that resulted in injuries to employees, all “NEAR MISS” cases are also analysed. Thanks to these analyses, the Company is able to maintain a lower accident rate than the national average, and is also able to fully control the work carried out by any contractors.

Despite the preventive measures implemented, a few accidents were recorded in 2021, all of them very minor; in fact, the causes mainly involved accidents while travelling to/from work.

The enhancement of resources also passes through the identification of clear objectives, linking bonuses to their achievement.

For this reason, the MBO system was implemented in 2021, involving the Group's top management, function managers and commercial area.

The system is based on 2 levels:

- a company threshold (ON/OFF) related to the achievement of the budgeted Group EBITDA;
- individual objectives related to one's job description.

If the company threshold is exceeded, recipients of the MBO system access the bonus in proportion to the percentage of achievement of their individual objectives.

In addition to the MBO system, the HR Department worked, during 2021, together with the Function Managers, on the definition of career paths, both by identifying training activities useful for personnel growth and by trying to align levels and salaries to the role held in the company.

22. RELATED PARTY TRANSACTIONS

Note that related party transactions are part of the normal course of business of Group companies and are regulated at market conditions given the characteristics of the goods and services rendered. Note that the above transactions are neither atypical nor unusual.

For details on related party transactions, please refer to the relevant explanatory notes to the consolidated financial statements.

23. MANAGEMENT AND COORDINATION ACTIVITIES

Control over the Company, pursuant to Article 93 of the Consolidated Law, is exercised by Sostonya Group S.r.l., an Italian holding company with registered office in Milan (MI), Via privata Giovanni Bensi 12/3 Cap 20152, VAT no. 11817200964, Administrative and economic index (rea) MI – 2626088. As a mere holding company, Sostonya Group S.r.l. does not carry out any management and coordination activities for the Company pursuant to Article 2497 of the Italian Civil Code. The Board of Directors consists of the Chairman and Chief Executive Officer, Pietro Colucci and the directors without powers, Nicola Colucci and Camilla Colucci. These last two directors are also present as directors without powers in the Board of Directors of Innovatec S.p.A.

Conversely, the Italian companies falling within the Group's scope of consolidation (with the exception of Cobat S.p.A.) are subject to management and coordination by Innovatec S.p.A. pursuant to Article 2497 et seq. of the Italian Civil Code.

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In particular, this activity includes the definition of strategic and operational objectives and the adaptation of the parent company's internal control and governance system.

The provisions of Chapter IX of Title V of Book V of the Italian Civil Code (articles 2497 et sequitur of the Italian Civil Code) contemplate among other things; (i) a direct responsibility of the company that carries out management and coordination activities towards the shareholders and the company creditors of the companies subject to management and coordination, if the company carrying out this activity – acting in its own entrepreneurial interest or of others in violation of the principles of proper company and entrepreneurial management of the companies themselves – undermines the profitability and the value of the company investment or damages the integrity of the company's assets, with regard to the company creditors); and (ii) a liability of the directors of the company subject to management and coordination who fail to comply with the disclosure requirements of Article 2497-bis of the Italian Civil Code, for any damage caused to shareholders or third parties as a result of their failure to disclose such facts.

24. BUSINESS OUTLOOK

The Innovatec Group's objective in 2022 is to confirm the growth drivers outlined in the 2022-2024 Development Plan, which represents Innovatec's commitment to balanced and sustainable development in all the businesses it oversees, as well as to the development of offers of end-to-end services in terms of circularity and sustainability with a wide range of concrete and innovative projects in all businesses that can also benefit from the financing opportunities of the RRP.

With regard to the Energy Efficiency and Renewable Sources division, Innovatec Power will focus during the year with even greater impetus on improvement of energy efficiency and seismic upgrading of private buildings, individual houses and blocks of flats, as part of the HouseVerde Project, and will work to accelerate the restart the improvements of energy efficiency of public buildings through the Kyoto fund instruments, the thermal account and the incentives introduced by the RRP. In particular, it will promote the radical reduction of energy consumption and climate-changing gas emissions in buildings through the implementation of widespread energy efficiency measures, thermal insulation, the upgrading of building heating plants, the installation of photovoltaic systems combined with storage systems and electric vehicle recharging stations. Innovatec Power will also continue its sales activity in the industrial sector of solutions aimed at energy and environmental sustainability by promoting the implementation of process energy efficiency improvements and the dissemination of photovoltaic systems, accompanying customer companies on the decarbonisation process, a priority of the European common policy.

With regard to the Environment and Circular Economy division, the management aims to continue the commercial and technological expansion activity started in 2021 and the authorisation development activity aimed at enhancing its treatment capacity, with the intention of increasing the percentage of materials sorted out and expanding the possible flows of waste to be found, with a special attention to specific market niches characterised by high recovery potential and the presence of technological solutions still in the industrialisation phase. Moreover, the newly acquired Cobat made the most of its leading position in 2021 among the service management systems for end-of-life products, confirming itself as a valuable tool for the Production Chain Consortia representing producers of EEE, Batteries/Accumulators and Tyres. Cobat's management of service contracts, in addition to meeting regulatory compliance needs in the best possible way, strictly complying with quality standards and legal requirements, has, at the same time, developed high levels of efficiency and innovation capacity, which can be achieved in particular thanks to the synergies the company has put in place between the different sectors of the markets involved in the circular economy.

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In 2022, it will continue its research and development activities, aware that only by maintaining a high degree of authority and capacity for design and growth will it be able to provide adequate answers to the continuing future needs of customers.

Finally, with regard to the Innovation and Consulting Services Division, the Group, through Innovatec Venture S.r.l., has expressed its willingness, represented in its Development Plan, to invest a portion of its profits – roughly estimated at Euro 4 million over the plan period – in the acquisition and development of innovative technological initiatives in the field of material recovery from waste. In the current year, the subsidiary will devote its efforts to selecting the innovative start-ups most closely aligned with its investment policy, while at the same time expanding its network of institutional relations with university and research centres and business accelerators to enable the development of an environment that promotes sustainable innovation. In addition to the activation of the new venture capital instrument, the associated company Circularity S.r.l., having consolidated its own market position, recognised by partnerships and stakeholders of national and international relevance, maintains its approach of providing information, training and specialist consulting services to the market in the area of the circular economy. In 2022, the company will take further action in researching and proposing solutions, both managerial and technological, capable of implementing the principles of the circular economy as part of the broader corporate sustainability for the Group and its customers, while also strengthening the innovation part through active participation in calls for tenders and R&D projects as well as the implementation of a new version of its IT platform aimed at creating a community that is attentive and aware of the impacts and opportunities related to circular material management. Against such a challenging horizon and action plan, Circularity will further strengthen its specialists on materials, technology and sustainability as well as its investment in IT and telecommunication systems, aiming to introduce artificial intelligence elements and blockchain infrastructure into its system.

In spite of the climate of uncertainty generated by the crisis between Russia and Ukraine and the consequent increase in energy and raw material prices, the Group does not believe it needs to revise its growth targets, which are also confirmed in the light of the trend in the first two months of the year, in line with the budget if not slightly better. In the light of the current situation, EU governments and authorities may only further support the development of renewable energy sources and energy efficiency.

25. PROPOSAL FOR ALLOCATION OF THE PROFIT/LOSS FOR THE YEAR OF INNOVATEC S.p.A.

The Board of Directors of Innovatec S.p.A. delegated the Chairman Roberto Maggio to convene the Shareholders' Meeting for (i) the approval of the financial statements as at 31 December 2021 and (ii) the approval of the allocation of the loss for the year of Euro 898,424.14 to “Loss carried forward”.

If you agree with us, we invite you to approve the Directors' report and the financial statements consisting of the statement of financial position, income statement, statement of cash flows, statement of changes in equity and explanatory notes.

Milan, 29 March 2022

For the Board of Directors
Roberto Maggio



***Consolidated financial statements
as at 31 December 2021***

Innovatec S.p.A. Group

Values in euro

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		31/12/2021	31/12/2020
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID		-	-
B) FIXED ASSETS			
I) Intangible fixed assets			
1) Start-up and expansion costs	461,888	507,163	
2) Development costs	77,103	128,646	
3) Industrial patents and intellectual property rights	81,042	17,727	
4) Concessions, licences, trademarks and similar rights	1,366,567	820,322	
5) Goodwill	36,654,643	22,839,803	
6) Work in progress and advances	2,259,003	2,015,935	
7) Other	806,739	3,234,794	
BII Total intangible fixed assets	41,706,984	29,564,389	
II) Property, plant, and equipment			
1) Land and Buildings	12,640,741	6,111,080	
2) Plant and machinery	2,871,284	1,972,109	
3) Fixtures and fittings, tools and other equipment	599,016	303,679	
4) Other assets	13,265,299	18,483,591	
5) Work in progress and advances	2,681,693	487,046	
BII Total Property, plant and equipment	32,058,032	27,357,505	
III) Financial fixed assets			
1) Equity investments in:			
a) non-consolidated subsidiary companies	-	1	
b) associated companies	1,427,963	1,238,693	
d-bis) other companies	7,568	7,499	
2) Receivables:			
b) from non-consolidated subsidiary companies			
- of which due within the next financial year	-	-	
- of which due beyond the next financial year	-	-	
b) from associated companies			
- of which due within the next financial year	250,000	100,000	
- of which due beyond the next financial year	-	-	
d-bis) from others			
- of which due within the next financial year	696,548	1,336,930	
- of which due beyond the next financial year	1,086,809	863,996	
BIII Total Financial fixed assets	3,468,888	3,547,119	
B) TOTAL FIXED ASSETS	77,233,903	60,469,013	
C) CURRENT ASSETS			
I) Inventories			
1) raw materials and consumables	128,343	188,953	

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3) construction contracts	-	65,975
		536,519
4) finished products and goods for resale	3,761,927	
5) advance payments	-	-
Total inventories	3,890,270	791,448
II) Receivables		
1) trade receivables		
- of which due within the next financial year	43,300,645	16,235,042
- of which due beyond the next financial year	-	-
3) from associated companies		
- of which due within the next financial year	467,533	172,002
- of which due beyond the next financial year	-	-
4) from parent companies		
- of which due within the next financial year	-	260,935
- of which due beyond the next financial year	-	-
5) from companies subject to control of parent companies		
- of which due within the next financial year	4,393,621	849,299
- of which due beyond the next financial year	-	-
5-bis) tax receivables		
- of which due within the next financial year	18,686,052	5,867,940
- of which due beyond the next financial year	-	-
5-ter) Deferred tax assets	1,391,665	831,223
5 quarter) from others		
- of which due within the next financial year	2,943,168	5,797,502
- of which due beyond the next financial year	-	-
Total receivables	71,182,684	30,013,943
III) Short-term investments		
6) other securities	2,992,762	1,812,868
7) financial assets for centralised treasury management	-	-
Total short-term investments	2,992,762	1,812,868
IV) Cash and cash equivalents		
1) Bank and postal deposits	24,925,411	15,095,216
3) Cash on hand	28,055	23,248
Total cash and cash equivalents (IV)	24,953,466	15,118,464
C) TOTAL CURRENT ASSETS	103,019,181	47,736,722
D) ACCRUED INCOME AND PREPAID EXPENSES	2,724,958	3,306,828
TOTAL ASSETS	182,978,042	111,512,562

Values in euro

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES	31/12/2021	31/12/2020
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SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP		
I – Share capital	10,162,087	2,862,022
II – Share premium reserve	2,219,463	7,257,827
III – Revaluation reserves	-	-
IV – Legal reserve	247,421	175,531
V – Statutory reserves	-	-
VI – Other reserves:		
Sundry other reserves	149,242	450,450
Reserve for exchange-rate differences	12,365	-
VII – Reserve for expected cash-flow hedging transactions	-	-
VIII – Profit (loss) carried forward	6,224,561	5,765,568
IX - Profit (loss) for the year	6,368,826	673,186
X – Negative reserve for treasury shares	-	-
Total Shareholders' Equity attributable to the Group	25,383,964	17,184,583
Shareholders' Equity attributable to non-controlling interests:		
Capital and reserves attributable to non-controlling interests	4,938,393	1,951,573
Profit (loss) attributable to non-controlling interests	360,012	(644)
Total shareholders' equity attributable to non-controlling interests	5,298,405	1,950,929
A) TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	30,682,369	19,135,512
B) PROVISIONS FOR RISKS AND CHARGES		
1) Provision for pensions and similar obligations	14,600	-
2) Provision for taxes, including deferred taxes	3,671,256	2,063,180
4) Other	37,309,419	37,193,965
B) TOTAL PROVISIONS FOR RISKS AND CHARGES	40,995,275	39,257,145
C) POST-EMPLOYMENT BENEFITS	2,184,006	1,559,483
D) PAYABLES		
1) Bonds		
- of which due within the next financial year	-	-
- of which due beyond the next financial year	9,615,698	-
4) Payables to banks		
- of which due within the next financial year	5,794,073	197,143
- of which due beyond the next financial year	7,563,080	1,935,517
5) Payables to other lenders		
- of which due within the next financial year	4,775,546	1,318,970
- of which due beyond the next financial year	-	2,895
6) Advances		
- of which due within the next financial year	553,627	52,759
- of which due beyond the next financial year	-	2,384
7) Trade payables		
- of which due within the next financial year	45,509,974	15,541,855

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- of which due beyond the next financial year	1,127,292	1,127,558
10) Payables to associated companies		
- of which due within the next financial year	494,408	3,277,640
- of which due beyond the next financial year	-	-
11) Payables to parent companies		
- of which due within the next financial year	758,414	3,403,089
- of which due beyond the next financial year	-	313,212
11-bis) Payables to companies subject to control of parent companies		
- of which due within the next financial year	8,804,996	5,337,006
- of which due beyond the next financial year	380,380	736,302
12) Tax payables		
- of which due within the next financial year	4,557,816	2,427,043
- of which due beyond the next financial year	4,106,086	6,132,051
13) Payables to social security institutions		
- of which due within the next financial year	918,880	678,633
- of which due beyond the next financial year	-	-
14) Other payables		
- of which due within the next financial year	13,495,817	6,626,952
- of which due beyond the next financial year	355,880	945,115
D) TOTAL PAYABLES	108,811,969	50,056,125
E) ACCRUED EXPENSES AND DEFERRED INCOME	304,424	1,504,298
TOTAL	182,978,042	111,512,562

Innovatec S.p.A. Group

Values in euro

CONSOLIDATED INCOME	01/01/2021 31/12/2021	01/01/2020 31/12/2020
A) VALUE OF PRODUCTION		
1a) Revenues from sales and services	138,240,068	23,798,953
2) Changes in inventories of semi-finished and finished products	3,069,008	-
3) Change in construction contracts	-	536,519
4) Own work capitalised	1,509,053	-
5) Other revenues and income:		
- Grants related to income	3,240	-
- Other	1,784,861	4,058,913
A) TOTAL VALUE OF PRODUCTION	144,606,230	28,394,386
B) COSTS OF PRODUCTION		
6) for raw materials, consumables and goods for resale	(18,009,327)	(2,193,252)
7) for services	(75,601,018)	(20,314,539)
8) for leased assets	(4,049,163)	(169,829)
9) for personnel costs	(12,307,101)	(1,538,319)
a) wages and salaries	(8,867,953)	(1,091,838)
b) social security charges	(2,691,993)	(338,986)
c) post-employment benefits	(584,933)	(79,345)
d) pensions and similar obligations	(280)	(1,675)
e) other costs	(161,942)	(26,475)
10) amortisation, depreciations and write-downs	(15,359,366)	(345,991)
a) amortisation of intangible fixed assets	(4,200,640)	(345,900)
b) depreciation of property, plant and equipment	(11,004,593)	-
d) write-down of current receivables and of cash and cash equivalents	(154,133)	(90)
11) Changes in inventory of raw materials, consumables and goods for resale	(60,610)	188,953
12) provisions for risks	(1,260,000)	-
13) other provisions	(4,024,972)	-
14) sundry operating expenses	(3,745,209)	(1,329,982)
B) TOTAL COSTS OF PRODUCTION	(134,416,767)	(25,702,956)
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	10,189,463	2,691,429
C) Financial income and expenses		
15) Income from equity investments		
others	-	1,271
16) Other financial income:		
a) from loans entered as fixed assets		
from non-consolidated subsidiary companies	1,375	-
from associated companies	1,203	132

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b) from other permanent investments	-	235,408
c) from other short-term investments	423	10,227
d) income other than the above from others	911,899	11,709
17) Interest and other financial expense		
to parent companies	(31,408)	-
others	(483,019)	(476,479)
17-bis) Foreign exchange gains and losses	318	-
C) TOTAL FINANCIAL INCOME AND EXPENSES	400,791	(217,731)
D) Value adjustments to financial assets and liabilities		
18) Revaluations:		
a) of equity investments	115,138	166,418
19) Write-downs:		
a) of equity investments	(574)	(1,110,997)
c) of other short-term investments	(3,580)	(49,129)
D) TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS	110,984	(993,709)
PROFIT (LOSS) BEFORE TAXES (A-B+C+D)	10,701,238	1,479,989
20) Current income taxes, deferred tax assets and liabilities for the year: current taxes	(2,605,930)	(639,771)
Taxes from previous years	(89,436)	-
deferred tax liabilities	(1,609,323)	(155,347)
deferred tax assets	332,290	(12,330)
21) CONSOLIDATED NET PROFIT (LOSS) FOR THE YEAR	6,728,838	672,542
PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	360,012	(644)
PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	6,368,826	673,186

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Innovatec S.p.A. Group

CONSOLIDATED STATEMENT OF CASH FLOWS

31/12/21
31/12/20
(Values expressed in Euro/000)

A. CASH FLOWS FROM OPERATIONS

Consolidated profit/(loss) for the year	6,728,838	672,542
Income taxes	3,972,400	807,448
Financial income/(expenses)	(430,506)	219,003
(Capital gains)/Capital losses deriving from asset disposal	220,268	-

1. Profit (loss) for the year before income taxes, interest, dividends

10,491,000
1,698,993
Adjustments for non-cash items that were not offset in net working capital :

Accruals to provisions	5,284,972	-
Amortisation/Depreciations of fixed assets	15,205,233	345,900
Write-down due to accumulated impairment losses of Equity investments	574	-
Write-down of current receivables	154,133	90
Write-down of Shares	3,580	49,129
Write-down of intangible fixed assets	-	1,024,599
Provision for post-employment benefits	584,933	79,345
Economic flow due to loss of company leaving the scope of consolidation	227,023	-
Other adjustments for non-cash items	231,262	(3,608,120)

2. Cash flow before changes in net working capital

32,182,710
(410,064)
Changes in net working capital:

(Increase)/Decrease in trade receivables	(2,114,475)	4,659,244
Increase)/Decrease in trade payables	12,026,554	6,184,459
(Increase)/Decrease in inventories	(2,942,422)	(158,601)
(Increase)/Decrease in other assets/other liabilities	(8,683,528)	(4,010,779)

3. Cash flow after changes in net working capital

30,468,839
6,264,259
Other adjustments:

Interest collected/(paid)	(481,357)	128,303
(Income taxes paid)	(1,666,943)	(575,035)
Dividends collected	111,555	-
(Payment of post-employment benefits)	(650,228)	(48,529)
(Use of provisions)	(1,269,966)	(1,010,595)

CASH FLOW FROM OPERATIONS (A)

26,511,900
4,758,403

B. CASH FLOWS FROM INVESTING ACTIVITIES

(Investments)/disinvestments in Intangible fixed assets	628,457	(3,409,366)
(Investments)/disinvestments in Property, plant and equipment	(7,957,166)	(1,044,648)
(Investments)/disinvestments in Financial fixed assets	(516,233)	4,718,086
(Investments)/disinvestments in other financial assets	1,407,366	(697,953)
Cash flow associated with the acquisition of control of companies entering the scope of consolidation	(19,758,901)	(62,991)

CASH FLOW FROM INVESTING ACTIVITIES (B)

(26,196,478)
(496,872)

C. CASH FLOWS FROM FINANCING ACTIVITIES

<i>Borrowing</i>		
Increase (decrease) in payables to banks	3,449,399	(107,010)
Increase/(decrease) in financial payables	8,085,272	(7,669,376)
<i>Equity</i>		
Share capital increase of the Parent Company against payment	1,808,992	2,561,993
Deduction of dividends to minority shareholders	(2,815)	-
Capital contributions by minority shareholders	9,128	-

CASH FLOW FROM FINANCING ACTIVITIES (C)

13,349,976
(5,214,393)

INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)

13,665,399
(952,862)

Effect of cash and cash equivalents from the consolidation of acquired subsidiary companies	34,201	8,500,242
Effect of cash and cash equivalents from deconsolidation on a line-by-line basis	(3,864,599)	-

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR

15,118,464
7,571,084

<i>of which:</i>		
bank and postal deposits	15,095,216	7,565,026
cheques	-	-
cash on hand	23,248	6,058

CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR

24,953,466
15,118,464

<i>of which:</i>		
bank and postal deposits	24,925,411	15,095,216
cheques	-	-
cash on hand	28,055	23,248

Innovatec S.p.A. Group

Changes in Consolidated shareholders' equity

Values in euro

	Share Capital	Share premium reserve	Legal reserve	Payment towards future capital increase	Reserve for convertible bond conversion option	Other reserves	Reserve for exchange-rate differences	Profit (loss) carried forward	Profit (Loss) for the year	Total Shareholders' Equity attributable to the Group	Total shareholders' equity attributable to non-controlling interests	Total Consolidated shareholders' equity
Shareholders' equity as at 31 December 2019	1,954,955	4,190,901	-	1,412,000	450,450	0	-	855,342	5,085,758	13,949,406	6,405	13,955,811
Allocation of profit (loss) from the previous year	-	-	175,531	-	-	-	-	4,910,227	(5,085,758)	-	-	-
Share capital increase by using payments towards future share capital increase	441,250	970,750	-	(1,412,000)	-	-	-	-	-	-	-	-
Share capital increase in conversion of discharged Green Bond	179,929	809,682	-	-	-	-	-	-	-	989,611	-	989,611
Share capital increase due to exercise of warrant	285,888	1,286,494	-	-	-	-	-	-	-	1,572,382	-	1,572,382
Change in the scope of consolidation – Upd. from Clean Tech S Group control acquisition	-	-	-	-	-	-	-	-	-	-	1,945,167	1,945,166
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	-	-	-	-	673,186	673,186	(644)	672,542
Shareholders' equity as at 31 December 2020	2,862,022	7,267,827	175,531	-	450,450	0	-	5,765,569	673,186	17,184,583	1,950,929	19,135,512
Allocation of profit (loss) from the previous year	-	-	71,890	-	-	150,452	-	450,844	(673,186)	-	-	-
Bonus issue by using reserves	6,220,467	(5,767,758)	-	-	(450,450)	-	-	(2,259)	-	-	-	-
Share capital increase to service warrants	917,511	-	-	-	-	-	-	-	-	917,511	-	917,511
Share capital increase due to exercise of warrant	162,087	729,394	-	-	-	-	-	-	-	891,481	-	891,481
Change in the scope of consolidation due to changes in equity investments	-	-	-	-	-	-	12,365	2,779	-	15,144	(1,778,911)	(1,763,767)
Change in the scope of consolidation due to acquisitions	-	-	-	-	-	-	-	-	-	-	4,760,062	4,760,062
Dividend distribution	-	-	-	-	-	-	-	-	-	-	(2,815)	(2,815)
Capital contributions	-	-	-	-	-	-	-	-	-	-	9,128	9,128
Other changes	-	-	-	-	-	(1,210)	-	7,627	-	6,417	-	6,417
Profit (loss) for the year	-	-	-	-	-	-	-	-	6,368,826	6,368,826	360,012	6,728,838
Shareholders' equity as at 31 December 2021	10,162,087	2,219,463	247,421	-	-	149,241	12,365	6,224,561	6,368,826	25,383,965	5,298,405	30,682,369

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

INTRODUCTION

The Parent company Innovatec S.p.A. is a joint-stock company organised under the laws of the Italian Republic whose shares are listed on the Milan Stock Exchange on the Euronext Growth Milan market.

Contents and form of the Consolidated financial statements

The Consolidated Financial Statements as at 31 December 2021, consisting of the Statement of financial position, Income Statement, Statement of Cash Flows and Notes to the Financial Statements, were prepared in accordance with the provisions of Italian Decree Law 127/91 and the provisions of Articles 2423 et seq. of the Italian Civil Code, as amended by Italian Legislative Decree 139/2015, properly supplemented by the accounting standards formulated by the OIC.

The presentation of the components of the Consolidated Statement of financial position and Consolidated Income Statement follows the layouts prescribed by Articles 2424 and 2425 of the Italian Civil Code with the additions required to contain the typical consolidation items, pursuant to Article 32 of Italian Legislative Decree 127/91. The items of the statement of financial position and of the income statement, indicated by Arabic numerals and capital letters, and envisaged by Articles 2424 and 2425 of the Italian Civil Code, are not indicated if they have a zero balance in the current year.

Items that are zero in these consolidated financial statements have also been omitted.

The Statement of Cash Flows shows the changes – positive or negative – in cash and cash equivalents that occurred during the year and has been prepared by way of comparison, was presented according to the indirect method using the scheme provided for by Accounting Standard OIC 10. The contents and characteristics of the statement of cash flows are set forth in Article 2425-ter of the Italian Civil Code, according to which, the statement of cash flows must show, for the closing and previous financial year: the amount and composition of cash and cash equivalents at the beginning and end of the financial year and the cash flows for the year deriving from operations, investing and financing activities (including, with independent indication, transactions with shareholders).

The reference date of the consolidated financial statements coincides with the end of the reporting period of the Parent company.

The consolidated financial statements were drawn up in Euro pursuant to Article 2423, paragraph 5 of the Italian Civil Code, and the transformation of accounting data, stated in Euro cents, into financial statement data, expressed in Euro, was done by rounding off.

The amounts indicated in the notes to the financial statements, unless specified otherwise, are stated in Euro.

The preparation of the financial statements as at 31 December 2021 did not entail the need to resort to derogations for exceptional cases, as envisaged by Article 29, paragraph 4 of Italian Legislative Decree 127/1991.

The financial statements and related disclosures of Innovatec S.p.A.'s subsidiaries have been approved by the Board of Directors for the purpose of preparing the consolidated financial statements and have been amended, where necessary, to bring them into line with the uniform accounting standards within the Group and in line with the rules governing the consolidated financial statements.

Scope of consolidation

The consolidated financial statements of the Innovatec Group as at 31 December 2021 were prepared using the financial statements of Innovatec S.p.A. and its subsidiaries, in which Innovatec S.p.A. holds, directly or indirectly, 50% or more of the share capital.

The financial statements and financial positions, as described above, have been properly adjusted, where necessary, to standardise any accounting entries therein, in order to comply with consolidation regulations, or to bring them into line with the uniform accounting standards within the Group, in line with those laid down by Italian Legislative Decree no. 127 of 9 April 1991, as amended.

The Statement of Financial Position and Income Statement are followed by the reconciliation table, included in the section on shareholders' equity, between Innovatec S.p.A.'s shareholders' equity and profit/(loss) for the year and the corresponding consolidated values pertaining to the Group.

The preparation of the financial statements as at 31 December 2021 did not entail the need to resort to derogations for exceptional cases, as envisaged by Article 29, paragraph 5 of Italian Legislative Decree 127/1991 and pursuant to Article 2423, paragraph 4, of the Italian Civil Code.

Note that some companies within the scope of consolidation adopted the full suspension of depreciation/amortisation charges on certain categories of property, plant and equipment and intangible fixed assets in 2020, as envisaged by Article 60 of Italian Decree Law no. 104 of 14 August 2020, which allows entities adopting national accounting standards to derogate from the provisions laid down by Article 2426 of the Italian Civil Code, concerning the depreciation/amortisation of property, plant and equipment and intangible fixed assets, by not recognising all or part of the depreciation/amortisation related to property, plant and equipment and intangible fixed assets in the 2020 financial statements.

Note that the consolidated financial statements for the year 2020, used for comparisons, are those approved on 30 March 2021.

The scope of consolidation includes the following companies consolidated on a line-by-line and equity basis:

Company name	Investing company	Registered office	Directly-held %	overall %	Type of control	Consolidation Method
Innovatec S.p.A.	PARENT COMPANY	Milan			Parent company	Line-by-line consolidation
Directly controlled subsidiaries:						
Innovatec Power S.r.l.	Innovatec S.p.A.	Milan	100.00%	100.00%	Subsidiary	Line-by-line consolidation
Haiky+ S.r.l. (former Innovatec Circle S.r.l.)	Innovatec S.p.A.	Milan	100.00%	100.00%	Subsidiary	Line-by-line consolidation
Innovatec Venture S.r.l.	Innovatec S.p.A.	Milan	90.00%	90.00%	Subsidiary	Line-by-line consolidation
Innovatec USA Inc	Innovatec S.p.A.	Delaware – Usa	60.00%	60.00%	Subsidiary	Line-by-line consolidation
Subsidiaries of Haiky+ S.r.l. :						
Green Up S.p.A.	Haiky+ S.r.l.	Milan	100.00%	100.00%	Subsidiary	Line-by-line consolidation
Cobat S.p.A. B corp	Haiky+ S.r.l.	Milan	56.45%	56.45%	Subsidiary	Line-by-line consolidation
Matemorfofi S.r.l. B corp	Haiky+ S.r.l.	Milan	70.00%	70.00%	Subsidiary	Line-by-line consolidation
Ecological Wall S.r.l.	Haiky+ S.r.l.	Milan	90.00%	90.00%	Subsidiary	Line-by-line consolidation
Subsidiaries of Green Up S.r.l. :						
Vescovo Romano & C. S.r.l.	Green Up S.r.l.	Palazzolo Vercellese (VC)	70.00%	70.00%	Subsidiary	Line-by-line consolidation
Subsidiaries of Haiky+ S.r.l. and Innovatec Power S.r.l. :						
Innovatec Venture S.r.l.	Haiky+ S.r.l.	Milan	5.00%	100.00%	Subsidiary	Line-by-line consolidation
Innovatec Venture S.r.l.	Innovatec Power S.r.l.	Milan	5.00%	100.00%	Subsidiary	Line-by-line consolidation
Associates:						
Rete Ambiente S.r.l.	Innovatec S.p.A.	Ponte a Egola (PI)	50.00%		Subsidiary	Consolidation at Equity
Exalto Energy & Innovation S.r.l.	Innovatec S.p.A.	Palermo	24.79%		Associated company	Consolidation at Equity
Circularity S.r.l. B corp	Innovatec S.p.A.	Milan	20.00%		Associated company	Consolidation at Equity
EDA Pro S.r.l.	Rete Ambiente S.r.l.	Milan	49.00%		Associated company	Cost
CMR Società consortile a r.l.	Rete Ambiente S.r.l.	Milan	20.90%		Associated company	Cost
Farthan S.c.r.l. società consortile	Innovatec S.p.A./Green Up S.p.A. Milan		30.00%		Associated company	Cost

As at 31 December 2021, Innovatec held, directly and indirectly through subsidiaries, the following equity investments:

- **Innovatec Power S.r.l. ("Innovatec Power")** a 99.01% subsidiary. The company is active in the field of process energy efficiency and improvement of energy efficiency.
- **Haiki+ S.r.l. ("Haiki+")**, a wholly-owned subsidiary. Haiki+ is Innovatec's new sub-holding company for the surfacing of the group's plant assets' value and the development of projects related to the circular economy. All group companies operating in the circular economy, such as Green Up S.p.A., Vescovo Romano S.r.l., Cobat S.p.A. have merged into Haiki+.

Its subsidiaries are as follows:

- **Green Up S.p.A.**, wholly owned. The subsidiary – holder of ISO 9001:2015 and ISO 14001:2015 certifications – assists its customers in the proper management of their waste production chain, helping to reduce its environmental impact with a progressive increase in the quantities of materials recovered, including through smart disposal. As from 24 September 2020, Green Up, with the aim of expanding and improving its service to customers and developing its technological and process plants by favouring the enhancement of materials with a view to the circular economy, expanded its business through the acquisition of:
 - **Vescovo Romano & C. S.r.l.**, 70% owned, a historic company active in the processing and sale of waste paper and any other recovered material, whose Palazzolo Vercellese (VC) factory represents a cutting-edge centre for treatment and recovery.
- **Cobat S.p.A.** 56.45% owned since the beginning of December 2021, is active in the business of collecting, storing and sending for recycling waste such as batteries, accumulators, electrical and electronic equipment and unserviceable tyres. The company carries out its activities through the management of service contracts signed with four Production Chain Consortia (illustrated below) and is present throughout the country thanks to a logistics and plant network guaranteeing an efficient service for the collection, storage and sending for recycling of any type of waste. In detail, Cobat holds 100% of Cobat Tech S.r.l. that, in turn, holds minority stakes in several consortia such as: Cobat Raee, Cobat Tyre, Cogepir and Cobat Compositi as well as 51% of the company Cobat Ecofactory S.r.l.
- **Matemorfosi S.r.l.** B corp, established in 2021 (70% subsidiary), aims to build an innovative circular economy plant, aimed at recovering and transforming all types of mattresses, converting them from waste into new raw materials, with a view to full circularity aimed at EW (end of waste);
- **Ecological Wall S.r.l.**, a company already present on the market for some time and specialised in the recovery of plaster-based materials, 90% of whose shares were acquired at the end of July 2021. The project development pursued by the company envisages the attainment of authorisation and the subsequent installation of a new mechanical sorting system that will enable the recycling of approximately 90% of the input material consisting mainly of plasterboard production waste and demolition waste.
- **Innovatec Venture S.r.l.**, 90% owned, established in 2021 as a Corporate Venture Capital vehicle founded with the intention of promoting sustainable innovation both outside and inside the Group, creating a growing network of partners who share the same values.
- **Innovatec USA LLC** (in which Innovatec holds a 60% stake): a company set up to build a Biomethane plant from dairy cattle slurry in USA Lancaster (Pennsylvania).

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- **Circularity S.r.l.** (20.16% owned) is active in the circular economy sector with the mission to develop and disseminate services dedicated to companies in the transition to the circular economy, combining consultancy activities with IT and telecommunication services through a web platform.
- **Exalto Energy & Innovation S.r.l.** (24.79% owned): a limited liability company, with registered office in Palermo, active in the design of energy efficiency measures and research and testing of innovative technologies in the field of renewables, efficiency and smart cities.
- **Rete Ambiente S.r.l.** (50% owned), a publishing house specialised in sustainability issues.

The equity investments sold during the year are:

- **Sostenya Green S.p.A.** ("Sostenya Green") wholly owned by Innovatec until 7 January 2021 when it was sold to the reference shareholder Sostenya Group Plc as part of the consideration for the acquisition of the Clean Tech Group. The company is active in brokering space at landfill sites of related parties and third parties.
- **Volteo Energie S.r.l.** ("Volteo") (wholly-owned subsidiary) in arrangement with creditors, sold on 28 December 2021.

Main criteria adopted in defining the scope of consolidation and in applying the principles of valuation of equity investments

The consolidated financial statements as at 31 December 2021 are derived from the financial statements as at 31 December 2021 of Innovatec S.p.A. (the Parent Company) and the companies in which the Parent Company directly or indirectly holds the majority of the votes exercisable at the ordinary shareholders' meeting or in which it has a dominant influence by virtue of a contract or a clause in the articles of association, if this is allowed by the applicable law, and in the companies in which it has independent control of the majority of the voting rights based on agreements with other shareholders. In particular, subsidiaries are companies over which the Group exercises control, as a result either of directly or indirectly owning the majority of the voting rights or of exercising a dominant influence, demonstrated by the power to determine the financial and operating policies of these entities and to obtain the relating benefits, irrespective of shareholding relationships. These equity investments are consolidated on a line-by-line basis.

The Group's scope of consolidation includes equity investments in associated companies if the investing company holds a stake of more than 20%, as this percentage is deemed sufficient for presuming the investing company's significant influence, but not control, over the financial and operating policies of the associated company, unless, in the presence of such a stake, it can be clearly demonstrated that no significant influence exists.

Equity investments in associated companies are measured using the equity method.

Companies in which Innovatec, directly or indirectly, holds at least 20% of the voting rights (including "potential" voting rights) or when – even with a lower amount of voting rights – it has the power to determine the financial and management policies by virtue of specific legal relationships such as participation in shareholders' agreements.

Changes in the scope of consolidation since the previous year

Compared to the previous year, the following occurred:

- on 7 January 2021, the sale of 100% of Sostenya Green S.p.A. to Sostenya Group Ltd (formerly Plc) as part of the consideration for the purchase of 50.1% of the Clean Tech Group at the end of December 2020;
- in mid-July 2021, the purchase of the remaining stake (49.90%) in Clean Tech LuxCo SA, the 100% parent company of SPC Green S.p.A., which controlled 100% of Green Up Holding S.r.l., and indirectly, through the latter, 100% of Green Up S.p.A., which controls 70% of Vescovo Romano & C. S.r.l. With 100% ownership of the share capital of Clean Tech LuxCo S.A., the group started a corporate reorganisation by finalising a first reverse merger of SPC Green S.p.A. and Green Up Holding S.r.l.
- into Green Up S. p.A. and a second merger, after Innovatec S.p.A. sold Clean Tech LuxCo S.A. (nationalised into S.r.l. in the third quarter of 2021) to Haiki+, of Clean Tech S.r.l. into Haiki+ S.r.l.;
- on 29 July 2021, the acquisition of 90% of Ecological Wall S.r.l., which entered the scope of consolidation on a line-by-line basis effective 31 December 2021. It should be noted that, on the basis of the financial statements of the acquired company made available as of the date closest to the date of the actual acquisition of control, the first consolidation on a line-by-line basis was conventionally made as from 31 December 2020;
- at the beginning of December 2021, a significant change in the scope of consolidation due to the acquisition of control of 56.45% of Cobat S.p.A., which entered the scope of consolidation on a line-by-line basis with effect from 31 December 2021;
- On 28 December 2021, Innovatec S.p.A. sold 100% of the share capital of Volteo Energie S.r.l. to a third party for an equivalent value of Euro 150,000.

In the light of the acquisition at the beginning of December 2021 of Cobat S.p.A. and the acquisition of Ecological Wall S.r.l. at the end of July 2021, the 2021 consolidated statement of financial position and income statement includes the figures of Cobat and Ecological Wall only in financial terms. In the light of the sale at the end of December 2021 of Volteo Energie S.r.l., the 2021 consolidated statement of financial position and income statement includes the data of the sold company only in operating terms.

Full sale of Sostenya Green S.p.A.

Compared to the previous year, the parent company sold the company Sostenya Green S.p.A. in its entirety on 7 January 2021.

The sale of the 100% stake held by Innovatec in the share capital of Sostenya Green S.p.A. for Euro 1,731,000.00 was defined as part of a sale and purchase agreement signed on 10 December 2021 with the selling party Sostenya Group Plc (now Ltd) of the acquisition of control of the group of companies headed by Clean Tech Luxco S.A. on 29 December 2020 against payment of the consideration by Innovatec.

For the purpose of comparative information with respect to the statement of financial position data for the previous year, the main information concerning the assets and liabilities of the company Sostenya Green S.p.A. that contributed to the consolidated financial statements for the year ended 31 December 2020 is presented below, and the effects that, following the sale and deconsolidation of the 100% shareholding by the parent company Innovatec, affected the presentation of the consolidated statement of financial position as at 31 December 2021 are shown below.

Values in euro	Sostenya Green Srl
Intangible fixed assets	3,663,389
Property, plant and equipment	818,004
Financial fixed assets (net of controlling interests)	797,576
Total fixed assets	5,278,969
Trade receivables	433,609
Sundry receivables and other assets	2,627,556
Total current assets	3,061,165
Trade payables	(373,748)
Sundry payables and other liabilities	(5,109,767)
Total current liabilities	(5,483,515)
Net working capital	(2,422,350)
Post-employment benefits	(10,866)
Provisions for risks and charges	(3,658,012)
Invested assets	(812,259)
Payables to banks	(2,264)
Payables to other lenders	0
Financial indebtedness	(2,264)
Cash and cash equivalents	2,592,660
Net financial position	2,590,396
Net assets	1,778,137
Group share of net assets 100% (A)	1,778,137
Sale consideration (B)	1,731,000
Capital loss from sale in consolidated financial statements (B – A)	(47,137)

Purchase of residual stake (49.90%) in Clean Tech LuxCo SA and Participating Financial Instruments

On 14 July 2021, Innovatec S.p.A., in order to have 100% control of the Environment and Circular Economy business unit, acquired from the minority shareholder Ancient Stone LLC at an equivalent value of Euro 10 million, the remaining 49.9% of the share capital of Clean Tech LuxCo S.A. (now merged into Haiki+ after nationalisation) parent company of SPC Green S.p.A, Green Up Holding S.r.l. (now merged into Green Up S.p.A.) and the operating companies Green Up S.p.A., Vescovo Romano & C. S.r.l. Moreover, Innovatec S.p.A. purchased in the second half of 2021, all of the Class B Participating Financial Instruments (“BPFI”) with a nominal value of Euro 10 million at Euro 7,020,134 (including acquisition-related charges) and part of the Class A Participating Financial Instruments (“APFI”) with a nominal value of Euro 266,270 (including acquisition-related charges) issued by the subsidiary SPC Green S.p.A. (now merged into Green Up S.p.A.). The above mentioned APFIs are in addition to those already held by Green Up S.p.A. as at 31 December 2021, amounting to Euro 1,814 thousand, compared to the total subscribed of Euro 2,472 thousand.

The effect of the acquisition is as follows:

Incremental value of the equity investment 49.9% Clean Tech Luxco SA	10,000,000.00
Shareholders' Equity SPC Green Group	3,585,185
% held	49.9%
Group Shareholders' Equity pro rata SPC Green	1,789,007.18
Goodwill	8,210,992.82

Elimination of 49.9% equity investment in Luxco Capital SA

	Debit	Credit
Equity investments in subsidiary companies		10,000,000
Share Capital	-	-
Share premium reserve	-	-
Profit (loss) carried forward	-	-
Shareholders' Equity attributable to non-controlling interests	1,789,007	-
Goodwill	8,210,993	
	10,000,000	10,000,000

The acquisition of the remaining 49.9% of the equity investment resulted in the recognition in the consolidated financial statements of an additional consolidation difference assigned to "Goodwill" of Euro 8,210,993, which is added to the Goodwill recorded last year with reference to the first acquisition (50.10%) of the equity investment of Euro 4,034,822. The goodwill of Euro 8,210,993, plus an additional goodwill arising from acquisition-related charges of Euro 82,215, recorded on the purchase of the incremental equity investment emerges as the difference between the purchase price of the 49.90% stake in Clean Tech LuxCo SA. defined at Euro 10 million and the Shareholders' Equity attributable to non-controlling interests as at 31 December 2020 (the reference date from which the incremental acquisition was conventionally made) of Euro 1,789,007 in total. The acquisition of all the BPFIs and part of the APFIs resulted in the recognition in the consolidated financial statements of an additional consolidation difference assigned to "Goodwill" of Euro 7,286,404.

With 100% ownership of the share capital of Clean Tech LuxCo S.A., the group started a corporate reorganisation by finalising a first reverse merger of SPC Green S.p.A. and Green Up Holding S.r.l. into Green Up S.p.A. and a second merger, after Innovatec S.p.A. sold Clean Tech LuxCo S.A. (nationalised into S.r.l. in the third quarter of 2021) to Haiki+, of Clean Tech S.r.l. into Haiki+ S.r.l. This reorganisation is neutral for the consolidated purposes of the Innovatec Group.

Acquisition of the full control of COBAT S.p.A., B corp ("COBAT")

Compared to the previous year, the scope of consolidation changed due to the acquisition from several selling shareholders of 56.45% of the share capital of COBAT S.p.A., B corp ("COBAT"), a key player in Italy in the management of material flows and recovery of materials such as WEEE and Batteries. The acquisition, which took place on 1 December 2021 for a consideration of Euro 9.5 million paid out of cash on hand, integrates and creates a perfect complementarity between COBAT's ability to replicate its business model on new production chains of materials to be sent for recovery, and that of its subsidiary Green Up S.p.A. to build and manage plants for their treatment and transformation into secondary raw materials. Moreover, the Cobat Platform, with its widespread network of recovery points throughout the territory, can be replicated for any type of product and guarantees an efficient collection, storage and recycling service for any type of waste.

closest to the effective date of acquisition of control (1 December 2021), the first consolidation on a line-by-line basis of COBAT S.p.A. was conventionally made as from 31 December 2021.

For the purpose of comparative information with respect to the statement of financial position data for the previous year, the effects on the presentation of the consolidated statement of financial position as at 31 December 2021 resulting from the acquisition of control of COBAT S.p.A. are shown below.

Values in euro	Total
Intangible fixed assets	986,376
Property, plant and equipment	8,462,597
Financial fixed assets	199,458
Total fixed assets	9,648,431
Inventories	156,400
Trade receivables	25,565,331
Financial assets	2,638,018
Sundry receivables and other assets	1,569,387
Total current assets	29,929,136
Trade payables	(13,566,696)
Sundry payables and other liabilities	(1,823,159)
Total current liabilities	(15,389,855)
Net working capital	14,539,280
Post-employment benefits	(698,721)
Provisions for risks and charges	(64,125)
Invested assets	23,424,865
Payables to banks	(7,747,659)
Payables to other lenders	(4,762,731)
Financial indebtedness	(12,510,390)
Cash and cash equivalents	21,249
Net financial position	(12,489,142)
Pro-rata net assets of minority interests in not wholly-owned subsidiaries	(4,762,508)
Pro-rata net assets of 56.45% acquired by Innovatec SpA	6,173,216 (b) = (a) x 56.45%
Cost of the equity investment:	
56.45% stake in the share capital of Cobat SpA B corp	9,500,000
Charges related to the acquisition	369,471
Total cost of the 50.1% controlling interest in the Clean Tech Luxco SA Group	9,869,471 (c)
Goodwill from consolidation difference	3,696,255 (c) – (b)

The acquisition of 56.45% of the equity investment in COBAT S.p.A. resulted in the recognition in the consolidated financial statements of a consolidation difference assigned to “Goodwill” of Euro 3,696,255. This goodwill is the difference between the acquisition price defined at Euro 9,500,000, and the contribution to the consolidated financial statements of a pro-rata net asset as at 31 December 2021 (the reference date from which the acquisition of control was conventionally started) of a total of Euro 6,173,216.

Acquisition of control of the company Ecological Wall S.r.l.

Compared to the previous year, the scope of consolidation changed as a result of the acquisition at the end of July 2021 of 90.00% of the share capital of Ecological Wall S.r.l., a company operating in the recovery of plaster-based construction materials derived from demolitions.

It should be noted that, based on the accounting position of the acquired company made available as of the date closest to the effective date of acquisition of control in 29 July 2021, the first consolidation on a line-by-line basis of Ecological Wall S.r.l. was conventionally made as from 31 December 2021.

For the purpose of comparative information with respect to the statement of financial position data for the previous year, the effects on the presentation of the consolidated statement of financial position as at 31 December 2021 resulting from the acquisition of control of Ecological Wall S.r.l. are shown below:

Values in euro	Total	
Intangible fixed assets	12,052	
Property, plant and equipment	23,133	
Financial fixed assets	645	
Total fixed assets	35,830	
Inventories	-	
Trade receivables Financial assets	13,919	
Sundry receivables and other assets	- 199,454	
Total current assets	213,373	
Trade payables	(3,856)	
Sundry payables and other liabilities	(17,854)	
Total current liabilities	(21,710)	
Net working capital	191,663	
Post-employment benefits	(1,964)	
Provisions for risks and charges	0	
Invested assets	225,530	
Payables to banks	(41,566)	
Payables to other lenders	(221,375)	
Financial indebtedness	(262,941)	
Cash and cash equivalents	12,952	
Net financial position	(249,989)	
Pro-rata net assets of minority interests in not wholly-owned subsidiaries	2,446	
Total net assets of the acquisition	(22,013)	(a)
Net assets acquired by Innovatec SpA	(22,013)	(b) = (a) x 90.00%
Cost of the equity investment:		
90% stake in the share capital of Ecological Wall Srl	300,000	
Charges related to the acquisition	3,687	
Total cost of controlling interest	303,687	(c)
Goodwill from consolidation difference	325,700	(c) - (b)

The acquisition of 90.00% of the equity investment in Ecological Wall S.r.l. resulted in the recognition in the consolidated financial statements of a consolidation difference assigned to "Goodwill" of Euro 325,700. This goodwill is the difference between the acquisition price defined at Euro 300,000, and the contribution to the consolidated financial statements of a pro-rata net liability as at 31 December 2021 (the reference date from which the acquisition of control was conventionally started) of a total of Euro 22,013.

Full sale of Volteo Energie S.r.l. (in liquidation and under arrangement with creditors)

On 28 December 2021, Innovatec S.p.A. sold 100% of the share capital of Volteo Energie S.r.l. to a third party for an equivalent value of Euro 150,000. The effects are as follows:

Values in euro	
Financial fixed assets (net of controlling interests)	48,804
Total fixed assets	48,804
Trade receivables	5,783
Sundry receivables and other assets	101,364
Total current assets	107,147
Trade payables	(35,556)
Sundry payables and other liabilities	(603,828)
Total current liabilities	(639,384)
Net working capital	(532,237)
Provisions for risks and charges	(359,040)
Invested assets	(842,473)
Payables to banks	(83)
Payables to other lenders	0
Financial indebtedness	(83)
Cash and cash equivalents	1,271,938
Net financial position	1,271,855
Net assets	429,382
Group share of net assets 100% (A)	429,382
Sale consideration (B)	150,000
Capital loss on sale (B – A)	(279,382)
Profit (loss) – 2021 loss	227,023
Capital loss from sale in consolidated financial statements	(52,359)

Consolidation methods

The consolidation methods adopted pursuant to Articles 31, 32 and 33 of Italian Legislative Decree No. 127 of 9 April 1991, as amended, are as follows:

- The book value of equity investments is derecognised against the relevant Shareholders' equities when the assets and liabilities of the investee companies are assumed. The differences arising from these derecognitions are allocated to the assets and liabilities of the consolidated companies up to their current values, and the remaining part is recognised, where applicable, in the assets of the statement of financial position under the heading "Goodwill" and is amortised over the duration of its presumed economic usefulness; the negative difference flows into the equity item "consolidation reserves". The equity investments were derecognised on the basis of the book values referring to the date on which the company was first included in the consolidation.
- Debit and credit, cost and revenue items, as well as profits and losses (the latter only if they do not represent impairment losses), of material amounts, relating to transactions between Group companies, were derecognised; if the company with internal profits or losses within the Group accrued taxes, the economic effect of these taxes is deferred

until the transaction with third parties outside the Group is carried out;

- The portions of shareholders' equity and of the profit (loss) for the year of the consolidated subsidiaries pertaining to third parties have been disclosed in special items in the Statement of financial position and Income statement;
- Dividends from consolidated equity investments that are recognised as income from equity investment in the relevant Income Statements for the year of the consolidated companies are reversed and, if they refer to profits prior to the acquisition of the equity investment, are deducted from the cost of the equity investment.

Financial statement reporting standards

In accordance with the general principle of “materiality” (Art. 2423 par. 4), account has been taken and considered of the possibility of non-compliance with the requirements for recognition, measurement, presentation and disclosure of the financial statements, where the effects of non-compliance are immaterial for the purposes of providing a true and fair view.

Moreover, the reporting standard of “substance over form” (Article 2423-bis of the Italian Civil Code) has been taken into account and considered, in accordance with which the recognition and presentation of items is made taking into account the economic substance of the transaction over the legal form.

In compliance with the provisions of Art. 2423-bis of the Italian Civil Code, the following standards have been complied with while preparing the financial statements:

- Financial statement items were measured on the basis of general prudent and accruals criteria with a view to the company as a going-concern; the recognition and presentation of items were carried out taking into account the essence of the transaction or contract, where compatible with the provisions of the Italian Civil Code and the OIC accounting standards.
- The application of the prudent approach led to the individual measurement of the elements making up the individual asset and liability items, in order to avoid offsetting losses that had to be recognised and income that was not to be recognised because it was unrealised. In particular, profits were only included if realised by the end of the reporting period, whereas risks and losses for the year were taken into account even if known after the end of the reporting period.
- The application of the accruals principle means that the effect of transactions was recognised and allocated to the year to which these transactions refer, and not to that in which the related collections and payments were made.
- The preparation of the financial statements required estimates to be made that affect the values of the assets and liabilities and the related financial statement disclosure.
- Estimates are revised periodically and the effects of changes of the estimates, when not caused by incorrect estimates, are recorded on the income statement of the year in which they are relevant, if such changes have effects only on that year, and even in subsequent years if changes influence the current year or subsequent ones.

Measurement bases applied

There were no exceptional circumstances during the financial year requiring the derogation of the measurement bases, set forth in Article 2423, paragraph 5, of the Italian Civil Code, in that incompatible with the true and fair view of the Company's financial position, the results of the operations and of the cash flows.

No revaluations of assets were carried out during the financial year pursuant to special laws on the matter.

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In preparing the consolidated financial statements, the same measurement bases used in the parent company's financial statements are applied, properly adjusted to take into account the provisions of Italian Legislative Decree 127/91 concerning the preparation of consolidated financial statements.

Note that some companies within the scope of consolidation have adopted the full suspension of depreciation and amortisation charges on certain categories of tangible and intangible assets, as envisaged by Article 60 of Italian Decree Law no. 104 of 14 August 2020, which allows entities adopting national accounting standards to derogate from the provisions laid down by Article 2426 of the Italian Civil Code, concerning the depreciation/amortisation of property, plant and equipment and intangible assets, by not recognising all or part of the depreciation/amortisation relative to tangible and intangible assets in the 2020 financial statements.

The measurement bases adopted in the preparation of the financial statements are indicated below.

Innovatec Group Business Continuity Assessments

The measurements in the financial statements were made on a going concern basis, after considering the provisions of OIC 11 and Art. 2423-bis of the Italian Civil Code and then analysing all available elements in this respect. For this purpose, the information provided in the other parts of this Directors' Report on the assessment of risks and uncertainties to which the Company is exposed, the analysis of performance for the year, the analysis of related party transactions and significant events in 2021 and in the first quarter of 2022 should be considered as referred to in this paragraph.

The Group is able to act on the entire value chain in the field of environmental sustainability: from energy efficiency to the optimisation of environmental procedures, from water efficiency to integrated consulting, research and training services dedicated to the different production chains in the sector, contributing in an increasingly important way to support the development of the “Circular Economy”.

Thanks to the acquisition – at the end of December 2020 and mid-July 2021 – of 100% of the Clean Tech Group, the new group offers, through its operating subsidiaries Green Up and Vescovo Romano & C. S.r.l., integrated management services for the collection, transport, treatment, recovery, enhancement and disposal of special non-hazardous waste, supporting its customers in the correct and effective management of waste, reducing the environmental impact of the business activity with a progressive increase in the quantities of materials recovered in line with the principles of circular economy and zero waste. With the acquisition of the Clean Tech Group, Innovatec enters a market of enormous potential and aims to become a leading player in sustainability through the responsible and efficient use of resources by linking energy and energy efficiency with the materials cycle, waste recovery and recycling. Moreover, with the target of accelerating the ecological transition process by strengthening the group's capacity to develop circular economy projects by expanding its market share in end-to-end services, the Group established Matemoforsi S.r.l. and acquired 90% of Ecological Wall S.r.l. with the aim of offering the market solutions for the treatment and recovery of mattresses and plasterboard, respectively. The Group also acquired – between December 2021 and March 2022 – 75.96% of Cobat S.p.A., key player in Italy in flow management and in the recovery of batteries and accumulators, is preparing to play a strategic role in a market such as the exponentially expanding electric car market thanks to its proprietary patents for the recovery of lithium batteries. Moreover, the acquisition of Cobat integrates its ability to replicate its business model on new production chains of materials to be sent for recovery, and that of Green Up to build and manage plants for their treatment and transformation into secondary raw materials by creating a perfect complementarity.

The challenge represented by the end of the incentivised period of the Serre Project, the spread of the covid-19 pandemic and the RRP, was taken up positively by the management, which responded by developing

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the HouseVerde Project (real estate improvement of energy efficiency thanks to the 110% ecobonus), which achieved a production value of Euro 61.2 million, exceeding all expectations for 2021 in terms of volumes (>900 sites) and still leaving room for further growth in 2022 thanks to the solid backlog developed and the commercial and partnership network structured throughout the country. To date, the HouseVerde Project reached a final contract portfolio of approximately Euro 156 million and a portfolio of project proposals ("Computi Metrici Estimativi" CME (Bill of Quantities)), in addition to the already contracted initiatives, of Euro 114 million.

All of the above activities are characterised by good operating margins. The consolidated operating margins generated by the core business continue – as in the previous year – to be positive.

In 2021, the Group closed the consolidated financial statements with an EBITDA of Euro 30.8 million and a net profit of Euro 6.4 million. The Environment and Circular Economy business acquired with Clean Tech contributes Euro 76.7 million and Euro 20.3 million to Group revenues and EBITDA 2021, respectively. The contribution of this business to the consolidated results, as shown by the net results achieved in the last two years, will be able to stabilise revenues and margins contributed by Innovatec's core business, which are instead characterised by greater volatility depending on the incentive policies in force from time to time. The Energy Efficiency business contributes Euro 67.4 million and Euro 11.2 million to the Group's 2021 Revenues and EBITDA, respectively, with a backlog of final and preliminary contracts covering the next twelve months. In the light of the above, Innovatec's business generates margins and cash: the 2021 operating cash flow was Euro 27 million, which, together with the taking out of new debt of approximately Euro 15 million, allowed new production investments of Euro 8 million, acquisitions of Euro 27 million, while still maintaining cash and cash equivalents at the end of December of Euro 25 million. Net working capital amounted to Euro 12.4 million at the end of the year (2020: Euro -3.3 million) and further secured the ability to repay short-term financial payables of Euro 19.7 million. Long-term financial payables amounting to Euro 18.3 million are largely covered by the future flows envisaged in the 2022-2024 Development Plan approved by the Board of Directors at the beginning of February 2022 and presented to the financial community on 3 February 2022 (see Chapter 9). The performance in the first two months of the year, which was in line with the budget if not slightly better, puts the outlook for the coming year in a further positive light with regard to the ability to honour its payment commitments while developing its growth projects.

In the light of all the above, the directors, consistent with the provisions of OIC 11, have a reasonable expectation that the Company and the Group will be able to continue their operations in the foreseeable future. Therefore, the Directors deemed it appropriate to prepare the Report as at 31 December 2021 on a going concern basis.

FIXED ASSETS
Intangible fixed assets

Intangible fixed assets are recognised at historical purchase cost adjusted by the value of amortisation, in accordance with regulations.

The amortisation rates are as follows:

Intangible fixed assets	Amortisation period	% rate
Start-up and expansion costs	5	20.00%
R&D and advertising costs	5	20.00%
Industrial patents and intellectual property rights	5	20.00%
Concessions, licenses, trademarks and similar rights	10	10.00%
Work in progress and advances	0	0.00%
Other intangible fixed assets	5	20%

It should be noted, for comparative purposes only, that the companies Innovatec S.p.A. and Innovatec Power S.r.l. forming part of the scope of consolidation adopted in 2020 the full suspension of the amortisation charge for all categories of intangible fixed assets as envisaged by Article 60 of Italian Legislative Decree no. 104 of 14 August 2020. Moreover, for the companies of the former Clean Tech Group (now merged into Green Up S.p.A.), which in 2020 had entered the scope of consolidation only in financial terms, only SPC Green S.p.A. (now merged into Green Up S.p.A.), for the year 2020, adopted the full suspension of the amortisation charge of intangible fixed assets limited to the item “goodwill”.

Moreover, note that, in the light of the acquisition at the beginning of December 2021 of Cobat S.p.A. and the acquisition of Ecological Wall S.r.l. at the end of July 2021, the 2021 consolidated statement of financial position and income statement includes the figures of Cobat and Ecological Wall only in financial terms. Cobat S.p.A. also adopted the full suspension of the amortisation charge of certain intangible assets for 2020.

Amortisation is calculated on a straight-line basis taking into account the residual possibility of future use of the assets.

Goodwill includes amounts paid in this respect in connection with business acquisitions or other corporate transactions and is amortised over its useful life. The useful life is estimated upon initial recognition of goodwill and is not changed in subsequent years. If its useful life cannot be estimated, goodwill is amortised over a period of ten years. Goodwill arising from the acquisition of subsidiaries is initially recognised at cost and is amortised over 10 years on a straight-line basis over the effective useful life established for them as at 31 December 2021.

Goodwill recognised in the consolidated financial statements as a result of the acquisition of Innovatec Power S.r.l. in 2018 is amortised on a straight-line basis over its effective useful life of 10 years. The goodwill recognised in the subsidiary SPC Green S.p.A. (now in Green Up S.p.A. following the merger) represents the higher value assigned to the former Waste Italia business unit transferred in 2019 as part of the transaction for the assumption of the business unit related to the “Integrated Environmental Services business” of the Waste Arrangement with creditors and is measured through the estimate of the recoverable amount carried out by discounting the future operating cash flows generated by the company and its subsidiaries Green Up Holding S.r.l. and Green Up S.r.l. This goodwill is amortised over a period of 18 years. The goodwill recognised as a result of the higher value assigned to Vescovo Romano & C. S.r.l. was amortised over a useful life of ten years.

Goodwill generated by the acquisition of Clean Tech LuxCo SA (now merged into Haiki+ S.r.l.) and its subsidiaries is amortised over 18 years.

If its useful life cannot be estimated, goodwill is amortised over a period of ten years.

The goodwill generated by the acquisition of Cobat S.p.A. and Ecological Wall S.r.l., having entered the scope of consolidation on 31 December 2021, was not amortised. It has a useful life of 10 years.

Leasehold improvements are capitalised and recognised as “other intangible fixed assets” if they are not separable from the assets themselves (otherwise they are recognised as “property, plant and equipment” in the specific item to which they belong), they are amortised on a systematic basis at the lower between the expected future useful life and the residual lease period, taking into account the renewal period, if any, if dependent on the Company.

In case of impairment, regardless of the amortisation already recorded, the fixed asset is written down accordingly; if in subsequent years the reasons that justified the write-down no longer apply, the original value is restored up to the value the asset would have had if the write-down had never occurred, with the exception of the item “Goodwill” and “Multi-year charges” as indicated in paragraph 5 of Article 2426 of the Italian Civil Code.

The book value of goodwill and intangible fixed assets is reviewed when there are indicators of impairment. Should this be the case, their recoverable amount is estimated in order to calculate the potential amount of the write-down. If it is not possible to estimate the recoverable amount of an asset individually, the recoverable amount of the cash generating unit (CGU) to which the asset belongs is estimated.

The recoverable amount is the higher of the fair value less costs of disposal (i.e. direct incremental costs attributable to the disposal of the asset) and its value in use. In calculating the value in use, future cash flows estimated and approved by the Directors are discounted to their current value using a pre-tax rate that reflects current market assessments of the value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its book value, it is decreased to its lower recoverable amount; an impairment loss is recognised in profit or loss immediately

When there is no longer any reason for a write-down to be maintained, the book value of the asset (or of the cash-generating unit) – with the exception of goodwill – is increased to the new value resulting from the estimate of its recoverable amount, but not beyond the net book value that the asset would have had if it had not been written down for impairment. The reversal is recognised immediately in profit or loss.

Tangible fixed assets

Property, plant and equipment are recorded at purchase cost including ancillary expenses and costs incurred in using the fixed asset and adjusted by the corresponding accumulated depreciations.

The table of depreciation rates is presented below:

Property, plant and equipment	Amortisation period	% rate
General facilities	5	20.00%
Photovoltaic systems	11	9.09%
Specific equipment	5	20.00%
Other equipment	7	15.00%
Warehouse equipment	10	10.00%
Office furniture and fixtures	8	12.00%
Warehouse furniture and fixtures	10	10.00%

Accumulated depreciations were recognised in profit or loss based on the criterion of residual useful life, a criterion that we believe is well represented by the above rates.

Depreciation is also calculated on temporarily unused assets.

It should be noted, for comparative purposes only, that the companies Innovatec S.p.A. and Innovatec Power S.r.l. forming part of the scope of consolidation adopted in 2020 the full suspension of the depreciation charge for all categories of tangible assets as envisaged by Article 60 of Italian Legislative Decree no. 104 of 14 August 2020. The subsidiary SPC Green S.p.A. (now merged into Green Up S.p.A.) suspended depreciation on all tangible assets in 2020, with the exception of the categories of furniture and fixtures (12%), electronic office machines (20%) and owned landfills, the latter of which were depreciated based on the percentage of filling. The subsidiary Green Up S.p.A. suspended depreciation on all tangible assets except vehicles (25%), furniture and fixtures (12%), and computers (20%). Cobat S.p.A. also adopted the full suspension of the depreciation charge of certain tangible assets for the financial year 2020.

Moreover, note that, in the light of the acquisition at the beginning of December 2021 of Cobat S.p.A. and the acquisition of Ecological Wall S.r.l. at the end of July 2021, the 2021 consolidated statement of financial position and income statement includes the figures of Cobat and Ecological Wall only in financial terms.

Taking the above into account, depreciation for assets not subject to “suspended depreciation” is calculated on a straight-line basis, taking into account the residual possibility of future use of the assets.

Costs incurred after the acquisition of an individual asset increased its initial cost only if they involved a significant and tangible increase in its useful life.

Ordinary maintenance costs are recognised in profit or loss in the year in which they are incurred, while incremental modernisation and improvements extending the useful life of property, plant and equipment or significantly increasing production capacity, efficiency or safety are allocated to the assets to which they refer and are depreciated in relation to their residual useful life.

The costs incurred to expand, modernise or improve structural elements of property, plant equipment are capitalised if they produce a significant measurable increase in production capacity, safety or useful life. If such costs do not produce these effects, they are treated as ordinary maintenance and charged to the income statement.

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Leased assets are recorded in special items under property, plant and equipment at their acquisition value, with a payable of equal amount being recognised as a liability, which is gradually reduced in accordance with the repayment schedule of the principal included in the contractual lease payments.

Depreciation is calculated on these assets at rates deemed representative of their economic and technical life.

Property, plant and equipment whose value is permanently lower than their historical cost, already adjusted for accumulated depreciation, are written down accordingly, pursuant to Article 2426, paragraph 1, no. 3 of the Italian Civil Code. The original value is reinstated in subsequent years if the reasons for the write-down no longer apply.

Financial fixed assets

The **equity investments** and debt securities recorded as fixed assets are to be held on a long-term basis. Equity investments are measured using the cost method adjusted for any impairment.

Debt **securities** are measured at amortised cost, which corresponds to the value at which the security was measured upon initial recognition net of principal repayments, increased or decreased by the cumulative amortisation, using the effective interest method, on any difference between the initial value and the maturity value and less any reduction due to impairment. The initial recognition value is the purchase or subscription price net of any fees.

The cost of securities cannot be maintained, in accordance with Art. 2426, point 3), if the security at the end of the financial year is permanently less than its cost value.

The conditions for a write-down are identifiable in serious economic reasons of a permanent nature. If negative changes occur in the market or in the management of the company issuing the securities such that the administrative bodies reasonably and justifiably consider that the conditions that until then had led them to consider the purchase cost as the correct evaluation parameter have changed on a lasting basis, this cost must be written down.

For securities for which the market value is not available, all data and information that may become known should be used in order to ascertain the deterioration of the issuing company's economic and financial conditions with the related risks of illiquidity or insolvency of the issuing company, which may jeopardise the issuer's ability to pay interest or the realisation of the security by the holder, or the issuing company's ability to repay the security at maturity.

CURRENT ASSETS

Inventories, securities and short-term investments are recognised at the purchase cost – inclusive of all directly allocated costs and ancillary charges and indirect costs related to internal production – or the estimated realisable value according to the market trend, whichever is lower.

INVENTORIES

The measurement bases of inventories as at 31 December 2021, with a view to continuity with the previous year for Innovatec Group companies, were as follows:

- raw materials, consumables and finished products were measured by applying the historical cost method;

- construction contracts, as recommended by the accounting standard OIC 23, are measured according to the percentage of completion criterion, applied through the cost-to-cost method.

In carrying out the measurement of inventories, market trends were in any case taken into account and no write-downs were deemed appropriate.

RECEIVABLES

Receivables are recognised according to the amortised cost method, taking into account the time factor and the presumed realisable value. The amortised cost criterion is not applied when the effects are immaterial, or when the transaction costs, commissions paid between the parties, and any other differences between the initial value and the value at maturity are negligible, or if the receivables are short term (with maturity of less than 12 months).

For the purpose of indicating amounts due within or beyond the financial year, they are classified by contractual or legal maturity, also taking into account facts and events provided for in the contract that may lead to a change in the original maturity, occurring by the end of the reporting period, the debtor's realistic ability to meet the obligation within the contractual terms and the time horizon within which the creditor reasonably believes it will be able to collect the receivable.

Trade receivables due beyond 12 months from their initial recognition, without the payment of interest, or with interest that differs significantly from market interest rates, and the related revenues are initially recognised at a value determined by discounting future cash flows at the market interest rate. The difference between the value of initial recognition of the receivable determined as so and the value at expiry is recognised in profit or loss as finance income along the duration of the receivable, using the actual interest rate criterion.

The value of receivables, as determined above, is adjusted, if necessary, by an appropriate provision for bad debts reported as a direct reduction in the value of the receivables in order to adjust them to their estimated realisable value. The amount of the write-down at the end of the reporting period is equal to the difference between the book value and estimated future cash flows reduced by amounts projected not to be collected.

SECURITIES AND CURRENT FINANCIAL ASSETS

Securities and short-term investments, if any, are recognised at the purchase cost or estimated realisable value based on market trends, whichever is lower.

Write-downs of equity investments and securities to the lower realisable value are made individually, for each type of equity investment. If the conditions for the adjustment no longer apply in whole or in part, the adjustment itself is cancelled until the cost is restored.

In particular, equity investments were recognised at purchase cost. This value is compared with the value of the portion of the investee's shareholders' equity attributable to the Company. Any negative difference, if it represents an impairment loss, results in a write-down of the equity investment. In case of an impairment loss, the purchase cost is maintained and, in compliance with the requirements of Article 2426, par. 4 of the Italian Civil Code, the necessary information and explanations of the negative difference are provided in these notes to the financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash bank deposits that are recorded at nominal value.

ACCRUALS AND DEFERRALS

Accruals and deferrals were recognised on an accrual basis during the period. In the presence of multiyear items, the conditions that determined their recognition were checked by making the adjustments where necessary.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks are recognised for liabilities that are certain or likely to occur, whose values are estimated. Therefore, these are contingent liabilities related to situations already existing at the end of the reporting period but whose outcome depends on the occurrence or non-occurrence of one or more future events.

Provisions for charges are recognised against liabilities of a specific nature and the existence of which is certain, whose amount or timing is estimated, related to obligations already undertaken at the end of the reporting period, but which will actually occur in subsequent financial years. Provisions are quantified based on estimates that take into account all available elements, on an accrual basis and in accordance to the principle of prudence. These elements also include the time horizon when at the end of the reporting period there is a certain bond, by virtue of a contractual or law restriction, whose outlay can be reliably estimated and the contingency date, reasonably determinable, is sufficiently distant in time to significantly differ the present value of the bond at the end of the reporting period from the value estimated at the time of disbursement.

No generic provisions for risks were set up without economic justification.

Contingent liabilities, if any, are recognised in the financial statements and provisions only if deemed likely, and if the amount of the related charge can be reasonably estimated. No provision was made for risks of a remote nature whereas in the case of contingent liabilities considered possible, even if not likely, the notes to the financial statements included information on uncertainty, where relevant, which could cause loss, the estimated amount or the indication that it cannot be calculated, other possible effects if not obvious, the indication of the opinion of the company's management and of its legal advisors and other experts, where available.

For waste bedding facilities, the current regulations envisage the establishment of funds for the management of closure and post-closure phases of owned landfills managed for a period of thirty years, unless the competent authorities provide for a longer period in the future. Allocations to these closure and post-closure provisions are determined on an accrual basis, in full compliance with the principle of correlation between costs and revenues, and the method of calculating them is based on the annual filling percentage of the landfills where waste is delivered. Consequently, these costs are set aside year by year, based on the filling percentage of the landfills to which reference is made, and the total amount of these costs is the subject matter of a sworn appraisal by independent experts.

Allocations to provisions for risks and charges are recorded, in priority order, in cost items in the income statement for the pertinent categories (B, C or D). Whenever this correlation between the nature

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of the allocation and one of the items under the aforementioned categories cannot be made, the allocations for risks and charges are recognised under items B12 and B13 of the income statement.

The provision for deferred taxes is calculated on taxable temporary differences, by applying the tax rate that is expected to be in force when these temporary differences will generate increases, and also making the necessary adjustments in case of changes in rates compared to those calculated in previous years.

POST-EMPLOYMENT BENEFIT PROVISION

It is set aside in accordance with applicable laws and labour contracts and reflects the liability accrued to the company's employees at the end of the reporting period, net of advances paid.

The item Post-employment benefit includes the amount to which employees are entitled if their work relationship is terminated at the end of the reporting period. The long-service allowance constituting the above item, i.e. the provision for the year and the annual revaluation of the pre-existing provision, are determined in compliance with current regulations.

PAYABLES

Payables arising from the purchase of assets are recognised on an accrual basis when both of the following conditions are met: i) the production process of the assets has been completed; and ii) there has been substantial and informal transfer of ownership. The reference used for the substantial transfer of ownership is the transfer of risks and benefits that occurs with the shipment or delivery of the assets themselves. For assets for which a public deed is required (e.g. real estate), the transfer of risks and benefits coincides with the date of signing the purchase contract.

Payables arising from the purchase of services are recognised on an accrual basis when the service has been received, i.e. the service has been rendered.

Loan payables and those arising for reasons other than the exchange of goods and services are recognised in the financial statements when the company's obligation to pay the counterparty – to be identified on the basis of legal and contractual regulations – arises. The recognition of a loan payable occurs when the loan is disbursed. Bonds are recorded at the time of subscription. Payables for advances from customers are recognised when the right to collection arises. In the case of tax payables, payables to social security institutions and other payables, the recognition of the payable takes place when the obligation to pay has arisen, to be identified on the basis of legal and contractual rules.

Payables are recognised according to the amortised cost method, taking into account the time factor. The amortised cost criterion is not applied to payables if its effects are irrelevant. The effects are considered irrelevant for short-term payables (or with maturity less than 12 months).

The initial recognition value is represented by the nominal value of the payable, net of transaction costs and all bonuses, discounts and rebates deriving directly from the transaction that generated the payable. According to the effective interest method, the effective interest rate is calculated at the time of initial recognition of the payable and is then used for its subsequent measurement. The effective interest rate is the internal rate of return, constant over the duration of the payable, which aligns the present value of future cash flows from the payable with its initial recognition value.

For the purpose of indicating amounts due within or beyond the financial year, they are classified by contractual

or legal maturity, also taking into account facts and events provided for in the contract that may lead to a change in the original maturity, occurring by the end of the reporting period.

INCOME TAXES

Current taxes

Income taxes are determined on the basis of an assessment of the accrued tax liability in compliance with the applicable law. The related payable is shown net of advances, withholding tax incurred under "tax payables"; any net credit position is recorded under "tax receivables" in current assets.

Deferred tax liabilities

In the income statement, deferred tax assets and liabilities are shown separately under the item Income Taxes for the year.

Deferred tax liabilities and assets are calculated on the temporary differences between the values of assets and liabilities determined under the Italian Civil Code and the corresponding values recognised for tax purposes. They are measured considering the estimated tax rate that is expected to be paid in the year in which these differences will contribute to the formation of the tax profit or loss, considering the rates in force or already issued at the end of the reporting period and are recognised in the "provision for deferred taxes" under liabilities among provisions for risks and charges, and under "deferred tax assets" in current assets.

Deferred tax assets are recognised for all deductible temporary differences, in compliance with the principle of prudence, if there is the reasonable certainty of the existence of a taxable income not less than the amount of the differences that will be cancelled in the financial years in which the differences will reverse.

On the other hand, deferred tax liabilities are recognised on all taxable temporary differences.

GUARANTEES, COMMITMENTS, THIRD-PARTY ASSETS AND RISKS

Risks related to guarantees given and received are recognised in amounts equal to the amount of the guarantees given and received.

Commitments and guarantees are stated at the contractual nominal value taken from the relevant documentation.

Risks whereby a liability is considered likely are recognised in the notes to the financial statements and allocated to the provisions for risks on the basis of adequacy criteria.

No remote risks have been taken into account.

RECOGNITION OF REVENUES AND COSTS

Revenues

Revenues from the sale of goods are recognised when there has been substantial and informal transfer of ownership. The reference used for the substantial transfer of ownership is the transfer of risks and benefits

Revenues from the sale of products and goods or from the provision of services related to ordinary operations are recognised net of returns, discounts, allowances and premiums, as well as taxes directly related to the sale

of products and the provision of services.

Revenues from the provision of services are recognised on completion and/or maturity.

Costs

Costs are recorded on an accrual basis regardless of their collection and payment date, net of returns, discounts, allowances and premiums.

Financial income and expenses

Finance income and expenses are recognised on an accrual basis. Costs related to transactions to sell receivables on any basis (with or without recourse) and of any nature (trade, financial or other receivables) are allocated in the applicable year.

CONVERSION OF VALUES NOT EXPRESSED IN LEGAL TENDER IN THE STATE

Receivables and payables originally expressed in foreign currency are converted into Euro at the historical exchange rates at the date of occurrence. Exchange differences arising at the time of payment of payables and collection of receivables in foreign currency are recognised in profit or loss.

Outstanding receivables in foreign currency at the end of the financial year were converted into Euros at the spot exchange rate at the end of the reporting year; any resulting exchange gains and losses thus recognised are shown in the income statement of the financial statements under item C.17-bis "Exchange Gains/Losses" and any net profit is set aside in a special non-distributable reserve until realised.

Non-monetary assets and liabilities originally expressed in currencies are recognised in the statement of financial position at the exchange rate at the time they were purchased, i.e. at their initial recognition cost.

In order to establish whether this cost may be maintained in the financial statements, it must be compared with the recoverable amount (for equity investments recognised as fixed assets) or with the break-up value that can be inferred from the market trend (for the non-monetary items in foreign currency posted in the current assets). Any (positive or negative) exchange rate differences contribute to determining the recoverable amount. Therefore, at the time of preparing the financial statements, the measurement bases of the item in foreign currency are first applied, followed by the conversion of the result obtained into euro.

Any significant effects on exchange rates after the reporting period are disclosed in the Notes to the financial statements.

DEROGATIONS

During the year under review, no exceptional circumstances occurred such as to require the use of derogations set forth in Article 2423 paragraph 4 and Article 2423 bis paragraph 2 of the Italian Civil Code.

Statement of Financial Position - Assets

A) Subscribed capital unpaid

As at 31 December 2021, there was no subscribed capital unpaid.

B) Fixed assets

I. Intangible fixed assets

The value of intangible fixed assets amounted to Euro 41,707 thousand (Euro 29,564 thousand as at 31 December 2020). The breakdown and changes in the individual items are as follows:

Amounts in thousands of Euro

Description	Start-up and expansion costs	Development costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Goodwill	Work in progress and advances	Other intangible fixed assets	Total
Historical cost	3,741	540	200	1,249	39,210	7,659	6,482	59,081
Accumulated amortisation	(3,227)	(397)	(105)	(429)	(3,746)	-	(2,980)	(10,884)
Provision for write-downs	(8)	(14)	(77)	0	(12,625)	(5,643)	(267)	(18,633)
Rounding								0
Increases, decreases, reclassifications	66 -	1	181	(149)	-	243	(969)	(629)
Increases	66	-	181	-	-	243	800	1,290
Decreases	-	(1)	-	(149)	-	-	-	(150)
Reclassifications	-	-	-	-	-	-	(1,769)	(1,769)
Changes in the scope of consolidation			-					
Assets received for acquisitions of Group companies	1	-	-	774	19,602	-	224	20,601
Assets received for newly established Group companies	21	-	-	14	-	-	-	35
Assets received for Group companies sold	(7)	-	-	-	(3,656)	-	-	(3,663)
Assets received for first consolidation on a line-by-line basis	-	-	-	-	-	-	-	0
Amortisation	(126)	(52)	(118)	(93)	(2,131)	0	(1,683)	(4,201)
Write-downs	-	-	-	-	-	-	-	-
Net value as at 31 December 2021	462	77	81	1,366	36,655	2,259	807	41,707

“Start-up and expansion costs”, amounting to Euro 462 thousand, show a net increase of Euro 45 thousand compared to the previous year (Euro 507 thousand) and mainly reflect the activities carried out by consultants, advisors, lawyers and notary publics for the newly established Group companies and for the extraordinary merger of Group companies.

“Development costs” amounted to Euro 77 thousand and essentially refer to development expenses incurred in previous years for a specific type of trigeneration plant proposed by subsidiary Innovatec Power S.r.l. to its customers.

“Concessions, licenses, trademarks and similar rights” amounting to Euro 1,366 thousand (31 December 2020: Euro 820 thousand) increased during the year by Euro 546 thousand as a result of the first-time consolidation of the companies acquired during the year. The item includes Euro 533 thousand for charges paid to the Municipality of Vado Ligure for the concession of the Bossarino landfill, which are amortised based on the percentage of filling of the landfill. The increase for the year refers to investments in software programmes.

“Work in progress and advances” of Euro 2,259 thousand (31 December 2020: Euro 2,016 thousand), includes costs incurred for the concession related to the expansion of the Bossarino landfill (Phase 2) for Euro 1,964 thousand to be paid to the Municipality of Vado Ligure, charges for the construction of the new landfill in Albonese of Euro 78 thousand, charges for the design of the Bossarino landfill of Euro 113 thousand (Phase 2) and charges relating to the concession for the management of the landfill in Francavilla Fontana (BR) of Euro 52 thousand.

“Other intangible fixed assets” of Euro 807 thousand, are mainly attributable to investments (Euro 282 thousand) related to tank 5 of the landfill under management located in Bedizzole (BS), to improvements to sites, plants and the rented premises and charges recognised in 2019 by Spc Green S.p.A. to Sostenya Group Plc (now Ltd) for the activities incurred in the assumption of the Waste arrangement with creditors (Euro 368 thousand).

“Goodwill” was Euro 36,655 thousand compared to Euro 22,840 thousand last year:

Goodwill as at 31 December 2021					
Values in euro					
	01/01/2021	2021 Amortisation	Acquisitions	Changes in the scope of consolidation	31/12/2021
Innovatec Power Srl	719,003	(89,875)	-	-	629,128
Goodwill from environmental impact reduction and disposal (BU: Green Up)	891,992	(89,199)	-	-	802,792
Goodwill from acquisition of control of Vescovo Romano Srl	1,139,526	(113,953)	-	-	1,025,574
Goodwill from acquisition of control of equity investment Clean Tech Luxco SA (BU Green Up)	4,034,822	(224,157)	-	-	3,810,666
Goodwill from acquisitions of incremental interests in Green Up	-	(860,966)	-	15,579,612	14,718,646
Goodwill from acquisition of control Cobat SpA B corp	-	-	3,696,255	-	3,696,255
Goodwill from acquisition of control of equity investment Ecological Wall Srl	-	-	325,700	-	325,700
Consolidation differences	6,785,343	(1,378,149)	4,021,955	15,579,612	25,008,760
Deconsolidation Sostenya Green S.p.A.	3,656,139	-	-	(3,656,139)	-
Goodwill from environmental impact reduction and disposal (BU: Green Up)	12,398,320	(752,437)	-	-	11,645,883
Goodwill	16,054,459	(752,437)	-	(3,656,139)	11,645,883
	22,839,802	(2,130,586)	4,021,955	11,841,258	36,654,643

The increase – net of amortisation of Euro 2,131 thousand – is mainly attributable to the higher value assigned to the Environment and Circular Economy business deriving from the purchases made during the year of the residual 49.9% of the Clean Tech group, 100% of the type B PFS of SPC Green S.p.A. (now merged into Green Up S.p.A.), 56.45% of Cobat and 90% of Ecological Wall S.r.l. This increase was partially offset by the effects of the deconsolidation of the goodwill recognised in Sostenya Green S.p.A. (Euro 3,656 thousand), which was sold at the beginning of January 2021 to Sostenya Group Ltd (formerly Plc) as part of the consideration for the purchase of 50.1% of the Clean Tech Group at the end of December 2020. Goodwill as at 31 December 2021 from the Environment and Circular Economy business amounted to Euro 36,025 thousand, while goodwill from the Energy Efficiency business amounted to Euro 629 thousand (Innovatec Power S.r.l.).

The residual goodwill arising from the 2018 acquisition of Innovatec Power S.r.l. is amortised on a straight-line basis over its effective useful life of 10 years.

With reference to the goodwill of the Environment and Circular Economy BU, the previous year's values of Euro 6,066 thousand arising from the acquisition of 50.1% of the Clean Tech group at the end of December 2020 increased as a result of the following transactions:

- in mid-July 2021, the purchase of the remaining stake (49.90%) in Clean Tech LuxCo SA, the 100% parent company of SPC Green S.p.A., which controlled 100% of Green Up Holding S.r.l., and indirectly, through the latter, 100% of Green Up S.p.A., which controls 70% of Vescovo Romano & C. S.r.l. With 100% ownership of the share capital of Clean Tech LuxCo S.A., the group started a corporate reorganisation by finalising a first reverse merger of SPC Green S.p.A. and Green Up Holding S.r.l. into Green Up S.p.A. and a second transaction, after Innovatec S.p.A. sold Clean Tech LuxCo S.A. (nationalised into S.r.l. in the third quarter of 2021) to Haiki+, of merging Clean Tech S.r.l. into Haiki+ S.r.l.;

- on 29 July 2021, the acquisition of 90% of Ecological Wall S.r.l.;
- the acquisition of control of 56.45% of Cobat S.p.A. at the beginning of December 2021;

Purchase of residual stake (49.90%) in Clean Tech LuxCo SA and Participating Financial Instruments

On 14 July 2021, Innovatec S.p.A., in order to have 100% control of the Environment and Circular Economy business unit, acquired from the minority shareholder Ancient Stone LLC at an equivalent value of Euro 10 million, the remaining 49.9% of the share capital of Clean Tech LuxCo S.A. (now merged into Haiki+ after nationalisation) parent company of SPC Green S.p.A, Green Up Holding S.r.l. (now merged into Green Up S.p.A.) and the operating companies Green Up S.p.A., Vescovo Romano & C. S.r.l. Moreover, Innovatec S.p.A. purchased in the second half of 2021, all of the Class B Participating Financial Instruments ("BPFI") with a nominal value of Euro 10 million at Euro 7,020,134 (including acquisition-related charges) and part of the Class A Participating Financial Instruments ("APFI") with a nominal value of Euro 266,270 (including acquisition-related charges) issued by the subsidiary SPC Green S.p.A. (now merged into Green Up S.p.A.). The purchase by Innovatec S.p.A. of the above mentioned APFIs are in addition to those already held by Green Up S.p.A. as at 31 December 2021, amounting to Euro 1,814 thousand, compared to the total subscribed of Euro 2,472 thousand. The acquisition of the remaining 49.9% of the equity investment resulted in the recognition in the consolidated financial statements of an additional consolidation difference assigned to "Goodwill" of Euro 8,210,993, which is added to the Goodwill recorded last year with reference to the first acquisition (50.10%) of the equity investment of Euro 4,034,822. The goodwill of Euro 8,210,993, plus an additional goodwill arising from acquisition-related charges of Euro 82,215, recorded on the purchase of the incremental equity investment emerges as the difference between the purchase price of the 49.90% stake in Clean Tech LuxCo SA. defined at Euro 10 million and the Shareholders' Equity attributable to non-controlling interests as at 31 December 2020 (the reference date from which the incremental acquisition was conventionally made) of Euro 1,789,007 in total. The acquisition of all the BPFIs and part of the APFIs resulted in the recognition in the consolidated financial statements of an additional consolidation difference assigned to "Goodwill" of Euro 7,286,404. With 100% ownership of the share capital of Clean Tech LuxCo S.A., the group started a corporate reorganisation by finalising a first reverse merger of SPC Green S.p.A. and Green Up Holding S.r.l. into Green Up S.p.A. and a second merger, after Innovatec S.p.A. sold Clean Tech LuxCo S.A. (nationalised into S.r.l. in the third quarter of 2021) to Haiki+, of Clean Tech S.r.l. into Haiki+ S.r.l. This reorganisation is neutral for the consolidated purposes of the Innovatec Group.

Acquisition of the full control of COBAT S.p.A., B corp ("COBAT")

The acquisition of 56.45% of the equity investment in COBAT S.p.A. (which took place on 1 December 2021 for a consideration of Euro 9.5 million) resulted in the recognition in the consolidated financial statements of a consolidation difference assigned to "Goodwill" of Euro 3,696,255. This goodwill is the difference between the acquisition price defined at Euro 9,500,000, and the contribution to the consolidated financial statements of a pro-rata net asset as at 31 December 2021 (the reference date from which the acquisition of control was conventionally started) of a total of Euro 6,173,216.

Acquisition of control of the company Ecological Wall S.r.l.

The acquisition of 90.00% of the equity investment in Ecological Wall S.r.l. resulted in the recognition in the consolidated financial statements of a consolidation difference assigned to "Goodwill" of Euro 325,700. This goodwill is the difference between the acquisition price defined at Euro 300,000, and the contribution to the consolidated financial statements of a pro-rata net liability as at 31 December 2021 (the reference date from which the acquisition of control was conventionally started) of a total of Euro 22,013.

The goodwill “Environmental impact reduction and disposal” BU Green Up of Euro 11,645 thousand refers to the higher value assigned to the former Waste Italia business unit transferred in 2019 to SPC Green S.p.A. (now merged into Green Up S.p.A.) as part of the transaction for the assumption of the Integrated Environmental Services business unit of the Waste Italia Arrangement with creditors.

Goodwill recognised following the higher values assigned to the Environment and Circular Economy BU was subject to amortisation over a useful life of 18 years, with the exception of goodwill recognised following the higher value assigned to Vescovo Romano & C. S.r.l., which was subject to amortisation over its useful life of 10 years. Goodwill arising from the acquisitions of Cobat S.p.A. and Ecological Wall S.r.l. were not subject to amortisation in 2021 as a result of their inclusion in the Group's scope of consolidation as at 31 December 2021.

As at 31 December 2021, the values of goodwill were tested for recoverable amount taking into consideration the flows generated by the 2022-2024 Development Plan approved on 3 February 2022. As at 31 December 2021, the Directors did not identify accumulated impairment losses on goodwill and intangible fixed assets recognised in the financial statements.

As previously illustrated in the paragraph “Measurement bases”, the Group, availing itself of the option envisaged by the emergency provisions of Italian Decree Law 104/2020, converted into Italian Law no. 126 on 13 October 2020, suspended amortisation on intangible fixed assets in 2020 of Euro 1,666 thousand, of which Euro 1,585 thousand refers to the Clean Tech Group.

II. Property, plant and equipment

“Property, plant and equipment” amounted to Euro 32,058 thousand (Euro 27,358 thousand as at 31 December 2020) and the breakdown and changes in the individual items are as follows:

Amounts in thousands of Euro

Description	Land and buildings	Plant and machinery	Fixtures and fittings, tools and other equipment	Other	Work in progress and advances	Tot
Historical cost	6,130	11,978	338	18,729	487	37,662
Accumulated depreciation	-	(10,004)	(35)	(186)	-	(10,225)
Provision for write-downs	(19)	(2)	-	(59)	-	(80)
Increases, decreases, reclassifications	391	822	359	5,399	986	7,957
<i>Increases</i>	391	1,455	359	3,630	986	6,821
<i>Decreases</i>	-	(633)	-	-	-	(633)
<i>Reclassifications</i>	-	-	-	1,769	-	1,769
Changes in the scope of consolidation						
Assets received for acquisitions of Group companies	6,326	479	9	464	1,208	8,486
Assets received for newly established Group companies	63	-	-	1	-	63
Assets received for Group companies sold	-	-	-	(818)	-	(818)
Assets received for first consolidation on a line-by-line basis	-	-	-	-	-	-
Depreciation	(267)	(401)	(72)	(10,264)	-	(11,005)
Write-down	17	-	-	-	-	17
Net value as at 31 December 2021	12,641	2,871	599	13,266	2,681	32,058

The main items are broken down below:

The item “Land and Buildings”, amounting to Euro 12,641 thousand, includes the value of the building (Euro 3,768 thousand) that is the Group's headquarters and the residual value of the buildings owned by Green Up located in Albonese and Cermenate (1,672 thousand Euro), the site owned by Vescovo Romano & C. S.r.l. (Euro 811 thousand) located in Palazzolo Vercellese (VC) and the headquarters owned by Cobat S.p.A. (Euro 6,326 thousand). The increase for the year mainly includes the investment made by the subsidiary Vescovo Romano, in the new square for motor vehicles, next to the company's headquarters.

The items “Plant and machinery” of Euro 2,871 thousand and “Fixtures and fittings, tools and other equipment” of Euro 599 thousand mainly include machinery and equipment owned by Green Up and Vescovo and, in particular, the treatment plant in Chivasso and the photovoltaic systems in Albonese and Palazzolo as well as the biogas plants in Ghemme and Chivasso. The increase is mainly attributable to a new sorting plant at the Chivasso landfill.

“Other assets” amounting to Euro 13,266 thousand (Euro 18,484 thousand as at 31 December 2020) include the residual values of the landfills owned by Bossarino (Euro 6,307 thousand) and Albonese (Euro 977 thousand) as well as skips and containers (Euro 1,916 thousand), vehicles, computers, furniture and fittings.

The increases for the year mainly refer to investments incurred for the construction of the Bossarino landfill of Euro 1,949 and the Albonese landfill of Euro 30.

The item “Work in progress and advances”, equal to Euro 2,681 thousand, mainly includes the charges incurred in relation to the Bedizzole site for the construction of the leachate plant and the “Landfill project”, as well as the charges relating to the Bossarino site for the construction of the leachate plant and the expansion of the landfill. Assets received for acquisitions of Euro 1,208 thousand refer to Cobat S.p.A. and are attributable to investments 4.0 incurred (mainly battery and MFTV recovery and recycling lines) not yet completed.

III. Financial fixed assets

Equity investments

The item “Equity investments in associated companies” amounts to Euro 1,428 thousand and is made up as follows:

Values in euro

Equity investments in associates	31/12/21	31/12/20	Change
Exalto Energy & Innovation S.r.l.	574	685	(111)
Rete Ambiente S.r.l.	481	367	114
Circularity S.r.l. – B corp	177	176	1
Farthan Scarl	10	10	-
Cobat Tech S.r.l.	110	-	110
Reneos S.r.l.	50	-	50
Cobat Ecofactory S.r.l.	26	-	26
Total Equity investments in associated companies	1,428	1,239	190

Changes in equity investments in associated companies during the year were as follows:

Values in euro

Equity investments in associated companies	31/12/21	31/12/20	Change in the scope of consolidation	Increases	Decreases	Change
Exalto Energy & Innovation S.r.l.	574	685	-	-	(111)	(111)
Rete Ambiente S.r.l.	481	367	-	114	-	114
Circularity S.r.l. – B corp	177	176	-	1	-	1
Farthan Scarl	10	10	-	-	-	-
Cobat Tech S.r.l.	110	-	110	-	-	110
Reneos S.r.l.	50	-	50	-	-	50
Cobat Ecofactory S.r.l.	26	-	26	-	-	26
Total	1,428	1,239	186	114	(111)	189

The change in the scope of consolidation reflects the entry of Cobat S.p.A. into the scope of consolidation:

- the 100% equity investment in the subsidiary Cobat Tech Spa, established in 2017, initially recognised at purchase cost and for which, due to the losses incurred on the basis of the last approved financial statements, a proportional write-down of the equity investment was made;
- the equity investment in the European Reneos network of National collective systems for the collection of batteries and accumulators;
- the equity investment, equal to 51% of the share capital, in the subsidiary COBAT ECOFACTORY Srl, established in October 2021 and recognised in the financial statements at the subscription price of the equity investment.

The decrease of Euro 111 thousand in Exalto S.r.l. is attributable to dividends paid by the latter to Innovatec S.p.A.

The equity investments were adjusted to the changes in shareholders' equity that occurred during the financial year of the individual associated companies.

The item "Equity investments in other companies", amounted to Euro 7.5 thousand and is broken down as follows:

Values in euro

Equity investments in other companies	31/12/21	31/12/20	Change	Increases	Decreases
Consorzio CONAI	645	576	69	-	-
Metroquadro S.r.l.	-	-	-	-	-
Margherita di Savoia Energy S.r.l.	-	-	-	-	-
Other	6,923	6,923	-	-	-
Total Equity investments in other companies	7,568	7,499	69	0	0

Other equity investments held by the subsidiary Vescovo Romano & C. S.r.l. refer to portions of the Consorzio Nazionale per il Recupero ed il Riciclo degli Imballaggi ("Comieco") (National Consortium for the Recovery and Recycling of Packaging) and the Mattress Management Consortium.

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As at 31 December 2021, the Directors did not identify accumulated impairment losses for the equity investments recognised in the financial statements.

Receivables included in fixed assets amounted to Euro 2,033 thousand (Euro 2,301 thousand as at 31 December 2020).

The breakdown and changes in the individual items are shown below:

€/thousand

	31/12/21	31/12/20	Change
Financial receivables due within 12 months:			
Financial receivables from associated companies	250	100	150
Other receivables:			
- of which due within the next financial year	697	1,337	(640)
- of which due beyond the next financial year	1,087	864	223
TOTAL NON-CURRENT RECEIVABLES	2,033	2,301	(268)

Receivables from associated companies refer to receivables claimed by the parent company from the associated company Rete Ambiente S.r.l. of Euro 150 thousand, and from the associated company Circularity S.r.l. of Euro 100 thousand.

Other short-term receivables mainly refer to cash security deposits with banks to guarantee sureties issued to customers in the Energy Efficiency – B2B Industry sector, as well as other receivables to guarantee contracts signed with suppliers, customers and subcontractors, including for the scouting and implementation of projects related to the circular economy in America through Innovatec USA Inc. (Euro 521 thousand).

The reduction is due to the deconsolidation of receivables (Euro 785 thousand) following the sale of Sostenya Green S.p.A.

C) Current assets

I. Inventories

As at 31 December 2021, closing inventories amounted to Euro 3,890 thousand (Euro 791 thousand in the previous year).

The breakdown of inventories in the previous year and changes during the year are summarised below:

€/thousand

Items	31/12/21	31/12/20	Changes
Raw materials and consumables	128	189	(61)
Construction contracts	-	66	(66)
Finished products, goods for resale	3,762	537	3,225
Advances	-	-	-
TOTAL INVENTORIES	3,890	791	3,099

They refer to the values as at 31 December 2021 of ongoing energy efficiency components and orders commissioned by customers.

II. Receivables

Receivables included in current assets amounted to Euro 70,941 thousand (Euro 30,014 thousand as at 31 December 2020) and are all attributable to domestic customers. They are all due within 12 months. The breakdown and changes in the individual items are shown below:

€/thousand

Items	31/12/21	31/12/20	Change
Trade receivables	43,301	16,235	27,066
Receivables from associated companies	468	172	296
Receivables from parent companies	0	261	(261)
Receivables from companies subject to control of parent companies	4,394	849	3,544
Tax receivables	18,686	5,868	12,818
Deferred tax assets	1,392	831	560
Receivables from others	2,943	5,798	(2,854)
Total Receivables Current Assets	71,183	30,014	41,169

“Trade receivables” amounting to Euro 43,301 thousand (Euro 16,235 thousand in the previous year) are determined by invoices issued and invoices to be issued to domestic customers, net of bad debt provision of Euro 2,689 thousand. They are all due within 12 months.

€/thousand

Items	31/12/21	31/12/20	Change
Trade receivables – Gross Value	45,990	17,747	28,243
Trade receivables – Bad debt provision	(2,689)	(1,512)	(1,177)
Trade receivables – Net Value	43,301	16,235	27,066

“Receivables from associated companies” amounted to Euro 468 thousand (Euro 172 thousand as at 31 December 2020) and mainly include trade receivables claimed from Circularity (Euro 156 thousand), Rete Ambiente S.r.l. (Euro 54 thousand) and Exalto Energy & Innovation (Euro 235 thousand).

“Receivables from parent companies” included Euro 261 thousand of receivables claimed by Group companies from Sostenya Group Plc (now Ltd) and from Gruppo Waste Italia S.r.l. under arrangement with creditors: these were reduced to zero due to the deconsolidation of Sostenya Green S.r.l. and for repayments.

“Receivables from companies subject to control of parent companies” amounted to Euro 4,393 thousand (Euro 849 thousand as at 31 December 2020) and mainly include trade receivables claimed by Green Up S.p.A. from Sostenya Green S.r.l. (Euro 4,089 thousand) for the sale of spaces in owned and managed landfills.

“Tax receivables” amounted to Euro 18,686 thousand, up from Euro 5,868 thousand last year:

€/thousand

	31/12/21	31/12/20	Change
Receivables from tax authorities for VAT	1,330	2,358	(1,028)
Receivables from tax authorities for withholdings and IRES tax	175	67	108
Receivables for deduction of expenses eligible for funding due for Superbonus Italian LD no. 34/2020	15,984	3,120	12,864
Sundry tax credits	177	-	177
Receivables for direct tax advances	786	51	735
Refund of tax credit from tax authorities	155	149	6
Other to the Public Administration	79	124	(45)
TAX RECEIVABLES	18,686	5,868	12,818

“Receivables from tax authorities for VAT” decreased by Euro 1,028 thousand from Euro 2,358 thousand at the end of last year to Euro 1,330 thousand at the end of December 2021. The reduction in VAT receivables in Innovatec S.p.A. was partially offset by VAT receivables recognised in the recently acquired Cobat S.p.A. of Euro 955 thousand.

Receivables from tax authorities increased compared to the figure at the end of December 2020 as a result of the increase in tax credits accrued at the end of the period, deriving from the HouseVerde Project (“Superbonus 110%” benefit envisaged by the Rilancio (Relaunch) Decree) for which the approval was affixed by 31 December 2021.

“Receivables from Tax credit from tax authorities requested for refund” of Euro 155 thousand (2020: Euro 149 thousand) refer to IRAP receivables recognised in SPC Green S.p.A. (now merged into Green Up S.p.A.) following the assumption of the former Waste Italia business unit of the Waste Italia in execution of the Arrangement with creditors.

“Deferred tax assets” amounted to Euro 1,392 thousand (Euro 831 thousand in the previous year) and mainly refer to deferred tax assets of Euro 715 thousand relative to the write-down of goodwill of Euro 2,980 thousand, made by SPC Green S.p.A. (now merged into Green Up S.p.A.) during 2020. It also includes deferred tax assets in Green Up S.p.A. and Vescovo Romano & C. S.r.l. on provisions for charges and maintenance as well as deferred tax assets and Euro 284 thousand on provisions recorded by Innovatec Power S.r.l.

Items	31/12/21	31/12/20	Change
Deferred tax assets – IRES and IRAP	1,392	831	560
DEFERRED TAX ASSETS	1,392	831	560

The breakdown and changes in deferred tax assets for Group companies are as follows:

€/thousand

Company	31/12/20	Increases	Decreases	Changes in the scope of consolidation	31/12/21
Innovatec SpA	-10	14	0	0	4
Innovatec Power S.r.l.	0	292	-	0	292
Green Up S.r.l.	108	2	733		843
SPC Green S.p.A. (merged in Green Up S.p.A.)	733	-	-733		0
Vescovo Romano & C. S.r.l.	-	-	128		128
Ecological Wall S.r.l.	-	-	-	125	125
DEFERRED TAX ASSETS	831	308	128	125	1,392

“Receivables from others”, amounting to Euro 2,943 thousand (Euro 5,798 thousand in the previous year) decreased in the financial year mainly as a result of the deconsolidation of Sostenya Green S.r.l. (Euro 2,129 thousand) and payment of receivables (Euro 1,406 thousand) accrued as a result of the activities commissioned by the customers of Innovatec Power S.r.l. with reference to the “HouseVerde Project (“Superbonus 110%” benefit envisaged by the Rilancio (Relaunch) Decree).

The item includes receivables for security deposits of Euro 409 thousand, advances to suppliers of Euro 1,252 thousand, receivables for the sale of the equity investment Volteo Energie S.r.l. of Euro 150 thousand, receivables from GSE of Euro 76 thousand, receivables from the former related companies Waste Italia S.r.l. under arrangement with creditors of Euro 811 thousand and Waste Italia Holding S.r.l. of Euro 123 thousand, as well as a receivable from an insurance company concerning a damages paid following a fire at the Romagnano site.

III. Short-term investments

The value relating to short-term investments is represented as follows:

- for Euro 296 thousand, an investment of part of Green Up S.p.A.'s liquidity in the Fidelity Funds Sicav fund ISIN code LU034393613 for a nominal value of Euro 300 thousand;
- for Euro 55 thousand, an investment made by Vescovo Romano & C. S.r.l. in 3,500 shares of Cassa di Risparmio di Asti;
- for Euro 2,638 thousand, an investment in bonds made by COBAT S.p.A., which entered the scope of consolidation as at 31 December 2021.

IV. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 24,953 thousand (as at 31 December 2020 Euro 15,118 thousand) and comprised the positive balances of bank current accounts and cash on hand at the end of the financial year. This is detailed in the following table:

€/thousand

Items	31/12/21	31/12/20	Change
Bank and postal deposits	24,925	15,095	9,830
Cash on hand	28	23	5
CASH AND CASH EQUIVALENTS	24,953	15,118	9,835

Cash and cash equivalents are mainly attributable to the Parent Company for Euro 369 thousand, to Innovatec Power S.r.l. for Euro 7,246 thousand and to Green Up S.p.A. for Euro 16,071 thousand.

D) Accrued income and prepaid expenses

Accrued income and prepaid expenses amounted to Euro 2,725 thousand (Euro 3,307 thousand as at 31 December 2020) and mainly related to the Environment and Circular Economy business unit of Euro 1,725 thousand, represented mainly:

- for Euro 848 thousand, by prepaid expenses on sureties recorded in Green Up S.p.A., attributable to policies for the benefit of the competent Authorities pertaining to the management of landfills and, in particular, for future closure and post-closure operations;
- for Euro 877 thousand, by prepaid expenses to the municipalities of Albonese and Mortara of Euro 223 thousand and Euro 260 thousand, respectively, and to the landfill operator of Bedizzole of Euro 200 thousand.

Moreover, prepaid expenses of Euro 586 thousand are recognised in Innovatec Power S.r.l. for operating costs related to energy efficiency work orders in progress but pertaining to subsequent periods.

Prepaid expenses beyond 5 years amounted to Euro 16 thousand and refer to charges on sureties pertaining to the subsidiary Green Up S.p.A.

Statement of Financial Position - Liabilities

Shareholders' Equity as at 31 December 2021 amounted to Euro 30,682 thousand (31 December 2020: Euro 19,136 thousand) and was composed as follows:

€/thousand

Breakdown of Shareholders' Equity	31/12/21	31/12/20	Change
Share Capital	10,162	2,862	7,300
Share premium reserve	2,219	7,258	(5,038)
Legal reserve	247	176	72
Sundry other reserves	149	450	(301)
Reserve for exchange-rate differences	12	-	12
Profit (loss) carried forward	6,225	5,766	459
Group profit/(loss)	6,369	673	5,696
TOTAL GROUP SHAREHOLDERS' EQUITY	25,384	17,185	8,199
Profit/(loss) attributable to non-controlling interests	4,938	1,952	2,987
Third-party consolidation reserve	360	(1)	361
TOTAL SHAREHOLDERS' EQUITY OF NON-CONTROLLING INTERESTS	5,298	1,951	3,347
TOTAL SHAREHOLDERS' EQUITY OF THE GROUP AND NON-CONTROLLING INTERESTS	30,682	19,136	11,547

As at 31 December 2021, the Share Capital of Innovatec S.p.A. was Euro 10,162,087.45.

As at 31 December 2020, the Share Capital of Innovatec S.p.A. was Euro 2,862,021.76. The Share Capital increase of Euro 7,300 thousand reflects:

- conversion in January 2021 of 16,723,115 Warrants equal to 3,344,623 newly issued ordinary shares of Innovatec S.p.A., assigned, at a price of Euro 0.275 per share, for a total value of Euro 919,771.35 of which Euro 167 thousand to capital and the remainder to share premium;
- bonus issue of Euro 10 million (Shareholders' Meeting of 3 February 2021). The increase took place pursuant to Article 2442 of the Italian Civil Code, through the allocation to share capital of part of the available reserves resulting from the financial statements of Euro 6,971 thousand and without the issue of new shares with a simultaneous proportional increase in the implied par value in accounting terms of the shares already outstanding, thus leaving unchanged the percentage shareholding of each shareholder pursuant to Article 2442, second paragraph, of the Italian Civil Code and with the sole amendment to the Articles of Association of the amount of share capital;
- conversion in August 2021 (last conversion period) of 16,208,745 Warrants equal to 3,241,749 newly issued ordinary shares of Innovatec, assigned, at a price of Euro 0.275 per share, for a total value of Euro 891,480.99 of which Euro 162 to capital and the remainder to share premium. Following this last conversion, non-exercised and forfeited Warrants amounted to 1,472,665 Warrants or 2.338% of the total Warrants issued in 2018.

At the date of this Report, Innovatec's share capital increased to Euro 10,422,567.45, following a placement through the accelerated bookbuilding procedure reserved for Qualified Investors of 2,368,000 ordinary shares, equal to approximately 2.48% of its share capital (after the increase), at a price of Euro 1.755 per share for a total value of the increase equal to Euro 4,155,840.00, of which Euro 260,480 to capital and the remaining to premium.

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The transaction was finalised as part of the share capital increase resolved on 20 January 2022 by the Board of Directors, in partial exercise of the power given to it by the Extraordinary Shareholders' Meeting of 3 February 2021.

Ordinary shares have the right to vote in ordinary and extraordinary shareholders' meetings, the right to dividends and the right to capital repayment in case of liquidation. It should also be noted that at the date on which these financial statements were filed, there were no restrictions of any kind on the transfer of Innovatec S.p.A. securities, the Company did not issue any securities giving special rights of control, and there were no restrictions or terms imposed on the exercise of voting rights. There are no financial rights attached to the shares separated from the ownership of the shares. There are no stock option plans in place and there is no shareholding of employees that grants voting rights that are not exercised directly by employees.

On 30 April 2021, the Shareholders' Meeting approved the proposal to amend Article 5 (Share Capital) of the Company's Articles of Association in order to grant the Board of Directors, for a maximum of five years and for a maximum amount of Euro 25 million, (a) the power, pursuant to Article 2443 of the Italian Civil Code, to increase the share capital, free of charge or for against payment, in one or more tranches and partially subscribed, also with the exclusion of the right of option pursuant to Article 2441, paragraphs 4 and 5, of the Italian Civil Code, with or without warrants, and (b) the power, pursuant to Article 2420-ter of the Italian Civil Code, to issue convertible bonds with or without warrants, also with the exclusion of the right of option pursuant to Article 2441 of the Italian Civil Code, subject to the revocation, for the portion not exercised, of the power given to the Board of Directors by the Extraordinary Shareholders' Meeting of 25 July 2019. The sum of the amount of the share capital increase (including share premium) resolved in the exercise of the power pursuant to Article 2443 of the Italian Civil Code and the amount of the share capital increase (including share premium) to service the conversion of the convertible bonds issued in the exercise of the power pursuant to Article 2420-ter of the Italian Civil Code or the exercise of any warrants issued in the exercise of the powers may not in any event exceed the maximum overall amount of Euro 25,000,000 on a cumulative basis and also including any share premium. The maximum amount was used for Euro 4,155,840.00 on 20 January 2022 during the aforementioned placement through the accelerated bookbuilding procedure reserved for Qualified Investors.

As at 31 December 2021, Innovatec S.p.A.'s **Share premium reserve** was Euro 2,219 thousand. The Share Premium Reserve as at 31 December 2020 amounted to Euro 7,258 thousand. Following the exercise of part of the 2018-2021 Warrants at the end of January 2021, the reserve increased to Euro 8,010 thousand and then decreased to Euro 1,490 thousand following the aforementioned bonus issue to Euro 10 million with a partial use of the reserve of Euro 6,520 thousand.

The **Reserve for convertible bond conversion option**, which as at 31 December was equal to Euro 450 thousand and referred to the value assigned to the conversion option held by the bondholders of the convertible Green Bond repaid in 2020, was completely reduced to zero in February 2021, following the above-mentioned bonus issue to Euro 10 million.

The **Legal reserve** increased from Euro 175,531 to Euro 247,421 following the shareholders' resolution of 30 April 2021 to allocate the profit for the year realised by Innovatec S.p.A. in 2020.

The item **Other Reserves**, amounting to Euro 149 thousand, refers to the "suspended depreciations/amortisation" unavailable reserve recognised by Innovatec S.p.A., in accordance with the regulatory provisions pursuant to Italian Decree law no. 104/2020, known as "Decreto Agosto" (Agosto Decree),

Article 60, paragraph 7-quarter, converted into Italian Law No. 126 on 13 October 2020, for a total amount of suspended depreciations and amortisation of Euro 183 thousand.

Profit/Loss carried forward amounted to Euro 6,225 thousand compared to Euro 5,766 as at 31 December 2020.

Shareholders' Equity attributable to non-controlling interests

As at 31 December 2021, Shareholders' Equity attributable to non-controlling interests, amounting to Euro 5,298 thousand, consisted of the portion of Shareholders' equity attributable to non-controlling interests in the subsidiaries Innovatec Power S.r.l., Cobat S.p.A., Ecological Wall S.r.l., Innovatec USA Inc and Vescovo Romano & C. S.r.l. and includes a loss attributable to non-controlling interests for the year of Euro 360 thousand.

The breakdown of shareholders' equity attributable to non-controlling interests in Group companies is as follows:

Amounts in thousands of Euro

Investee company with minority interests	Overall minority interests	Capital and reserves attributable to non-controlling interests	Profit/(loss) attributable to non-controlling interests	Shareholders' equity attributable to non-controlling interests
Innovatec Power Srl	0.99%	12	73	85
Cobat S.p.A. B corp	43.55%	4,763	-	4,763
Vescovo Romano & C. S.r.l.	30.00%	156	291	447
Ecological Wall S.r.l.	10.00%	(2)	-	(2)
Innovatec USA Inc	40.00%	10	(4)	6
		4,938	360	5,298

The changes that occurred in the financial year of shareholders' equity attributable to non-controlling interests in Group companies are as follows:

Amounts in thousands of Euro

Investee company with minority interests	2020	Acquisitions	Changes in the scope of consolidation	2021 results	First consolidation on a line-by-line basis	Share capital increases	Dividends	2021
Innovatec Power Srl	6			73		9	(3)	85
Cobat S.p.A. B corp		4,763						4,763
Vescovo Romano & C. S.r.l.	156			291				447
Ecological Wall S.r.l.		(2)						2
Innovatec USA Inc				(4)	10			6
Clean Tech Luc co	1,789		(1,789)					
	1,951	4,760		360	10	9	(3)	5,298

Reconciliation statement between the Parent Company's shareholders' equity and profit (loss) for the year and the consolidated shareholders' equity and profit (loss) for the year

For better information, a reconciliation statement between the Parent Company's net profit (loss) and the consolidated net profit (loss), as well as between the Parent Company's shareholders' equity and the consolidated shareholders' equity as at 31 December 2021, is provided below:

	Shareholders' Equity	Profit/Loss for the year
	31/12/2021	31/12/2021
Saldi Innovatec S.p.A.	18,645	(898)
Derecognition of the book value of consolidated equity investments:		
Value of equity investments in consolidated companies		(50,136)
Consolidation difference assigned to Goodwill	26,663	(983)
Results and Assets achieved by companies consolidated on a line-by-line basis	31,781	8,721
Adjustment of write-downs of intra-group receivables	(2,519)	-
Derecognition of write-downs of equity investments in consolidated subsidiary companies	-	-
Pro rata other consolidation adjustments pertaining to the Group:		
Capital gains and other income from intra-group transactions	1,464	(56)
Measurement of equity investments using the equity method	(76)	4
Leased assets	-	-
Other adjustments	(438)	(421)
Shareholders' equity and profit (loss) pertaining to the Group	25,384	6,368
Portion attributable to non-controlling interests	5,298	360
Consolidated shareholders' equity and profit (loss)	30,682	6,728

B) Provisions for risks and charges

Provisions for risks and charges amounted to Euro 39,820 thousand (2020: Euro 38,097 thousand). The breakdown of the change in provision for risks and charges is shown below:

€/thousand

Use of Provisions for risks and charges	31/12/20	Increases	Uses	Change in scope and other changes	31/12/21
Pension costs and similar obligations	0	0	0	14	14
Provision for taxes, incl. deferred taxes	2,063	2,151	(543)	-	3,671
Other provisions	37,194	5,204	(1,269)	(3,819)	37,310
TOTAL PROVISIONS FOR RISKS AND CHARGES	39,257	7,355	(1,812)	(3,805)	40,995

The "Provision for taxes, incl. deferred taxes" amounted to Euro 3,671 thousand compared to Euro 2,063 thousand at the end of December, an increase following the development of the Energy Efficiency business. It includes deferred tax liabilities related to statement of financial position and income components that generate deferred taxation, in accordance with OIC

no. 25, substantially related to Innovatec Power's work orders. The item is also affected by the recognition in 2020 of deferred tax liabilities as a result of the suspension of depreciations and amortisation pursuant to Italian Decree Law 104/2020, converted into law on 13 October 2021, a benefit to which several Group companies have opted for, net of the partial release to the income statement of depreciations and amortisation suspended by the parent company and subsidiary Green Up S.p.A.

“Other provisions” amounted to Euro 37,310 thousand as at 31 December 2021, compared to Euro 37,194 thousand at the end of December 2020. The net increase recognised in the year, amounting to Euro 116 thousand, is attributable to accruals for the period of Euro 5,202 thousand mainly related to the 3 landfills managed by Green Up (3,904 thousand) for closure and post-closure provisions and Euro 1,182 thousand for the risk processed on Innovatec Power in connection with the House Verde project. These increases were partially offset by the deconsolidation of provisions of Euro 3,656 thousand recognised in the financial statements of the transferred Sostenya Green S.r.l., by the utilisation of closure expenses for the Bossarino, Bedizzole and Albonese landfills of Euro 542 thousand, by the reversal to income of certain provisions of SPC Green S.p.A. of Euro 647 thousand, and by the deconsolidation of the provision for unsecured creditors risks of Volteo of Euro 359 thousand.

In detail, the changes were as follows:

	31/12/20	Increases	Uses	Other changes	31/12/21
Innovatec S.p.A.	134	86	0	-	220
Innovatec Power S.r.l.	-	1,182	(15)	-	1,167
Sostenya Green S.r.l.	3,656	-	-	(3,656)	0
Volteo Energie S.r.l.	360			(360)	0
SPC Green S.p.A.	22,038		(647)	(21,391)	0
Green Up S.p.A.	11,006	3,934	(542)	21,391	35,789
Vescovo Romano S.r.l.	-			84	84
Cobat S.p.A. B corp	-	-	-	50	50
Ecological Wall S.r.l.	-	-	-	-	0
TOTAL POST-EMPLOYMENT BENEFIT	37,194	5,202	(1,204)	(3,882)	37,310

C) Provision for post-employment benefit

The Provision for post-employment benefit represents the group's actual liability to employees in service at that date. The balance as at 31 December 2021 of Euro 2,184 thousand (31 December 2020: Euro 1,559 thousand), is inclusive of legal revaluation and is stated net of advances and uses for the year:

€/thousand

	31/12/20	Increases	Uses	Other changes	31/12/21
Post-employment benefits	1,559	584	(650)	690	2,184

The provision for post-employment benefit decreased due to some employees leaving during the period and increased by Euro 650 thousand following the consolidation of COBAT S.p.A. for Euro 699 thousand and Ecological Wall S.r.l. for Euro 2 thousand and decreased due to the deconsolidation of Sostenya Green S.r.l. for Euro 11 thousand.

The changes in Post-employment benefits for the various Group companies during the year were as follows:

	31/12/20	Increases	Uses	Other changes	31/12/21
Innovatec S.p.A.	100	16	(113)	-	3
Innovatec Power S.r.l.	33	80	(44)	-	69
Sostenya Green S.r.l.	11	-	-	(11)	0
Green Up S.p.A.	683	363	(346)	-	700
Vescovo Romano S.r.l.	732	126	(147)	-	711
Cobat S.p.A. B corp	-	-	-	699	699
Ecological Wall S.r.l.	-	-	-	2	2
TOTAL POST-EMPLOYMENT BENEFIT	1,559	584	(650)	690	2,183

The “Payables” recorded in the financial statements amounted to Euro 108,812 thousand (Euro 50,056 thousand in the previous year). The breakdown and changes in the individual items are shown below:

€/thousand

	31/12/21	31/12/20	Change
Bonds	9,616	-	9,616
Payables to banks	13,357	2,133	11,224
Payables to other lenders	4,776	1,322	3,454
Advances	554	55	498
Trade payables	46,637	16,669	29,968
Payables to associated companies	494	3,278	(2,783)
Payables to parent companies	758	3,716	(2,958)
Payables to companies subject to control of parent companies	9,185	6,073	3,112
Tax payables	8,664	8,559	105
Payables to social security institutions	919	679	240
Payables to others	13,852	7,572	6,280
TOTAL PAYABLES	108,812	50,056	58,755

For the purpose of indicating payables due within or beyond the financial year, the classification of payables is made by contractual or legal maturity, also taking into account facts and events provided for in the contract that may lead to a change in the original maturity, occurring by the end of the reporting.

The breakdown of payables due within and beyond the next financial year is as follows:

€/thousand

	31/12/21	31/12/20	Of which due beyond the next financial year
Bonds	9,616	-	9,616
Payables to banks	13,357	2,133	7,563
Payables to other lenders	4,776	1,322	-
Advances	554	55	-
Trade payables	46,637	16,669	1,127
Payables to associated companies	494	3,278	-
Payables to parent companies	758	3,716	-
Payables to companies subject to control of parent companies	9,185	6,073	380
Tax payables	8,664	8,559	4,106
Payables to social security institutions	919	679	-
Payables to others	13,852	7,572	362
TOTAL PAYABLES	108,812	50,056	23,154

Situation of Loans in the Group

In January 2021, the parent company Innovatec took out a loan agreement with Banca Progetto S.p.A. of Euro 2.9 million. The residual value as at 31 December 2021, recorded at “amortised cost”, amounted to Euro 2.3 million. The loan agreement provides for the repayment in 48 months, including an initial grace period of 3 months, at a variable rate of Euribor 1m + 450bps (zero floor) and is backed by the guarantee granted by the Central Guarantee Fund equal to 90% of the amount.

The Integrated Environmental Services division has bank loans outstanding as at 31 December 2021 for a residual value of Euro 11 million, of which: i) Euro 2.3 million relating to a loan – backed by the guarantee granted by the Central Guarantee Fund equal to 90% of the amount – taken out by Green Up S.p.A. in February 2021 with Banca Progetto S.p.A. for a disbursed value of Euro 2.6 million, with a 4-month grace period (first principal instalment expected in September) and at a variable Euribor 1m + 450bps rate (zero floor), ii) Euro 0.9 million taken out with various banks, by the subsidiary Vescovo Romano & C. S.r.l., of which Euro 0.6 million amortising expiring on 30 June 2025, iii) Euro 7.7 million for opening of credit lines, loans and mortgage on the property owned by Cobat S.p.A. and iv) Euro 42 thousand taken out with BCC by Ecological Wall S.r.l. amortising 2024.

Bank	Subject matter	Disbursed	Termination date	Residual as at 31/12/2021
Banco BPM (Pop. Novara)	Unsecured	300,000	31/01/22	8,559
BNL	Unsecured	300,000	19/03/22	37,730
Banco BPM (Pop. Novara)	Unsecured	2,000,000	31/03/22	103,571
Credem	Unsecured	500,000	17/12/22	167,416
Banco BPM	Unsecured	800,000	30/06/25	591,682
Fin BPS Chiro Cobat	Unsecured	1,850,000	31/08/26	1,732,334
Bond	Unsecured	10,000,000	30/09/26	9,615,698
Banca Progetto	Unsecured	2,600,000	28/02/26	2,338,147
Banca Progetto	Unsecured	2,890,000	31/01/25	2,314,492
Cobat loan	Unsecured	5,000,000	184 months	1,712,431
EcoWall BCC loan	Unsecured	50,000	10/10/25	41,566
Advances on Cobat c/a	Unsecured	valid until revocation		4,243,963
Factoring	Receivables	valid until revocation		4,762,731
Other				78,078
TOTAL				27,748,397

“Bonds” are equal to Euro 9,616 thousand. On 23 December 2021, it finalised the issue of a bond of Euro 10 million (“MiniBond”), backed by SACE's Italian Guarantee, the instrument envisaged by the Liquidità (Liquidity) Decree intended to support Italian companies during the Covid-19 emergency, for 90% of the value, with the aim of supporting its plant development in the field of the circular economy. The issue of the MiniBond specifically allows Innovatec to intervene in support of its subsidiary Green Up S.p.A. to finance investments and working capital related to the treatment, recycling and end-of-life activities of non-hazardous industrial waste. In detail, the MiniBond whose issue was resolved by the Company's Board of Directors on 10 December 2021 has a maturity date on 30 September 2026, an annual interest rate of 6% and an amortising repayment with 18 months of pre-redemption. The bonds were issued at par, with a unit denomination of Euro 100,000.00. Moreover, the MiniBond, in line with the practice referring to terms and conditions of bond instruments of a similar nature, is subject, inter alia, to compliance with covenants relating to the level of the Group's total net financial indebtedness with respect to shareholders' equity and EBITDA.

#	Date	Depreciation/amortisation plan Euro 000's		
		Residual nominal value	Repayment of the principal amount	% of repayment of the cumulated principal amount
1	30/09/23	8,572	1,429	14.29%
2	31/03/24	7,143	1,429	28.57%
3	30/09/24	5,715	1,429	42.86%
4	31/03/25	4,286	1,429	57.14%
5	30/09/25	2,858	1,429	71.43%
6	31/03/26	1,429	1,429	85.71%
7	30/09/26	0	1,429	100.00%

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“Payables to banks” mainly refer to bank exposures for cash overdrafts on current accounts. The increase compared to the previous year reflects the consolidation of Cobat S.p.A., which contributes Euro 7,747 thousand to total bank payables as at 31 December 2021.

“Payables to other lenders” amounted to Euro 4,776 thousand (31 December 2020: Euro 1,322 thousand) and refer mainly to the payable to factoring companies for advances on the transfer of receivables referable to the subsidiary Cobat S.p.A. of Euro 4,763 thousand.

“Trade payables” amounted to Euro 46,637 thousand (Euro 16,669 thousand in the previous year) and refer to goods and services received for the carrying-out of corporate activities. The increase of Euro 29,968 thousand compared to the previous year reflects the consolidation of Cobat S.p.A., which contributes Euro 13,567 thousand to trade payables as at 31 December 2021.

“Payables to associated companies” amounted to Euro 494 thousand (Euro 3,278 thousand in the previous year) and mainly refer to payables for consulting and services concerning energy efficiency work orders to the associated company Exalto Energy & Innovation S.r.l. of Euro 455 thousand, payables for the provision of services to the associated company Rete Ambiente S.r.l. of Euro 21 thousand and payables for the provision of services to the associated company Circularity S.r.l. of Euro 10 thousand.

“Payables to parent companies” amounted to Euro 758 thousand (Euro 3,716 thousand in the previous year) and essentially refer to interest-bearing loans received of Euro 750 thousand.

“Payables to companies subject to control of parent companies” amounted to Euro 9,185 thousand (Euro 6,073 thousand in the previous year): the balance essentially reflects the exposure to Sostenya Group Ltd (formerly Plc) of Euro 950 thousand, to Ecosavona S.r.l. of Euro 5,851 thousand, of which Euro 5.400 thousand refer to the disposal business, to payables to the company Sostenya Green S.r.l. of Euro 2,281 thousand and the remainder mainly to the former Waste Italia S.r.l. composition creditors to the related company, recorded in Green Up S.p.A. following the assumption of the Waste Arrangement with creditors.

“Tax payables” amounted to Euro 8,664 thousand (Euro 8,559 thousand in the previous year) and are broken down as follows:

€/thousand

	31/12/21	31/12/20	Change
Tax authorities for income taxes	2,062	1,232	830
Tax Authorities for VAT	375	366	9
Tax Authorities for IRPEF tax on employees and freelance work	917	632	286
Payables for other taxes	5,310	6,330	(1,020)
TAX PAYABLES	8,664	8,559	105

In detail, IRES and IRAP payables as at 31 December 2021 amounted to Euro 2,062 thousand, net of receivables for tax consolidation recognised by Green Up S.p.A. of Euro 412 thousand.

Moreover, Green Up S.p.A. has payables to Tax Authorities of Euro 6,132 thousand arising from former Waste Italia arrangement exposures to be repaid – starting from 30 January 2021 – in 14 instalments due in January-July of each year, ending in July 2027.

“Payables to social security institutions” amounted to Euro 919 thousand (Euro 679 thousand in the previous year) and consist mainly of payables to INPS.

	31/12/21	31/12/20	Change
Payables to social security institutions	919	679	240

“Other payables” amounted to Euro 13,858 thousand, up from Euro 7,572 thousand at the end of 2020, as shown in the table below:

€/thousand

	31/12/21	31/12/20	Change
Payables to personnel	2,480	1,225	1,255
Payables to directors	305	2	303
Payables for TEE incentives to be transferred to third parties	-	900	(900)
Guarantee deposits and down payments from customers	456	23	433
Payables for agio and royalties	215	129	86
Payables for eco-tax	451	351	100
Payables for portions of consideration from the purchase of equity investments	7,701	-	7,701
Payables to others	2,250	4,942	(2,693)
PAYABLES TO OTHERS	13,858	7,572	6,286

“Other payables” include payables to employees Euro 2,480 thousand for the entire new group, which was paid in January 2022, excluding provisions for the fourteenth month salary.

For the remaining part, the main details are summarised below:

The item “Payables to others” mainly refers to Green Up S.p.A. and consists of:

- payables for eco-tax of Euro 456 thousand;
- payables for agio to be paid to the Municipalities of Euro 215 thousand;
- a payable to the Municipality of Vado Ligure of Euro 685 thousand following the agreement of 18 April 2019 regulating the commitments related to the expansion and management of the Bossarino landfill, which envisaged the recognition of an amount of Euro 1,964 thousand to be paid in instalments by January 2022;
- a payable concerning the Serre Project of Euro 372 thousand;
- residual payables to third-party sellers of Euro 7,701 thousand for considerations for the purchase of the equity investment Ecological Wall S.r.l. (Euro 300 thousand) and for the purchase of 49.9% of Clean Tech and all of the type B Participating Financial Instruments issued by SPC Green S.p.A. and now merged into Green Up.

Loans from shareholders

Pursuant to Article 2427, point 19-bis of the Italian Civil Code, note that at the end of the financial year there were no loans from shareholders.

E) Accrued expenses and deferred income

Accrued expenses and deferred income amounted to Euro 304 thousand (31 December 2020: Euro 1,504 thousand).

€/thousand

	31/12/21	31/12/20	Change
Other accrued expenses	65	22	43
Deferred income from contributions on landfill facilities	-	568	(568)
Other deferred income	239	915	(676)
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	304	1,504	(1,200)

“Accrued expenses and deferred income” mainly refer to the suspension of income related to EPC work orders for the purpose of alignment according to the work progress and related operating margins.

As at December 31, 2021, there were no accrued income and prepaid expenses with a duration of beyond five years.

Commitments, risks and guarantees

Commitments and guarantees of the entire Group as at 31 December 2022 amounted to approximately Euro 72.9 million and are broken down as follows:

Innovatec S.p.A.: Joint obligations for a total of Euro 1,675 thousand, of which Euro 150 thousand to guarantee a credit line subject to collection in favour of Rete Ambiente S.r.l., and Euro 1,525 thousand on a surety issued by Sostenya Group Ltd (formerly Plc) in favour of the Ministry of the Environment, for activities related to the landfills of the former subsidiary and now related company Sostenya Green S.r.l. for the securing, reclamation, restoration of contaminated areas, and compensation for any further damage to the environment.

Innovatec Power S.r.l.: Bank guarantee of Euro 360 thousand, in joint obligation with Innovatec S.p.A., issued to guarantee the construction of plants and EPC contracts, expiring by the end of the financial year; bank guarantees, without joint obligation, issued to secure 2 EPC contracts for a total of Euro 443 thousand; insurance guarantees issued to various Municipalities to guarantee works in progress and tenders, totalling Euro 881 thousand.

Green Up S.p.A.: there are insurance sureties issued to Public Administrations for the management and post-management of landfills and plants for a total guaranteed amount of Euro 68,300 thousand, and bank guarantees in favour of customers of Euro 423 thousand.

Vescovo Romano & C. S.r.l., there are insurance sureties issued to public administrations and private entities for a total guaranteed amount of Euro 862 thousand.

Income statement

The 2021 net results are directly comparable with the 2020 net results as a result of the deconsolidation of the company Sostenya Green S.r.l., which was transferred during 2021.

The consolidated net results for the year 2021 are not entirely comparable with those reported in the same period last year in relation to the significant changes in the scope of consolidation resulting from the acquisition of control of the group of companies headed by Clean Tech Luxco S.A. (now merged into Haiky+ S.r.l.), which entered the scope of consolidation on a line-by-line basis with effect from 31 December 2020, as well as the transfer at the beginning of January 2021 of the 100% stake held by Innovatec in the share capital of Sostenya Green S.p.A. as part of the consideration paid for the aforesaid acquisition and the sale at the end of December 2021 of Volteo Energie S.r.l. in liquidation and arrangement with creditors).

As a result of the foregoing, the consolidated income statement for the year 2021 includes the income statement figures of Innovatec S.p.A., Innovatec Power S.r.l., Green Up S.r.l., Vescovo Romano & C. S.r.l. and Innovatec USA Inc. and the newly established subsidiaries, Haiky+ S.r.l., Innovatec Venture S.r.l. and Matemorfosi S.r.l. B corp and Volteo Energie S.r.l.

On the other hand, the consolidated income statement for the year 2020 includes only the income statement figures of Innovatec S.p.A., Innovatec Power S.r.l., Volteo Energie S.r.l. and Sostenya Green S.p.A.

A) Value of production

The “Value of Production” shown at the end of the financial year 2021 was Euro 144.6 million (31 December 2020: Euro 27.9 million).

Each item is broken down as follows:

€/thousand

	31/12/2021	31/12/2020	Change
Revenues from sales and services	138,240	23,799	114,441
Change in inventories of work in progress, semi-finished and finished products	3,069	0	3,069
Own work capitalised	1,509	0	1,509
Other revenues and income	1,788	4,059	(2,271)
TOTAL VALUE OF PRODUCTION	144,606	27,858	116,748

Consolidated **revenues** in 2021 amounted to Euro 138.2 million, up compared to 2020 (Euro 114.3 million).

The substantial improvement in the half-year results was mainly due to the contribution of the Integrated Environmental Services division of Euro 39 million, thanks to the acquisition of the Clean Tech group, as well as the strong increase in the Energy Efficiency (EE) division's business, managed by the subsidiary Innovatec Power S.r.l., which rose from Euro 1.7 million to Euro 24.5 million.

In particular, the increase in revenues related to the House Verde project, which only started in the second half of 2020, for the sustainable improvement of energy efficiency and securing of the Italian real estate thanks to the “superbonus 110%”, which realised works for Euro 21.2 million. Also as part of the Energy Efficiency division, the Industry division was able to resume its activities, which had slowed down in the previous year due to the lock-down periods and the general uncertainty caused by the Covid pandemic, achieving a turnover of Euro 3.3 million as at 30 June 2021, compared to Euro 1.1 million (+200%) in the first half of 2020, also thanks to the finalisation of contracts, signed in the second half of 2020.

Own work capitalised of Euro 1.5 million (not present in the previous year) concerns revenues, net of the intercompany margins of Innovatec S.p.A. and Innovatec Power S.r.l., for the construction of landfill facilities commissioned by Green Up S.p.A. Activities continue to be affected by the lengthening of the construction schedule for the second phase of the Bedizzole landfill managed by the subsidiary Green Up S.p.A., as well as the Bossarino landfill owned by the subsidiary SPC Green S.p.A.

Finally, it should be noted that the transferred company Sostenya Green S.r.l. contributed approximately Euro 5.8 million to the total revenues in the first half of 2020.

The **Change in construction contracts** of Euro 3.1 million (not present in the previous year) exclusively concerns the EE division and substantially refers, as part of the House Verde project, to upgrading services being carried out at residential units, including related goods, accruing in 2021, but whose invoicing took place in 2022, following the validation of the work in progress by the technicians in charge of the authorisation process.

Other revenues and income of Euro 1.8 million (Euro 4.1 million in the previous year) almost exclusively concern the Integrated Environmental Services Division. In particular, Euro 1.5 million pertain to the subsidiary Green Up S.p.A. and mainly refer to revenues for electricity, green certificates generated by biogas plants and excise duty refunds; Euro 0.1 million pertain to the subsidiary Vescovo Romano & C. S.r.l., mainly for photovoltaic incentives and revenues from property leases.

In relation to the provisions of Article 2427, paragraph 1, number 10 of the Italian Civil Code, it should be noted that revenues from sales and services are all related to the Italian territory.

B) Costs of production

The “Costs of production” at the end of the financial year 2021 amounted to Euro 134,417 thousand. (Euro 25,166 thousand in 2020).

Each item is broken down as follows:

€/thousand

	31/12/21	31/12/20	Change
Purchases of raw materials and consumables	18,009	2,193	15,816
Costs for services	75,601	20,315	55,286
Costs for leased assets	4,049	170	3,879
Personnel costs	12,307	1,538	10,769
Amortisation, depreciation and write-downs	15,359	346	15,013
Changes in inventory of raw materials, consumables and goods for resale	61	(725)	786
Provisions for risks	1,260	-	1,260
Other provisions	4,025	-	4,025
Sundry operating expenses	3,745	1,330	2,415
TOTAL VALUE OF PRODUCTION	134,417	25,166	109,250

Operating purchase costs amounted to approximately Euro 18,009 thousand (2020: Euro 2,193 thousand) and are broken down as follows:

€/ thousand

	31/12/21	31/12/20	Change
Raw Materials for Energy Efficiency	12,646	2,189	10,457
Consumables and accessories	646	0	646
Maintenance materials	2,388	3	2,385
Materials for facility construction and installation	2,327	2	2,326
Other purchases	2	0	(1)
PURCHASES OF RAW MATERIALS AND CONSUMABLES	18,009	2,193	15,813

Euro 13 million is related to the Energy Efficiency business, attributable to the development of the HouseVerde Project, and Euro 5.1 million to the Environment and Circular Economy business.

Costs for services amounting to Euro 75,601 thousand (2020: Euro 20,315 thousand) are broken down as follows:

€/thousand

	31/12/21	31/12/20	Change
Facility management costs	1,195	-	1,195
Company car costs	148	44	104
Costs of insurance sureties	1,013	-	1,013
Facility construction costs / work orders	31,634	6,139	25,496
Other general and administrative services	707	79	629
Commission and bank guarantee costs	48	16	33
Gas, water, electricity and telephone utilities	683	47	637
Maintenance and repair costs	3,163	528	2,635
Fees to Collaborators	80	38	42
Transportation and shipping	4,139	38	4,101
Cost of information systems	79	20	59
Legal and tax advice	1,943	367	1,576
Advertising and marketing costs	419	621	(202)
Costs for trade fairs and exhibitions	19	-	19
Insurance companies	767	73	694
Sundry technical consultancy	7,310	701	6,609
Fees to directors and statutory auditors	369	701	(332)
Supervision and cleaning	384	34	350
Disposal costs	15,501	10,131	5,370
Other costs	205	72	133
Sub-contracted Services	1,625	-	1,625
Costs of analysis	886	2	885
Costs for third-party services	3,081	265	2,816
Costs for services by the parent company	200	400	(200)
COSTS FOR SERVICES	75,601	20,315	55,287

The cost for leased assets amounted to Euro 4,049 thousand (2020: Euro 170 thousand) and is broken down as follows:

€/thousand

	31/12/21	31/12/20	Change
Royalties	392	-	392
Property rent payment and leasing	146	8	139
Rents	1,141	14	1,127
Hiring	2,226	138	2,088
Other costs for leased assets	143	11	133
COSTS FOR LEASED ASSETS	4,049	170	0

All-in-all, costs for services and leased assets of Euro 79.7 million (2020: Euro 20.3 million) are broken down as follows:

- EE-related operating costs:
amounted to Euro 40 million (2020: Euro 4.3 million) and refer to the House Verde project for approximately Euro 33 million, while Euro 4.2 million refer to Industria B2B work orders and Euro 1.2 million to costs for in-house expansion works at landfills owned and operated by the Group;
- operating costs related to Environment and Circular Economy:
amounted to Euro 37.8 million and refer to all services, maintenance, transport and rental of equipment and vehicles for the regular and proper performance of collection, treatment, disposal and recovery of recyclable materials. This category of costs follows the trend in revenues;

Personnel costs amounted to Euro 12,307 thousand (2020: Euro 1,538 thousand) and are broken down as follows:

€/thousand

	31/12/21	31/12/20	Change
Salaries and wages	8,868	1,092	7,776
Social security charges	2,692	339	2,353
Post-employment benefits	585	79	506
Pensions and similar obligations	0	2	(1)
Other personnel costs	162	26	135
PERSONNEL COSTS	12,307	1,538	10,769

Group personnel costs amounted to Euro 12.3 million (2020: Euro 1.5 million). The average number of personnel in 2021 stood at 212 (2020: 25). Personnel costs for the EE business amounted to Euro 1.8 million (2020: Euro 0.9 million), an increase compared to the same period last year as a result of the development of the HouseVerde Project, which entailed the hiring of new resources to support the sudden growth in turnover volumes (persons in 2021: 50, persons in 2020: 18). Personnel costs of the Environment and Circular Economy business amounted to Euro 10 million (persons in 2021: 175). The personnel costs of the holding company decreased from Euro 0.5 million to Euro 0.4 million (persons in 2021: 4, persons in 2020: 7), following the transfer of personnel to the operating subsidiaries.

Depreciations, amortisation and write-downs amounted to a total of Euro 15,359 thousand and are broken down as follows:

€/thousand

	31/12/21	31/12/20	Change
Amort. of start-up and expansion costs	126	-	126
Amort. of research and development costs	52	-	52
Amort. of industrial patents and intellectual property rights	118	-	118
Amort. of trademarks, concessions and licences	93	-	93
Amort. of other intangible fixed assets	1,683	-	1,683
Amort. of consolidation differences	1,378	-	1,378
Total Amort. of intangible fixed assets without goodwill	3,448	-	3,448
Amort. of Goodwill	752	346	406
Total Amort. of intangible fixed assets	4,201	346	3,854
Deprec. of buildings	267	-	267
Deprec. of plant and machinery	401	0	401
Deprec. of fixtures and fittings, tools and other equipment	72	-	72
Deprec. of other assets	10,264	0	10,264
Deprec. of property, plant and equipment	11,005	0	11,005
Write-downs of current receivables	154	-	154
AMORTISATION, DEPRECIATIONS AND WRITE-DOWNS	15,359	346	15,013

Allocation to other provisions	1,260	-	1,260
PROVISIONS FOR RISKS	1,260	-	1,260
Other provisions	4,025	-	4,025
OTHER PROVISIONS	4,025	-	4,025

Amortisation/depreciation for the year amounted to Euro 15.2 million (2020: Euro 0.3 million) and mainly reflected the Environment and Circular Economy business of Euro 14.7 million and the residual Energy Efficiency business (Euro 0.2 million) and Innovatec S.p.A.'s holding business (Euro 0.3 million). In 2020, the Group decided to suspend the depreciation charges of property, plant and equipment and the amortisation charges of intangible fixed assets (effect: Euro 0.2 million) up to 100% in accordance with current regulations, with the result that the 2020 figure only reflects the amortisation on goodwill of Innovatec Power S.r.l. (Euro 0.1 million) and the transferred company Sostenya Green S.p.A. (Euro 0.2 million).

Provisions amounted to Euro 5.4 million (2020: nil). They refer to the Environment and Circular Economy business of Euro 4.1 million and the remaining Euro 1.3 million to the Energy Efficiency business. With reference to the Environment business, they mainly reflect the annual portion of the closing and post closing allocations for landfills of Euro 3.7 million, whereas with reference to the EE business, they reflect the estimated litigation risks related to the HouseVerde and B2B orders.

Change in inventories of raw materials, consumables and goods for resale amounted to Euro 61 thousand and are broken down as follows:

€/thousand

	31/12/21	31/12/20	Change
Closing inventories of raw materials, consumables and goods for resale	189	911	(723)
Opening inventories of raw materials, consumables and goods for resale	(128)	(186)	58
CHANGES IN INVENTORY OF RAW MATERIALS, CONSUMABLES AND GOODS FOR RESALE	61	725	(665)

They mainly refer to the write-off of inventories in Innovatec following the transfer of the Esco and construction business unit to Innovatec Power S.r.l. in the first half of 2021.

The sundry operating expenses amounted to a total of Euro 3,745 thousand and are broken down as follows:

€/thousand

	31/12/21	31/12/20	Change
Eco-tax	2,149	32	2,117
Tax on buildings	176	20	156
Contingent assets	636	699	(63)
Compensations	8	-	8
Capital losses on assets	224	-	224
Gifts and entertainment expenses	6	-	6
Membership fees	108	46	61
Losses on receivables	25	212	(187)
Fines	60	204	(144)
sundry non-income taxes	126	-	126
Other operating expenses	229	117	112
SUNDRY OPERATING EXPENSES	3,745	1,330	2,415

Other operating costs amounted to Euro 3.7 million (2020: Euro 1.3 million) and are mainly attributable for Euro 3.1 million to the Environment and Circular Economy business referring to the eco-tax of Euro 2.1 million proportional to the increase in the business. *Non-recurring* costs amounted to Euro 0.9 million compared to Euro 1.1 million in the previous year.

C) Financial income and expenses

The breakdown of the individual items of “Financial income and expenses” as at 31 December was as follows:

€/thousand

Items	31/12/21	31/12/20	Change
Total other financial income	915	258	657
Total interest and other financial expenses	(514)	(476)	(38)
Foreign exchange gains and losses	0	-	0
TOTAL FINANCIAL INCOME AND EXPENSES	401	(218)	619

Net financial income/(expenses) amounted to Euro 0.4 million (2020: Euro -0.2 million), and substantially reflect the net financial benefit generated by the sale of receivables related to the “Superbonus” (Euro 0.5 million) and the deferral to 2028 of the payment of certain non-operating payables from SPC Green S.p.A. to the related company Ecosavona (Euro 0.3 million). This income was partially offset by financial expenses of Euro -0.4 million, mainly related to the bank exposures of the subsidiary Vescovo Romano and the new loans of Euro 5.5 million entered into with Banca Progetto in January and February of the current year.

Financial income

Financial income totalled Euro 915 thousand (Euro 258 thousand in the previous year 2020) and is broken down as follows:

	31/12/21	31/12/20	Change
Income from equity investments from others	0	1	(1)
INCOME FROM EQUITY INVESTMENTS	0	1	(1)
OTHER FINANCIAL INCOME			
Financial interest on loans granted to subsidiaries	1	-	1
Finance income from receivables included in fixed assets from non-consolidated subsidiaries	1	0	1
Financial interest on loans granted to associated companies	1	-	1
Financial income from receivables included in fixed assets from associated subsidiaries	1	0	3
Interest income on bank accounts	1	11	(10)
Other financial income	910	0	910
Financial income from others	911	12	900
Interests on bonds	-	235	(235)
Other income from bonds	-	-	0
Income from other permanent investments, which are not equity investments	0	235	(235)
Income from marketable securities	0	10	(10)
Income from other short-term investments, which are not equity investments	0	10	(10)
TOTAL FINANCIAL INCOME	915	258	659

Interest and other financial expenses

Interest and financial expenses amounted to Euro 514 thousand (Euro 476 in the previous year 2020) and are broken down as follows:

€/thousand

	31/12/21	31/12/20	Change
Financial interests to parent companies	(31)	-	(31)
Interest and other financial expenses to parent companies	(31)	0	(31)
Interest expenses on m/l-term bank payables	(198)	-	(198)
Interest paid to other lenders	(2)	(1)	(1)
Interests on bond	-	(5)	5
Capital losses from transfer of equity investments	(99)		
Other financial expenses	(183)	(470)	287
TOTAL INTEREST AND OTHER FINANCIAL EXPENSES	(514)	(476)	61

D) Value adjustments to financial assets and liabilities

Value adjustments to financial assets amounted to Euro 110.9 thousand (in 2020: Euro -994 thousand) and reflect the measurement at equity of associated companies, which for the year 2021 resulted in value adjustments for pro-rata gains of Euro 115.1 thousand relative to the result of the investee Energy & Innovation S.r.l., of Euro 114.8 and the investee company Rete Ambiente S.r.l. of Euro 0.3 thousand, and for the remaining part concern write-downs of Securities included in current financial assets of Euro 3.5 thousand and minority interests for impairment losses of Euro 0.5 thousand.

Income Taxes, deferred tax assets and liabilities and consolidation income/expenses

“Income taxes” show an overall net balance of Euro 3,972 thousand. Each item is broken down as follows:

€/thousand

	31/12/2021	31/12/2020	Change
Local income taxes (IRAP)	(676)	(202)	(474)
Local income taxes (IRES)	(1,248)	-	(1,248)
Taxes on foreign income	(5)	-	(5)
Expense from tax consolidation	(630)	-	(630)
Expenses for penalties relating to income taxes	(46)	(438)	391
Current taxes	(2,606)	(640)	(1,966)
Taxes from previous years	(89)	-	(89)
Deferred tax liabilities	(1,609)	(155)	(1,453)
Deferred tax assets	332	(12)	344
INCOME TAXES FOR THE YEAR	(3,972)	(807)	(7,097)

Deferred taxes amounting to Euro 1,609 thousand are represented by the value of deferred tax liabilities generated by work orders with a duration of less than 12 months but in progress at the closing date of the financial year, net of the release of the value of the previous year. The item also includes deferred tax assets in Green Up S.p.A. and Vescovo Romano & C. S.r.l. on provisions for charges and maintenance as well as deferred tax assets and Euro 284 thousand on provisions recorded by Innovatec Power S.r.l.

Other Information

Information relevant to the derivative financial instruments pursuant to Article 2427-bis of the Italian Civil Code

Financial risk management:

The Group is exposed to market (exchange and interest rates), liquidity and credit risks. The main financial instruments include: bank deposits on demand, investments in asset management, securities and investment funds, bank and financial payables, and loans.

The main risks generated by the Group's financial instruments are the risk of capital repayment and the risk of changes in market rates, the impact of which, in the range of +/- 5%, would in any case produce insignificant effects. Loans, c/a advances, factoring and bank deposits on demand and short-term bank deposits are mainly subject to interest at variable rates pegged to Euribor. The Bond issued at par by Innovatec S.p.A. on 23 December 2021, amortising on 30 September 2026, is instead at a fixed rate of 6%, act/365 backed by SACE's Italian Guarantee.

As at 31 December 2021, total financial liabilities amounted to Euro 27.7 million and cash and cash equivalents and investments to approximately Euro 27.9 million.

Capital risk

With reference to the risk of capital repayment, the following investments of cash and bank c/a are reported as at 31 December 2021:

- *bank c/a*: Euro 23,119 thousand deposited with reputable Italian banks;
- *Investment Fund*: "Fidelity Funds – Euro Short Term Bond Fund E-Acc-EUR" of Euro 300 thousand, subscribed in December 2020 by Green Up S.p.A... The fund invests mainly in short-term investment grade government and corporate bonds denominated in Euro. At the date of this Report, the market loss stands at approximately 1.2% of the investment (Euro 3,580);
- *Asset Management*: "BG Solution TOP Client" of Banca Generali that can be monetised "on call". The total investment as at 31 December 2021 was Euro 350 thousand including realised gains of approximately Euro 117 thousand. The investment as at 31 December 2021 is detailed as follows: bank account: Euro 316 thousand, shares and bonds of approximately Euro 3 thousand;
- *Securities*: 3,500 shares of Cassa di Risparmio di Asti of Euro 55 thousand held by Vescovo Romano & C. S.r.l.;
- *Securities*: BTP futures 14 July 2030 cum (yield 2.08%), BTP 15 November 2024, 1.45%, POPSO 08ST23 2.50% bonds for a total of Euro 2,638 thousand invested by Cobat S.p.A.

The Group demonstrates that it pays particular attention to capital risk management, with the aim of keeping excess liquidity and working capital in bank c/a in reputable Italian banks readily available and with minimal risk of capital loss.

The Group constantly monitors the above-mentioned risk.

Interest rate risk

The Innovatec Group is not substantially exposed to interest rate fluctuations, especially as regards the amount of financial expenses related to borrowings.

Euribor, the interest rate to which the Group is mainly exposed, continued to be negative during 2021. In the first quarter of 2022, it increased in 2021, but still remained negative at approximately -0.35%.



Technical assumptions regarding interest rates and commodity prices are based on market expectations as at 28 February 2022. Short-term interest rates refer to the three-month Euribor and

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market expectations are derived from futures contract rates. This method results in an average level of short-term rates of -0.4% in 2022, 0.3% in 2023 and 0.7% in 2024. Market expectations for nominal yields on 10-year government securities of the Eurozone imply an annual average of 0.8 per cent for 2022, gradually increasing over the time horizon to 1.1 per cent for 2024. In the comparison with last December's forecast, market expectations for short-term interest rates were revised upwards by approximately 10, 50 and 70 basis points for 2022, 2023 and 2024, respectively, in the wake of expectations of a tightening of monetary policies worldwide, supported by the continuation of the unexpectedly positive inflation trend. This also led to an upward revision of long-term sovereign bond yields by approximately 50-60 basis points over the period.

https://www.ecb.europa.eu/pub/projections/html/ecb.projections202203_ecbstaff-44f998dfd7.it.html

	Marzo 2022				Dicembre 2021			
	2021	2022	2023	2024	2021	2022	2023	2024
Euribor a tre mesi (percentuale annua)	-0,5	-0,4	0,3	0,7	-0,5	-0,5	-0,2	0,0
Rendimenti dei titoli di Stato a dieci anni (percentuale annua)	0,1	0,8	1,0	1,1	0,1	0,3	0,4	0,6
Prezzo del petrolio (USD al barile)	71,1	92,6	82,3	77,2	71,8	77,5	72,3	69,4
Prezzi delle materie prime non energetiche in USD (variazione percentuale annua)	34,0	7,1	-6,4	-6,0	34,4	5,7	-2,2	-2,1
Quote di emissione nel sistema EU ETS (EUR per tonnellata)	53,2	82,2	83,3	84,9	53,5	74,9	75,4	75,8
Tasso di cambio USD/EUR	1,18	1,12	1,12	1,12	1,18	1,13	1,13	1,13
Tasso di cambio effettivo nominale dell'euro1 (TCE-42) (1° trim. 1999 = 100)	120,8	118,7	118,7	118,7	120,7	118,3	118,3	118,3

Outstanding financial exposures payable as at 31 December 2021 are set out below:

Loans as at 31/12/21

	Unsecured	No	No	300,000	31/01/22	Eurirs 3a	1.3	1.24%	
		Yes		300,000	19/03/22	n.a.	n.a.	0.70%	
	Unsecured	No	No	2,000,000	31/03/22	Eurirs 5a	n.a.	1.49%	
	Unsecured	No		500,000	17/12/22	Eurirs 3a	n.a.	0.45%	
		Yes		800,000	30/06/25	Eurirs 5a	0.9	0.90%	
	Unsecured	No		1,850,000	31/08/26	2%		2.00%	
		Yes		10,000,000	30/09/26	6%		6.00%	
	Unsecured	No		2,600,000	28/02/26	Euribor 1m	4.5	4.50%	
		Yes		2,890,000	31/01/25	Euribor 1m	4.5	4.50%	
				5,000,000	184 months	Euribor 6m	1.40%	2.30%	1,712,431
10 Cobat loan	Unsecured	No	No	50,000	10/10/25	Euribor 3m	4.00%		41,566
11 EcoWall BCC loan	Unsecured	SACE	No		00/01/00	Euribor 3m	2.812	2.24%	4,243,963
12 Advances on Cobat c/a	Unsecured	MCC	No						4,762,731
13 Factoring	Unsecured	MCC	No						
	Unsecured	No	No	comm flat					
	Unsecured	No	No						
	Receivables	No	No						
Other									78,078
TOTAL				26,240,000			0	1	4
									27,748,397

Loans 1 to 7 totalling Euro 12.3 million are fixed-rate loans, while variable-rate loans (8 to 13) amount to Euro 15.5 million.

Bank deposits on demand and short-term bank deposits have a variable interest rate pegged to *Euribor* plus a spread, with currently an average rate of return of approximately 0.01%.

Description	Euro 000's
Banca Popolare di Sondrio	7,223
Cassa Risparmio di Bolzano	15,896
	23,119

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However, given the overall value of outstanding variable-rate loans, it is considered that a +5%/-5% change in interest rates would not result in significant deviations in the interest coverage ratio.

The Group has not entered into any variable-to-fixed rate hedging contracts.

In light of the above, and the managed volumes of debt, the Group and the Company as at 31 December 2021 were not significantly exposed to interest rate risk.

Currency risk

As at 31 December 2021, the Group and the Company were not exposed to this risk, as they had no significant credit and debit positions in foreign currencies.

Liquidity risk related to the Group's financial structure

The liquidity risk concerns the Group's ability to meet its payment obligations by resorting to self-financing, funding on the banking and financial markets and available liquidity.

Innovatec has pursued a policy of business diversification over the past year that allows it to mitigate the risks arising from any cyclical trends in its individual markets, ensuring positive margins and cash flows. Already since the second half of 2020, the Group has implemented a series of actions also aimed at countering the negative effects generated by the Covid-19 pandemic, such as the HouseVerde Project in which it continues to invest by seizing the opportunity that the market currently reserves for companies in the sector, also supported by subsidies from the European Community. To date, the HouseVerde Project reached a final contract portfolio of approximately Euro 156 million (of which approximately 61.2 million in 2021) and a portfolio of project proposals ("Computi Metrici Estimativi" CME (Bill of Quantities)), in addition to the already contracted initiatives, of Euro 114 million.

The acquisition of the Clean Tech Group at 50.1%, which was extended to 100% last July, and the acquisition of Cobat S.p.A. in early December strengthened the Innovatec Group's presence in Clean Technology, enabling it to become more competitive in the "circular economy" market, where investment projects in innovative businesses have already been launched. The contribution of this business to the consolidated results, as shown by the net results achieved in the last two years, will be able to stabilise revenues and margins contributed by Innovatec's core business, which are instead characterised by greater volatility depending on the incentive policies in force from time to time.

All of the above activities are characterised by good operating margins and cash generation.

As at 31 December 2021, Group liquidity amounted to Euro 27.9 million. Short-term financial payables amounted to Euro 19.7 million. Net working capital amounted to Euro 12.4 million.

In the light of the foregoing, the Group demonstrates that it pays particular attention to liquidity risk management, with the objective of maintaining adequate financial availability to meet current and expected operating commitments, based on cash on hand, prospective cash flows and existing stocks of trade receivables/payables, and, if necessary, rescheduling repayment plans with business and financial operating counterparties for a given period of time, all while ensuring a liquidity buffer sufficient to meet unexpected commitments.

Risks related to the collection of trade receivables

Innovatec and its subsidiaries may be exposed to potential losses resulting from failure to fulfil obligations undertaken by trade counterparties. In order to minimise this risk, the signing of contracts, the start of works and the management of services in the various divisions in which the group operates is always subject to prior screening of the customer and its solvency.

In the event that the above procedures have had a positive outcome, the group shall in any case implement precautionary protective measures that envisage for “work order” contracts the management of advances as well as, depending on the type, IPC payments and/or payments in full on completion of work, also supported – if applicable – by mutual guarantees of performance and reliability. If the orders are also supported by public incentive programmes, collection times may be longer. The standard market procedures for closing the work order and putting the facility into service as well as connection to the network and/or the incentive mechanism still guarantee minimal credit risk.

The terms of collection on EPC work orders for the construction of plants in the renewable energy, energy efficiency and environment sector towards corporate “third parties” and/or related companies are also contractually aligned with the commitments that Innovatec enters into with its sub-contractors.

In the Environment sector, customer relations are also based on a direct knowledge of needs, through on-site inspections, so as to build customer loyalty through an approach that is extremely close to their specific prerogatives and thus creating a relationship of mutual trust with an important positive reflection also in terms of managing the credit collection phase. Operational management is delegated to the centrally allocated Credit Management function; an assessment of the credit standing of customers is systematically carried out (also by means of modern software for examining the creditworthiness of potential customers and their most recent financial information). The Group's net receivables from Sostenya Green S.p.A. amounted to Euro 2.2 million as at 31 December 2021.

In any case, the Group's credit recovery policies remain stringent: in managing the recovery phase, the Group resorts to issuing appropriate payment reminders, legal warnings, stop service procedures and granting, where deemed necessary and appropriate, time extensions to credit terms, requesting guarantees and implementing recovery actions with the start of legal procedures also through the intervention of external firms. Receivables from related parties also present a low risk profile due to the correlation between the companies and may be offset against the Group's payables to them and/or be subject to extended collection times.

In summary, taking due account of the current situation that could result in unforeseeable risks to collection of receivables, net of the provisions for risks recorded as at 31 December 2021 and based on the status and origin of the receivables (i.e.: tax credits generated by the Superbonus 110%) and the current disputes with third parties, the disclosures and contractual documents, the ordinary procedures in place for “recovery” as well as in some cases the existing debt exposures to the counterparties themselves, the Group does not believe that it could reasonably incur significant losses, net of the provisions already accrued, arising from the failure to fulfil the obligations assumed by both trade and financial counterparties.

Risks related to debt exposure to suppliers

The Group monitors the level of overdue payments in order to avoid interruptions in supply and/or services by proposing, if necessary, a rescheduling of payment terms. Intercompany payables and payables to related parties have

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longer payment terms than standard suppliers and are related to the liquidity needs of creditor companies.

With reference to the Energy Efficiency business, the payment policies to suppliers and sub-contractors on the business are aligned with the collection schedules that Innovatec signs with its customers.

With regard to the environment business, payables are mainly to third-party suppliers for the purchase of engineering materials, fuels and lubricants, and services related to waste disposal, transportation, waste analysis and plant maintenance, while with regard to the use of space other than the bedding Group, the debt exposure as at 31 December 2021 is substantially towards the related company Ecosavona (Euro 5.8 million, 2020: Euro 4.5 million).

The Group monitors the level of debt and overdue payments in order to avoid interruptions in supply and/or services by proposing, if necessary, a rescheduling of payment terms. The Group trusts that the policies put in place in terms of managing debt exposures can be reasonably adequate and capable of avoiding interruptions to supplies and/or services essential to the normal course of business.

The Group trusts that the policies implemented also in terms of management of any overdue payments (which are physiological in the reference market where the Group operates) may be reasonably adequate and capable of avoiding interruptions to supplies and/or services essential to the normal course of business.

Therefore, the Group's ability to manage the risk related to debt exposure depends on its ability to continue to maintain a careful management of working capital and related party transactions. In the light of the above, the Company believes that it has properly put in place all the necessary policies to minimise this risk.

It cannot be ruled out that in case of failure to collect, the Group may not honour related payables to sub-contractors and consultants used for completing the work orders as well as not honour commitments for space acquired at the landfills of third-parties and/or related parties.

Positions or transactions resulting from atypical and/or unusual operations

Pursuant to Consob Communication No. DEM/6064293 of 28 July 2006, it should be noted that, during the portion of the financial year ended 31 December 2021, the Group did not carry out any atypical and/or unusual operations, as defined in the Communication.

Non-recurring significant events and transactions

In accordance with the requirements of the Consob Communication of 28 July 2006, the following are the non-recurring cost/revenue items recorded in 2021:

- financial benefit of Euro 0.4 million generated by the payment extension to 2028 made by SPC Green S.p.A. on certain non-operating receivables claimed from the related company Ecosavona for Euro 0.7 million;
- Non-recurring net contingent assets of Euro 0.7 million, of which Euro 1 million recorded by Green Up S.p.A., mainly represented by the write-off of payables of Euro 0.3 million and the write-off of the item "other unsecured funds" arising from the merger of SPC Green S.p.A. relating to joint obligations no longer outstanding of Euro 0.7 million;
- deconsolidation expenses of Euro 47 thousand of Sostenya Green S.p.A. as part of the consideration for the acquisition of the Clean Tech Group, which took place on 29 December 2020. The statement of financial position effects of the deconsolidation as at 31 December 2020 resulted in a positive effect of Euro 0.8 million on Net Invested Capital and a negative effect of Euro -0.8 million on cash and cash equivalents;

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- deconsolidation expenses of Euro 52 thousand arising from the sale of Volteo Energie S.r.l. at the end of December 2021. Volteo Energie S.r.l. reported a loss of Euro 0.2 million in 2021.

2021 impacts (Euro millions)	NIC	NFP	c/ec Dr/(Cr)
Non-recurring net contingent assets		-0.7	0.0
Deconsolidation Sostenya Green S.p.A.	0.8	-0.8	0.1
Deconsolidation Volteo Energie S.r.l.	1.0	-1.3	0.3
financial benefit of deferred payments	-0.4	<u>0.0</u>	<u>-0.4</u>
Total	0.7	-2.1	-0.7

With reference to the first half of 2020, non-recurring significant transactions had a net positive effect on the income statement of approximately Euro 3.4 million.

Finally, note that the transferred Sostenya Green S.p.A. contributed to the 2020 net results, as shown below:

<u>2021</u>	(Euro millions)
Revenues	12.4
EBITDA	0.3
EBIT	0.3
Net profit	0.2

Breakdown of Personnel

Information concerning the average number of employees pursuant to Article 2427, item 15 of the Civil Code is given below:

Innovatec group	2021	2020	2021 average	2020 average
Executives	12	8	13.2	3
Middle managers	11	10	11	3
White Collars	141	98	120.5	19.3
Blue Collars	96	96	96.3	0.2
TOTAL	260	212	241	25.5

Fees to directors and statutory auditors

The fees due to Directors and Statutory Auditors are summarised below:

Innovatec S.p.A.:

Directors: Euro 127.4 thousand;

Statutory Auditors: Euro 42 thousand

Innovatec Group:

Directors: Euro 384 thousand

Statutory Auditors: 67 thousand

Fees to external auditor or independent auditors

The fees due to the independent auditors for the external audit and desk review of the parent company and subsidiaries for the financial year 2021 amounted to Euro 177 thousand. Fees to the independent auditors for the audit of Innovatec S.p.A. alone amount to approximately Euro 64 thousand in 2021.

The amount indicated includes the amount incurred by Cobat S.p.A., as it did not participate in the consolidation of the Income Statement Account for 2021.

RELATED PARTY TRANSACTIONS

Related party transactions are attributable to activities in the ordinary course of business and are carried out at arm's length (unless not regulated by specific contractual conditions), as are interest-bearing payables and receivables. By resolution of 12 December 2013, the Board of Directors approved, and adopted, a specific internal procedure aimed at ensuring the transparency and substantive and procedural fairness of related party transactions carried out directly by Innovatec S.p.A. or through its subsidiaries. Innovatec and its Group companies have relations with Sostenya Group S.r.l. and Sostenya Group Ltd as well as the latter's subsidiaries. Specifically, the main relations of the year can be summarised as follows:

- The **parent company Innovatec S.p.A.** reports costs for “service management fees” from Sostenya Group Ltd (formerly Plc) on certain core business and strategic policy activities. The contract has an annual value of Euro 0.2 million. Moreover, the company owes interest-bearing loans to Sostenya Group Ltd. and Sostenya Group S.r.l. of Euro 0.75 million each. With reference to transactions with associated companies, the parent company granted interest-bearing loans to the related company Rete Ambiente S.r.l. and Circularity of Euro 0.15 million and Euro 0.1 million, respectively, as well as service activities of approximately Euro 50 thousand and Euro 60 thousand, respectively. On the other hand, with reference to the relations with Sostenya Green S.p.A., which was transferred at the beginning of 2021, the parent company still has net receivables of approximately Euro 70 thousand and has carried out service activities of Euro 20 thousand. Finally, with reference to the associated company Exalto Energy Innovation S.r.l., Innovatec received in 2021 dividends of Euro 111 thousand and has net receivables of approximately Euro 35 thousand.
- **Innovatec Power S.r.l.** procured in 2021 from its associated company Exalto Energy Innovation S.r.l. components for the House Verde Project for approximately Euro 3.1 million. The net debt to the associated company amounted to Euro 0.4 million. The subsidiary has a residual payable to Sostenya Group Ltd of Euro 40 thousand.
- The subsidiary **Green Up S.p.A.** carries on ordinary business with:
 - Sostenya Green S.r.l. for activities involving the sale of space in managed landfills. In 2021, Green Up recorded revenues of Euro 20.7 million from the sale of space and costs of Euro 0.8 million for disposal (Euro 471 thousand) and for the lease in the first half of 2021 of the Bedizzole business unit for landfill management (Euro 377 thousand). The net receivable from Sostenya Green as at 31 December 2021 amounted to approximately Euro 2.2 million;
 - Next Generation S.r.l. for rental costs for the second half of 2021 of the Bedizzole business unit for landfill management (Euro 149 thousand);
 - Ecosavona S.r.l. for waste disposal activities. In 2021, Green Up incurred disposal costs of Euro 2.1 million (2020: Euro 2.7 million) with regard of the related company. Ecosavona also signed with the subsidiary a passive technical service contract of Euro 0.1 million per year and an active administrative service contract of Euro 0.3 million per year as well as reversed

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analysis costs of Euro 0.05 million. The total net debt to Ecosavona as at 31 December 2021 was Euro 5.7 million;

- Bensi 3 S.r.l. for rental costs of the Milan office located in Via G. Bensi (Euro 0.2 million plus expenses);
- Sostenya Group Ltd (formerly Plc) for passive service (at an annual cost of Euro 2.5 million) on certain core business activities and in particular qualifying as joint obligor in the main surety policies taken out by Green Up.

All transactions undertaken, including those between the Company and its related parties, are part of the management of the core business of the group in which the Company operates, and all transactions described above are regulated at market conditions, also pursuant to Article 2427, paragraph 1, no. 22-bis of the Italian Civil Code.

No transactions took place with related parties of an atypical or unusual nature that are far removed from the company's normal operations or such as to harm the financial position, the results of the operations and of the cash flows of the Group. Related party transactions were carried out at arm's length conditions, also pursuant to Article 2427 paragraph 1 no. 22-bis of the Civil Code.

If the nature, value or special characteristics of the transaction so require, the Board of Directors is assisted by independent experts.

Statement of Financial Position

Counterparty	Financial receivables	Trade receivables	Sundry receivables	Financial payables	Trade payables	Sundry payables	Balance of receivables (Payables)
<i>(in Euro)</i>							
Bensi S.r.l.	-	58,623	-	-	(27,148)	-	31,475
Gruppo Waste Italia S.r.l.	-	87,336	-	-	(75,602)	-	11,734
Ecosavona S.r.l.	-	13,042	-	-	(5,777,072)	-	(5,764,031)
Sostenya Green S.r.l.	-	4,234,619	-	-	(2,219,147)	(85,798)	1,929,674
Sostenya Group Ltd	-	-	-	(949,993)	-	-	(949,993)
Total companies subject to control of parent companies	-	4,393,621	-	(949,993)	(8,098,970)	(85,798)	(4,741,140)
Exalto Energy&Innovation S.r.l.	-	236,041	-	-	(455,121)	-	(219,080)
Farthan S.c.r.l. società consortile	-	-	-	-	(7,500)	-	(7,500)
Rete Ambiente S.r.l.	150,000	115,274	-	-	(21,350)	-	243,924
Circularity Srl – B corp	100,000	116,151	-	-	(10,370)	-	205,781
Total associated companies	250,000	467,466	-	-	(494,341)	-	223,125
Sostenya Group S.r.l.	-	-	-	0	(758,414)	-	(758,414)
Total parent companies	-	-	-	0	(758,414)	-	(758,414)
Next Generation S.r.l.	-	-	-	-	(148,909)	-	(148,909)
Abitare Roma S.r.l.	-	-	-	-	(3,965)	-	(3,965)
Total other related parties	-	-	-	-	(152,873)	-	(152,873)
Total related parties	250,000	4,861,087	0	(949,993)	(9,504,598)	(85,798)	(5,429,302)

Income Statement

Counterparty	Revenues and income	Financial income	Costs for purchases/services	Leased assets	Sundry operating expenses	Financial expenses	Balance of Revenues/Income (Costs/Expenses)
<i>(in Euro)</i>							
Bensi 3 S.r.l.	-	-	-	(285,813)	-	-	(285,813)
Sostenya Green S.r.l.	20,764,596	-	(471,287)	(376,531)	-	-	19,916,778
Ecosavona S.r.l.	349,759	-	(2,276,253)	-	-	-	(1,926,494)
Sostenya Group Ltd	-	-	(2,700,000)	-	-	(22,994)	(2,722,994)
Total companies subject to control of parent companies	21,114,355	0	(5,447,540)	(662,344)	0	(22,994)	14,981,478
Rete Ambiente S.r.l. - Circularity Srl – B corp	53,320	318	-	-	-	-	53,638
Exalto Energy&Innovation S.r.l.	75,642	885	-	-	-	-	76,526
Total associated companies	128,962	112,758	(3,135,708)	0	0	0	(2,893,988)
Sostenya Group S.r.l.	-	-	0	-	-	(8,414)	(8,414)
Total parent companies	-	-	0	-	-	(8,414)	(8,414)
Next Generation S.r.l.	-	-	-	(148,909)	-	-	(525,440)
Total other related parties	0	0	0	(148,909)	0	0	(525,440)
Total related parties	21,243,317	112,758	(8,583,248)	(811,252)	0	(31,408)	11,553,635

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These Consolidated Financial Statements, comprising the Statement of financial position, Income Statement, Statement of Cash Flows and Notes to the financial statements, give a true and fair view of the Company's financial position, the results of the operations and of the cash flows for the period under review, and agree with the accounting records.

Milan, 29 March 2022