

# Annual Financial Report 2022





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# Corporate bodies

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

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

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

First name and surname	Office
Silvestrelli Oriana	Chairman
Capecchi Daniele	Standing Auditor
Lauri Roberto	Standing Auditor
Casali Gilberto	Alternate Auditor
Ciarmatori Dario	Alternate Auditor

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

Deloitte & Touche S.p.A.

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<sup>1</sup> The expiry of the term of office on the date of the Shareholders' Meeting to be called for to approve the financial statements for the year ending 31 December 2023.

<sup>2</sup> The expiry of the term of office on the date of the Shareholders' Meeting to be called for to approve the financial statements for the year ending 31 December 2023.

<sup>3</sup> The Shareholders' Meeting of 23 May 2022 resolved to appoint Deloitte & Touche S.p.A. As the independent auditor for the 2022-2024 financial years.

# Participatory structure of the Renco Group as at 31 December 2022

The “Renco Group”, of which Renco Group S.p.A. is the parent company, is an important Italian company that carries out General Contracting activities in the Energy market, and Asset Management. The Group’s activity is organised into two relevant sub-holdings: Renco S.p.A., which is heads up several business lines including the Energy Business Line, the Buildings Business Line and the Services Business Line; Renco Valore S.p.A., which owns the Group’s real estate properties and manages them using the services provided by Renco Asset Management S.r.l., both identified in the Asset Management Business Line. Below are the companies belonging to the Renco Group that fall within the consolidation area<sup>4</sup>:

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<sup>4</sup> For full detail of all Group companies, reference should be made to Annexes 1, 2 and 3 of the Explanatory Notes to the Consolidated Financial Statements.



Shareholding structure of the Renco Group as at 31 December 2022

# RENCO Group



Since the previous year, the following significant changes occurred in the Group structure:

- On 21 January 2022 Renco S.p.A. sold 60% of the share capital of the subsidiary Salinella S.r.l. to the company belonging to the Ascopiave group, Asco Renewables S.p.A. The consideration for the sale of the share amounted to Euro 588 thousand. During the period, Salinella began construction work on a wind farm in the province of Catanzaro with a nominal capacity of up to 21 MW. The construction of the park, which involves a total investment of approximately Euro 30 million, is being carried out by Renco S.p.A. The sale highlights the characteristic activity of the Energy Business Line that also evaluates and finalizes extraordinary operations;
- during the period, the merger by incorporation between Renco Valore S.p.A. and Renco Food S.r.l. was completed, effective from 1 January 2022. This operation did not have an impact on the consolidated financial statements;
- for the completion of the initiatives of the Energy Business Line, Renco S.p.A. participated in the establishment of a company under Albanian law, a project company called Excelerate Renco FPB Sh.p.k.. The project company, of which Renco owns 10%, invested during the year in the purchase of two barges for the production of 110 Mw of electricity, which will be leased for a period of 24 months to the Albanian public company that manages the electricity networks. The project company must also provide for the mooring and connection of the barges to the Albanian electricity grid in the port of Valona;
- as part of the project described above, the company under Albanian law Renco Spark Sh.p.k. was created during the period, wholly owned by Renco S.p.A., which will also provide for O&M activities during the contractual period of lease;
- Renco S.p.A. has acquired from Asco Renewable S.p.A. a 10% stake in Green Factory S.r.l. for one thousand Euro. The purchase is aimed at potential future developments in the energy sector within the Veneto region;
- during the period Renco S.p.A. established Renco Green Sarlu, a company under Congolese law, to seize the opportunity to develop in the Republic of Congo a project for forest conservation and reforestation, aimed at absorbing CO2 present in the atmosphere, capable of generating carbon credits that can be sold on the voluntary market;
- in July 2022 the company Renco Erma S.r.l. was established, 87% controlled by Renco S.p.A. The company was created as a project company aimed at the execution of works in Project Financing in relation to Superbonus 110% energy efficiency and anti-seismic interventions on buildings located in Jesi owned by Erap Marche. Based on the concession agreement signed with the public entity, the granter provides for the payment of the works through the transfer of the Superbonus credits that will be generated, and the grantee is required to guarantee the energy performance of the buildings for a management period of 5 years;
- in December 2022 Renco Valore S.p.A. sold 100% of the shares held in the company Hotel Yerevan Ojsc, at the sale price of USD 19 million. The sale generated a capital gain of Euro 15,203 thousand for the selling company, while at the time of consolidation the recorded capital gain amounted to Euro 9,792 thousand, taking into account the value contributed by the subsidiary in the consolidated financial statements of the Group. The sale price was fully collected in March 2023. The sale highlights the characteristic activity of the BU Asset Management that also evaluates and finalizes acquisition and sale operations, for the benefit of the Renco Group;



- as of January 1, 2022, Renco Group adopted the proportional method to consolidate the Armenian company, Armpower, jointly controlled with Siemens. For a better understanding of the effects, please refer to the paragraph “Change in the Armpower consolidation criterion” included in the Explanatory Notes to the consolidated financial statements;
- finally, it should be noted that Rebar S.A., a Swiss company 60% owned by Renco S.p.A., has been created and that the liquidation process of the Renco Lancia Iter Consortium has been completed.

# Directors' Report on operations 2022

## 1) Report on operations

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## 2) Consolidated financial statements

## Preamble

This Report on operations refers to the consolidated financial statements of Renco Group S.p.A. (hereinafter also the “Group”, “Renco” or “Renco Group”).

The report should be read together with the financial statements and the related explanatory notes that constitute the consolidated financial statements of the Renco S.p.A. Group as at 31 December 2022.

Unless otherwise specified, all amounts entered in this report are presented in thousands of Euro.

## Methodological note

All the comments and comparisons in the remainder of this report refer to the economic and financial data for the 2022 financial year compared to the 2021 financial year, unless otherwise specified. All the figures in the report on operations and in the related tables are expressed in thousands of Euro and all the related comments in the “Explanatory Notes” are also expressed in thousands of Euro. All percentage ratios (margins and deviations) are calculated with reference to values expressed in thousands of Euro.

Figures for the previous financial year are shown in brackets.

## Situation of the Group and operating performance

The 2022 financial year featured the completion of the long process of development and implementation of the 250 MW combined cycle gas plant project in Armenia, demonstrating in fact the transition process towards the activities of arrangers, builders and operators of complex projects in the energy sector. The developments of the company Salinella S.r.l. and the new acquisitions in Albania together with the partner Excelerate Energy should be read in this context.

In addition, during the period, activities related to the 110 bonus, also known as “Superbonus 110”, represented an important source of development for RENCO. This bonus, introduced by the Italian government to encourage the energy and seismic efficiency of buildings, has allowed companies in the sector to increase their work volume and consequently the value of production.

RENCO, in particular, has been able to take advantage of this opportunity thanks to its expertise in the energy industry and its ability to manage complex construction sites, guaranteeing the highest levels of quality and safety. Thanks to these skills, the company has participated in numerous energy requalification projects in Italy, gaining great visibility and important awards on the market.

## Economic analysis

Income statement	31/12/2022	%	31/12/2021	%	Change %
Revenues from sales	294,097	66.24%	228,447	68.33%	28.74%
Changes in inventories of WIP products	116,110	26.15%	60,584	18.12%	91.65%
Own work capitalised	17,416	3.92%	41,678	12.47%	-58.21%
Other operating revenues	16,390	3.69%	3,609	1.08%	354.14%
<b>Value of Production</b>	<b>444,013</b>	<b>100.00%</b>	<b>334,318</b>	<b>100.00%</b>	<b>32.81%</b>
Goods and consumable materials	(104,292)	-23.49%	(79,412)	-23.75%	31.33%
Costs for services	(197,467)	-44.47%	(131,902)	-39.45%	49.71%
Personnel costs	(79,994)	-18.02%	(73,733)	-22.05%	8.49%
Other operating costs <sup>5</sup>	(14,957)	-3.37%	(15,655)	-4.68%	-4.46%
<b>Operating costs</b>	<b>(396,710)</b>	<b>-89.35%</b>	<b>(300,702)</b>	<b>-89.94%</b>	<b>31.93%</b>
<b>Gross operating result (EBITDA)</b>	<b>47,303</b>	<b>10.65%</b>	<b>33,616</b>	<b>10.06%</b>	<b>40.72%</b>
Amortisation, Depreciation and write-downs	(21,822)	-4.91%	(14,903)	-4.46%	46.43%
Provisions for risks and guarantees	(573)	-0.13%	(2,200)	-0.66%	-73.95%
<b>Operating result (EBIT)</b>	<b>24,908</b>	<b>5.61%</b>	<b>16,513</b>	<b>4.94%</b>	<b>50.84%</b>
Income from equity investments	85	0.02%	48	0.01%	77.08%
Other financial income	2,894	0.65%	387	0.12%	647.80%
Interest and other charges	(17,281)	-3.89%	(7,740)	-2.32%	123.27%
Foreign exchange gains and (losses)	(61)	-0.01%	8,366	2.50%	-100.73%
Adjustments on financial assets	(2,151)	-0.48%	(1,379)	-0.41%	55.98%
<b>Profit before taxes</b>	<b>8,394</b>	<b>1.89%</b>	<b>16,196</b>	<b>4.84%</b>	<b>-48.17%</b>
Income taxes	(5,170)	-1.16%	(10,244)	-3.06%	-49.53%
Deferred and (prepaid) taxes	5,894	1.33%	1,730	0.52%	240.69%
<b>Profit (loss) for the year</b>	<b>9,117</b>	<b>2.05%</b>	<b>7,682</b>	<b>2.30%</b>	<b>18.68%</b>

<sup>5</sup> It includes the income statement items “Other operating expenses”, and costs “For the use of third-party assets” and the “Changes in inventories of raw materials, ancillary materials, consumables and goods”.

During the year ended 31 December 2022, the value of the Group's production amounted to Euro 444 million, recording an increase of approximately 33% compared to 31 December 2021. Operating revenues from third parties amounted to Euro 426.6 million (+46% compared to 2021). In 2022, Armpower contributed to RENCO's consolidation with a production value of Euro 46 million against a value of Euro 4 million in 2021. In this regard, it should be noted that, in compliance with the requirements of the reference accounting standards and in order to provide an exhaustive comparative analysis, the 2021 comparative data include those of the subsidiary Armpower (effects of the change in accounting standard applied retroactively as of January 1, 2021), for more details see the paragraph "Change in the consolidation criterion on the company Armpower" present in the Explanatory Notes to the consolidated financial statements.

EBITDA amounted to Euro 47.3 million (Euro 33.6 million in 2021), with a margin on the production value of 10.7% substantially unchanged compared to the previous period.

Amortisation, depreciation and write-downs, Euro 21.8 million, increased by Euro 6.9 million compared to 2021 (+46.3%), mainly due to the consolidation of the Armpower company, whose asset consists of the Yerevan power plant.

The provisions for risks and guarantees of Euro 0.6 million relate to the provision of the guarantee provision on the Sarir Libya order, which was completed at the end of the period.

There was an improvement in the operating result (EBIT) which went from Euro 16.5 million in 2021 to Euro 24.9 million in 2022 with a change of Euro 8.4 million and an impact on the value of production that rose from 4.9% to 5.6%.

The economic components of a financial nature showed a balance of financial charges, net of foreign exchange effects, of Euro 17.3 million (Euro 7.7 million in the corresponding comparative period), an increase of Euro 9.5 million compared to 2021. This increase is mainly attributable to the financial components of Armpower, equal to Euro 7.6 million, which in the previous year were fully capitalised because the plant was still under construc-

tion, and to the increase in financial debt.

Other financial income of Euro 2.9 million consists of financial income deriving from the sale of tax bonuses.

Despite the appreciation of some local currencies against Euro and USD, the foreign exchange gains and losses item shows a negative balance of Euro 0.3 million. The item includes profits of Euro 25.5 million and losses of Euro 25.8 million. Unrealised foreign exchange gains amounted to Euro 4.8 million, while unrealised foreign exchange losses amounted to Euro 3.7 million.

The value adjustments of the financial assets equal to a negative Euro 2.2 million, are essentially determined by the valuation of the company Salinella Srl. using the equity method.

The operating dynamics indicated above generate a pre-tax result of Euro 8.4 million.

Income taxes for the period amounted to Euro 4.1 million (Euro 7.8 million), down by Euro 3.8 million, with a pre-tax profit of Euro 8.4 million in 2022 (Euro 16.2 million in 2021). The tax rate stands at 48%. In addition to current taxes, the tax burden includes Euro 1.1 million (Euro 2.4 million in the previous period) of taxes referring to previous periods recorded following the settlement of tax assessments in Italy and Iraq. Finally, in 2022 there was a positive effect of Deferred Tax Assets (DTA) equal to Euro 6 million. This temporary element is exclusively generated by the differences between Armpower's statutory financial statements, drawn up in USD (the financial statements "Functional Currency"), and the corresponding fiscal financial statements in Armenian DRAM. These differences are subject to the USD vs DRAM exchange rate trend.

## Results by business line

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

The “business lines” that represent the entirety of the services provided to the Group’s customers are:

- **Energy Business Line:** Engineering Procurement and Construction (EPC) services in the energy sector with a focus on the Natural Gas and Power Generation industry;
- **Buildings Business Line:** Construction of buildings for civil and industrial use with high technological content;
- **Services Business Line:** Field services and Operation&Maintenance in the energy sector;
- **Asset Management Business Line:** Logistics services related to expatriate personnel, hotel services, management of Group owned and third parties office-buildings

Business Lines (in thousands of Euro)	2022			2021		
	VdP	Ebitda	Ebitda %	VdP	Ebitda	Ebitda %
Services	70,614	10,439	14.8%	60,545	11,085	18.3%
Asset management	44,629	21,409	48.0%	30,265	10,958	36.2%
Buildings	153,124	26,068	17.0%	82,727	23,756	28.7%
Energy	158,413	7,913	5.0%	119,103	4,544	3.8%
General costs		-18,526			-16,727	
<b>Total vs Third Parties</b>	<b>426,780</b>	<b>47,303</b>	<b>11.1%</b>	<b>292,640</b>	<b>33,616</b>	<b>11.5%</b>
Investments	17,233			41,678		
<b>Total</b>	<b>444,013</b>	<b>47,303</b>		<b>334,318</b>	<b>33,616</b>	

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

## Energy Business Line

During the year ended 31 December 2022, the turnover of the Business Line amounted to 158.4 million Euro (119.1 million Euro in 2021), the industrial margin amounted to 8 million Euro and its impact on the value of production was 5% (3.8% in 2021).

Production increased as a result of the consolidation of Armpower, which in the year brings a VoP of Euro 46 million and an EBITDA of Euro 10.3 million. During the year, two significant orders were completed for Renco S.p.A. with positive impacts on EBITDA for a total of Euro 5 million, the first order concerned the construction of LNG modules for the customer Baker Hughes, with a final contract value of Euro 56.9 million, the second concerned the Sarir job order in Libya.

The EBITDA of the division is affected by the negative effects of the Everdrup order, which resulted in a loss of Euro 14 million in the 2022 financial statements. This is the order for the construction of a compression plant in Denmark for the customer Energinet. The order was affected by a plurality of negative elements unrelated to the company that led to the extension of the construction times with a conse-

quent increase in costs. The plant has been in production since November last year but some completion activities are still ongoing and therefore the order will also have effects on the 2023 financial statements. RENCO is negotiating with the customer about a claim in order to have recognised a number of extra costs, for which it is not responsible.

A specific comment for the evolution of the main investments in the energy sector companies:

### **Armpower CJSC**

The Group established Armpower in August 2016, on the basis of the memorandum of understanding signed with the Government of the Republic of Armenia. The company aims to implement the project for the construction of a 250 MW gas-fired combined cycle power plant near the city of Yerevan, capital of Armenia.

In April 2017, Armpower, Renco and the Government of the Republic of Armenia signed a framework agreement to regulate the relations and commitments of the parties on the project and entrusts Armpower with the financing, construction and twenty-year management of the plant. Renco S.p.A. Was assigned the role of project finance developer and EPC contractor for the construction of the plant. The investment amounts to about 300 million dollars to be financed by (non-recourse) project financing with a debt-to-equity ratio of about 70:30.

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

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

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

For negotiation with the banks the Armenian Government involved the gas supplier Gazprom Armenia and the company ENA, which is committed to

purchase electricity.

Negotiations were successfully concluded in March 2018. The text of the Framework Agreement for the construction of the plant negotiated between the Government of the Republic of Armenia and the banks was approved by Renco, Siemens and Simest S.p.A. (CDP Group), and on 9 April 2018 the Board of Directors of IFC (World Bank) approved the investment. Meanwhile, at the end of April 2018, pending the signing of the renegotiated Framework Agreement, Armenia experienced a political crisis caused by a popular movement of peaceful protest, which led to the fall of the incumbent Government and the renewal of the country's political class. The new government didn't take office with full powers until September 2018. Following further negotiation of the Framework Agreement with the new Government in office, the Framework Agreement was then signed with the new Government and all the other parties involved on 13 November 2018.

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

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

the Financial Close was reached on June 14, 2019; the financial institutions then disbursed the first tranche of the loan, and on the same date the construction works of the power plant began, on the basis of the EPC contract signed with Renco S.p.A. Construction works on the plant proceeded according to schedule throughout 2019.

In 2020, the construction activities of the power plant were delayed, mainly due to the spread of the second wave of the Covid 19 pandemic in the country and mainly due to the war conflict that began on September 27, 2020 and ended on November 10, 2020, involving Armenia and Azerbaijan in the territories of Nagorno Karabakh and the border

line between the two countries.

Thanks to the implementation of an “acceleration plan” agreed between Armpower Cjsc and Renco S.p.A., in 2021 RENCO was able to recover part of the delay suffered for the above mentioned reasons.

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

In January 2022 the plant completed fine-tuning operations with all additional safety and production optimization tests and subsequently continued to run following the requests of the national energy manager according to the demand of the internal market.

On 30 April 2022, the steam turbine supplied by Siemens suffered damage, resulting in the temporary shut-down of the plant for repair operations. Repair costs as well as lost earnings for the period of inactivity are covered by dedicated insurance policies activated upon the occurrence of the accident.

The start-up of the entire plant, following the physiological completion of the repairs, took place on 9 September. The subsequent performance verification operation was successfully completed on 16 September, allowing the official completion of all operations to be decreed on 26 September, with the approval of all parties involved.

The capacity and efficiency of the plant following this definitive repair were the same as the official tests carried out at the end of 2021.

Since the end of September, the plant has continued to run regularly following the requests of the national energy manager. The plant has operated smoothly and efficiently, guaranteeing 20% of the country's needs.

During the process of repairing and analysing the causes of the accident, the insurance company liquidators were informed and received the necessary documentation. After the repair and restart of the plant, the insurers decreed that the policy covers for direct damage and non-production are applicable. Currently, the advance of compensation received for direct damages and non-product-

tion is respectively USD 600 thousand and USD 4 million, while the claim for compensation is much higher. The final compensation settlement process is ongoing and is expected to be completed in the first half of 2023.

Despite the plant shut-down, in 2022 the Armpower company recorded revenues from the sale of electricity for USD 80,644 thousand, an EBITDA of USD 20,175 thousand and a positive net result of USD 8,607. The net financial debt of the company as of December 31, 2022 is USD 163,877 thousand. Short-term financial debt is USD 19,345 thousand.

In April 2023, the company recorded revenues of USD 39,105 thousand and an EBITDA of USD 10,217 thousand, with a cash generation of USD 9,061 thousand.

### **Mecufi Solar Power Plant (CSM)**

Central Solar de Mecufi SA (“CSM”), a company under Mozambican law based in Murrebue, Zemun Farm, Mecúfi district, Cabo Delgado, Mozambique, was established to build and operate a photovoltaic power plant for the production of an initial 20 MW of electricity on a 22-hectare land located in Zemun, near Pemba, a project that will be implemented in project financing.

The estimated cost for the construction of the plant, including the costs of connecting to the electricity grid, is USD 25.4 million.

On September 30, 2020, CSM signed a 25-year Power Purchase Agreement (“PPA”) with the public company Electricidade De Mozambique EP (EDM) based in Maputo, for the sale of all the energy that can be produced by the plant, at a predetermined indexable rate of 2% per year for the duration of the contract.

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

Based on the approved model, the total net VAT in-



vestment will be approximately USD 28.05 million (including development costs and interest during construction), financed by approximately 32% with equity (for USD 8.9 million) and 68% with financial debt (for USD 19.15 million).

The VAT will be financed by a dedicated line.

During 2022, the multilateral bank Afreximbank made itself available to finance the Project in project financing mode, following the positive outcome of an ongoing environmental/technical/legal/financial due diligence.

Regardless of Afreximbank's decision to finance or not the project, RENCO intends to proceed with the implementation of the initiative, possibly also through the full use of its own resources or through the use of other financial (i.e. project Bond) or commercial instruments (commercial deferral upon purchase of main items).

RESCO has involved SIMEST S.p.A. (CDP Group) in the initiative, with which it signed an investment contract in March 2022 on the basis of which SIMEST undertook to acquire and hold for a maximum of 6 years a share of the CSM project in support of Renco, for an amount of 2 million Euro, through the entry into the capital of the Mozambican special purpose company owned by Renco and Simest called Renco Moz Green Lda (incorporated in January 2022), which will then acquire a stake in CSM.

In December 2022 Renco and Simest provided for a first capitalization of Renco Moz Green for a total of Euro 1,052,000 (of which Euro 536,000 by Renco and Euro 516,000 by Simest, which subscribed and paid in January 2023).

A second capital increase of Renco Moz Green is planned for a further Euro 3,530,000 (Euro 2,050,000 by Renco and Euro 1,480,000 by Simest) by May 2023.

The construction activities will begin in the first half of 2023, will last approximately 12/15 months and will be assigned, on the basis of an EPC Offshore contract to Renco S.p.A., and on the basis of an EPC Onshore Contract to the Mozambican company of the Group, Rencotek.

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

### **Renco Green Sarlu**

Renco, through its Congolese subsidiary Renco Green SARLU, signed on 29/11/2022 a concession, lasting 30 years and renewable for a further 30 years, with the Ministry of Forest Economy of the Republic of Congo, relating to two plots of land in the vicinity of the village of Mbè (located about 130km north/east of Brazzaville).

The object of this concession is the implementation of an important project of reforestation of land today covered by savannah, and is part of the National Program of Reforestation (PRONAR, Programme Nationale d'Afforestation et de Remboisement) promoted by the Ministry of Forestry Economy.

The Project is part of the global initiatives aimed at reducing CO2 emissions into the atmosphere, to achieve the objectives set by the Kyoto Protocol.

This Project provides for the reforestation of the two assigned lots for an extension of over 40,000 with a total investment of over 80 million Euro.

The purpose of the project is to capture carbon dioxide from the atmosphere and generate carbon credits to be marketed in voluntary international markets according to the mechanisms established by International Standards (VCS/Gold Standards). The initiative is characterised not only by a strong environmental value, but also by important social purposes, aimed at the proactive involvement of local communities in the sustainable implementation of the Project, from the initial stages. A significant part of the land of the concession will be allocated to an agro-forestry system that ensures to the local populations the continuity of livelihood through agricultural activity, while promoting training in agriculture and forestry to the population residing in the areas bordering the concession.

The operational activities of the project include:

- Installation of a plant nursery on an area of about 5 hectares, with direct access to a housing camp for about 20 people, at the village of Mbe. The facility will include offices, a logistics area for the maintenance of equipment needed for field work;
- Cultivation of plants in the first three months inside the plant nursery;
- Processing of the soil prior to planting the plants;
- Opening of tracks for the transit of vehicles and people;
- Creation of fire lines aimed at containing the risk of fires;
- Soil processing through cutting, ploughing and harrowing operations;
- Transport of the cultivated plants in a protected environment from the nursery to the planting areas and subsequent planting of the same;
- Monitoring, maintenance and conservation of reforested lots.

The activities in the field can then be divided into:

- Activities to be carried out during the rainy season. Within these two time windows of approximately six months, nursery activities and activities related to the preliminary processing of the soil (with mechanised means) will take place;
- Activities to be carried out during the dry seasons. Within these two time windows of approximately six months, planting activities will take place;

The period necessary for the reforestation of the entire area is estimated at about 12 years, with an activity plan that involves processing of about 3,500 hectares per year.

RENCO estimates that this initiative will create employment opportunities on an ongoing basis for more than 250 people, in the area affected by the intervention.

With the collaboration of specialised partners,

both in Italy and in Congo, RENCO has already started the Reforestation Project Design and the Social and Environmental Impact Study.

The activities aimed at installing a Base de Vie plant nursery located in the vicinity of the village of Mbe commenced in the first quarter of the year with the preparation of materials necessary for the installation and are now starting on site.

The Group considers the initiative to be extremely strategic and consistent with the sustainability goals it has set for itself.

## Buildings Business Line

During the year ended 31 December 2022, the turnover of the Business Line amounted to 153.1 million Euro (82.7 million in 2021), the industrial margin was 26.1 million Euro (23.8 million in 2021) and its incidence on the value of production was 17% (28.7% in 2021). The value of production increased as a result of the acquisition in Italy of new works related to the “Superbonus 110”, going from a contract value of Euro 40.3 million at 31 December 2021 to Euro 267.4 million at 31 December 2022.

The Superbonus 110% provides for a tax deduction of 110% on the expenses incurred for the energy requalification of buildings, the safety upgrades, the implementation of anti-seismic interventions and the implementation of photovoltaic systems. This measure stimulated the construction market and generated an increase in the demand for materials and services for the renovation of buildings.

According to data from the Associazione Nazionale Costruttori Edili (ANCE, Italian for National Association of Building Builders), in 2022 the construction sector in Italy registered an increase of 3.7% compared to the previous year, thanks also to the effect of the Superbonus 110%. In particular, the residential building production index increased by 4.4%, while the non-residential building production index increased by 2.9%. The Italian banking system responded positively to the Superbonus 110%, offering preferential loans for the implementation of the renovation works to companies and individuals. According to the ABI, the Italian Banking Association, about 20 billion Euro of loans were disbursed to construction companies and private individuals in 2022, an increase of 16% compared to the previous year.

The impact of the Superbonus 110% on the Italian economy was significant. According to data from the Istituto nazionale di statistica (ISTAT, Italian for National Institute of Statistics), the contribution of the construction sector to Italian GDP in 2022 was 6.3%, with an increase of 2.3% compared to 2021. In addition, the Ministry of Economy and Finance estimated that the direct and induced effect of the Superbonus 110% on the Italian economy could amount to about 2.2% of GDP in the period 2020-2025.

As part of this facilitation, Renco S.p.A. entered the market of large multi-apartment buildings (in Sicily, Umbria, Lazio and Marche) for the implementation of the necessary works and for the management of the financial aspects, through the use of the discount on the invoice guaranteed to multi-apartment buildings. The activities are aimed at leapfrogging two energy efficiency classes that guarantee about 30% of energy savings. Most interventions are not limited to the minimum necessary jump of two classes, but reach up to 5 more classes that allow you to save up to 80% of energy and significantly reduce the environmental impact. Most of the work in progress involves the installation of renewable energy sources such as photovoltaic systems integrated with storage systems in accordance with the European Community goals of energy independence from fossil fuels and improvement of air quality. As of 31 December 2022, Renco S.p.A. has more than 100 job sites under construction (23 construction sites opened as of 31 December 2021) and a production value of Euro 105 million (Euro 36.6 million).

During the year, the BU acquired through Renco Kat an important construction order for the second line of the Astrakhan'-Mangyshlak aqueduct in Kazakhstan, which is an expansion project of the existing aqueduct that transports drinking water from the Caucasus mountains to the southern regions of Kazakhstan, including Mangyshlak and the city of Aktau on the Caspian Sea. The project involves the construction of 173 km of aqueduct, which will improve the drinking water transport capacity by about 115 thousand cubic meters per day, increasing the water supply in the southern regions of Kazakhstan. The contract value of the order is approximately Euro 200 million and the completion of the works is expected in the second half of 2023.

Finally, the BU continued the investment activities in Pemba Bulk Terminal, as better described in the next paragraph dedicated to “Pemba Bulk Terminal”.

For a better understanding of the activities of BL Buildings, please find below a specific commentary on the evolution of the main investments in companies in the building sector.

### **Pemba Bulk Terminal**

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

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

The EPC contract between PBT and the Mozambican law group company Rencotek Lda, for the construction of the JETTY, for an amount of Euro 9.5 million, was signed on 29 February 2020; the works were completed in the second half of 2020.

The Jetty began operating for the loading and transport of aggregates to Afungi in November 2020 but then immediately ceased its operations for the customer Zagope due to security issues in the north of the country, where jihadist groups have been attacking the civilian population, causing the halt to Total Energies’ investment activities in the country. The Government has activated an operation to restore security and legal conditions in the region. Expectations related to the development of Mozambique LNG infrastructure foresee a resumption of project activities from the second half of 2023. To corroborate these expectations, it is indicated that during the year 2022 and in the beginning of 2023 PBT was used as a departure port for materials and equipment related to the guarding and securing of the area to reach Afungi.

PBT has therefore continued its investment plan aimed at the construction of an industrial port, functional to support investments in Oil and Gas for the Cabo Delgado region. In particular, follow-

ing the purchase of a floating pontoon and the transport of the same to the Bay of Pemba, PBT continued the activities related to (a) the purchase and installation of materials for the modification of the pontoon, through the installation of mooring bollard and additional fenders, (b) piling aimed at the final installation of the pontoon, (c) purchase of a steel connecting bridge that allows connection with the rock jetty, (d) certification of the infrastructure, (e) increase of the draught of the docking basin through dredging activities to bring the seabed to -10 m LAT (Lowest Astronomical Tide).

The infrastructure at sea responds fully to the specifications required by the call for tenders for the provision of integrated logistics services. Regarding this initiative, the companies specialised in logistics services invited to the tender, gathered in consortium, have indicated the port of PBT as the operational base of the services offered by them to the customer.

PBT has also continued the basic design of the future development, planning in a preliminary way the development of 2 new fixed docks (one of 300 meters and one of 200 meters) and the widening of the draught of the harbour basin to -12 m LAT, for the following development phases.

The planned expansion for the port infrastructure is functional to meet the specifications dictated for the aforementioned initiatives; at the same time, the infrastructure can also be used by other potential customers engaged both in development activities at sea and as a logistical base for the activities planned ashore at the Afungi site. With regards to both the investments promoted by Total Energies for the Mozambique LNG plant and a resumption of activities on the Rovuma LNG plant, can also be used as a support for activities of the FLNG Coral plant and the planned developments of further FLNG platforms in the area.

## Residence Viserba

In May 2011 Residence Viserba signed an urban development agreement with the Municipality of Rimini, relating to the development of the Viserba area of its property known as “Corderia”.

This agreement lays down the procedures for implementing the intervention, identifying the key elements:

- the implementation times;
- the benefits for the Public Administration;
- the square meters of Useful Area that Residence Viserba will be able to build.

In 2021, a further agreement was reached with the Municipality of Rimini aimed at signing an Addendum to the Agreement that provides for the revision of the time frame for the completion of the works, modifying the time frame initially envisaged and granting an extension of the time frame.

On the basis of the final/executive projects relating to the urbanisation works, the tender relating to the execution of the aforementioned works was therefore published at the beginning of 2021.

The tender was won by the company Ecodemolizioni S.r.l. of Rimini, which at the end of 2021 began the construction of the first section of urbanization works provided for by the agreement.

As you may recall, the project involves the construction of residential buildings, but also spaces for commercial/tertiary activities.

The project is characterised by an abundance of common outdoor green areas and parking garages. In this regard, it should be noted that against a total land area of more than 70,000 square meters, the residential complex will occupy a total land area of 22,545 square meters and a net area of 27,594 square meters (net of garages, cellars, balconies and connective corridors), while the remaining portion of land will be equipped as an urban park (with relative roading and parking).

The intervention has been designed with a strong “green” value and for this reason the buildings will be built to achieve a “Near Zero Emission Building” rating. The sector will also be connected to the district heating network already in place in the Viserba area.

In view of the favourable moment of recovery of the real estate market, the Group has therefore decided to initiate the intervention on the area of the former Corderia, limited to the realization of an initial section.

The project for the construction of the first section of residential buildings was filed at the end of 2021 and the construction permit was issued at the beginning of 2022. The first section provides, in addition to the urbanization works, the construction of residential buildings divided between 25 apartments/penthouses and 10 terraced houses, for a total gross area of 4,800 square meters and an investment of about Euro 9.2 million.

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

- the Viserba Residence project represents a “unicum” for the territory of Rimini: in the area there are no properties, under construction or available for sale, similar to those envisaged at Corderia (where there will be residences immersed in greenery, with medium-high standards of finishes, above average safety standards and with a refined and elegant building design);
- on Pesaro the real estate initiatives recently implemented (sale of apartments ex headquarters Renco) have obtained a more than positive feedback from the market;
- the initial construction of a first section of urbanization works on the sector is carried out, so as to clearly portray to potential buyers the quality of the intervention in the urban context under transformation.

During that period there was a strong interest in the initiative and at the date this note was written,

promissory contract for sale were recorded for 21 apartments and 8 terraced houses.

In 2023, further urbanization work began, preliminary to the construction of the sector for commer-

cial use, on which in 2022 a promissory contract for sale was signed with the leading multinational operator in the field of large-scale organised distribution.

## Services Business Line

During the year ended 31 December 2022, the turnover of the Business Line amounted to 70.6 million Euro (60.6 million Euro in 2021), the industrial margin was 10.4 million Euro (11.1 million Euro in 2021) and its impact on the value of production was 14.8% (18.3% in 2021).

The increase in production of 10 million Euro is attributable to the expansion into new markets. The expansion of markets led to the consolidation of companies established in the MENAT region, which contributed to the division's results with revenues of 9.2 million Euro and an EBITDA of 1.5 million Euro, and the commencing of activities on the Albanian market. The industrial margin as a % of the division has contracted due to the increased expense incurred for expansion and consolidation on new markets.

## Asset Management Business Line

During the year ended 31 December 2022, the turnover of the Business Line amounted to 44.6 million Euro (30 million Euro in 2021), the industrial margin is 21.4 million Euro (11 million Euro in 2021) and its impact on the value of production is 48% (36.2% in 2021). The increase in VoP and industrial margin is due to the capital gain deriving from the sale of the Armenian company Hotel Yerevan, which alone contributed 9.8 million Euro, and a substantial recovery in the business market on hotel facilities and management.

### Group order book

The Renco Group's Order Book amounts to Euro 3,082.6 million, with a backlog of Euro 2,469.4 million.

## Energy



Job	Country	Client	Contract Value (€/Mil)	Year End	To Be Produced
Cassiopea	Italy	ENI	20.7	2023	11.4
Everdrup Compression Station	Denmark	Energynet	111.2	2023	4.8
Photovoltaic Mozambique EPC	Mozambique	CSM	26.1	2024	26.1
Photovoltaic Mozambique Operation	Mozambique	Mozambique National Electricity Authority	123.9	2048	123.9
Salinella Eolico	Italy	Salinella SRL	33.0	2023	16.0
SRG - Solar maintenance	Italy	SNAM	2.0	2024	1.5
GTCPP Expansion Baku	Azerbaijan	Llamrei	4.8	2023	1.4
Barge Albania	Albania	JV	19.0	2023	9.5

Electric Power Station Messina	Italy	SNAM Rete Gas	11.0	2026	9.8
Electric Power Station Malborghetto	Italy	SNAM Rete Gas	11.0	2026	9.7
Electric Power Station Poggio Renatico	Italy	SNAM Rete Gas	10.9	2026	10.9
Yerevan CCGT Management	Armenia	Armenia National Electricity Authority	1,350.0	2047	1,302.0
Port of Ravenna EPC	Italy	Adriatic Sea Port Authority	44.6	2025	44.6
28MW photovoltaic plant + 2MW hydrogen country	Italy	Green Energy	51.2	2025	51.2
<b>Total energy</b>			<b>1,819.3</b>		<b>1,622.8</b>

## Buildings



Job	Country	Client	Contract Value (€/Mil)	Year End	To Be Produced
JV CCS Field	Mozambique	CCS	78.1	2024	27.0
CCS JV Temporary Buildings	Mozambique	CCS	49.2	2024	26.7
110 Superbonus Jobs Sicily	Italy	Others	76.7	2023	17.8
110 Superbonus Jobs Umbria	Italy	Others	18.3	2023	2.0
110 Superbonus Jobs Perugia	Italy	Others	81.6	2023	53.1
110 Superbonus Jobs Marche - Romagna	Italy	Others	33.4	2023	9.9
110 Superbonus Jobs ERAP Jesi - Marche	Italy	ERAP	14.8	2023	11.7
110 Superbonus Jobs Lazio	Italy	Others	32.2	2023	21.9
110 Superbonus Jobs Milan	Italy	ALER Milano	10.5	2023	9.6
Libyan Hospital - Ai Zawiya	Libya	Ministry Of Health	62.0	2025	62.0
ACBA Headquarter	Armenia	ACBA Bank	23.0	2025	23.0
Waterline Kazakhstan	Kazakhstan	Waterline	212.0	2023	183.0
Others			6.1		2.0
Group Buildings			227.0		221.1
<b>Total Buildings</b>			<b>924.8</b>		<b>670.9</b>

## Services



Job	Country	Client	Contract Value (€/Mil)	Year End	To Be Produced
ENI Congo Personell	Congo	ENI Congo	89.6	2023	4.7
Baker Huges	World	Baker Huges	107.1	2025	60.0
NCOC	Kazakhstan	NCOC	31.2	2024	13.8
Barge Albania	Albania	JV	25.6	2025	25.6
Others	World	Others	24.9	N.A.	11.6
<b>Total Services</b>			<b>278.4</b>		<b>115.7</b>

## Asset Management



Job	Country	Client	Contract Value (€/Mil)	Year End	To Be Produced
Renco Properties's Holding Contracts	Various	Various	60.0	2026	60.0
<b>Total Asset Management</b>			<b>60.0</b>		<b>60.0</b>

Total Portfolio	
Contract Value (€/Mil)	To be Produced
3,082.6	2,469.4

### Distribution of assets by geographic area

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

Geographic area	31.12.2022	%	31.12.2021	%	Change	Change %
Italy	179,366	40.4%	82,753	24.8%	96,613	116.7%
European Union	54,504	12.3%	64,666	19.3%	-10,162	-15.7%
Former CIS countries	127,930	28.8%	90,944	27.2%	36,948	40.7%
Africa	60,354	13.6%	79,280	23.7%	-18,926	-23.9%
Middle East	18,524	4.2%	14,566	4.4%	3,958	27.2%
Other	3,335	0.8%	2,109	0.6%	1,226	58.1%
<b>Total</b>	<b>444,013</b>	<b>100.0%</b>	<b>334,318</b>	<b>100.0%</b>	<b>109,657</b>	<b>32.8%</b>

The table above shows the absolute value and percentage weight of production by geographic area. The increase in Italy is attributable to the progress recorded by the 110 Superbonus orders. The change detected in the former USSR countries is due solely to the increased contribution of the construction order of the aqueduct in Kazakhstan and the contribution of revenues from the sale of electricity from Armpower. The decrease in Africa is due to the lower activities carried out in Mozambique and Congo. Finally, the increase registered in the Middle East follows the expansion of activities pursued by the Services BU, with a particular focus in 2022 on the countries of Oman and Qatar.



## Financial aspects of operations

Restated balance sheet	31/12/2022	31/12/2021	Change
Inventories	443,727	298,303	145,424
Current trade receivables	96,904	62,042	34,862
Current tax assets	15,185	14,952	233
Prepaid tax assets	18,603	10,921	7,682
Assets intended for sale	1,371	-	1,371
Other current assets	12,991	6,375	6,616
<b>(A) Current assets</b>	<b>588,781</b>	<b>392,593</b>	<b>196,188</b>
Current trade payables	158,189	120,482	37,707
Advances	421,205	284,178	137,027
Current tax liabilities	6,673	8,104	(1,431)
Other current liabilities	14,309	14,021	288
<b>(B) Current liabilities</b>	<b>600,376</b>	<b>426,785</b>	<b>173,591</b>
<b>(A-B) Net working capital</b>	<b>(11,595)</b>	<b>(34,192)</b>	<b>22,597</b>
Tangible fixed assets and usage rights	374,274	386,819	(12,545)
Intangible fixed assets and goodwill	9,869	8,762	1,107
Non-current tax assets	27	110	(83)
Non-current financial assets	20,825	3,391	17,434
Other non-current assets	12,061	11,657	404
<b>(C) Non-current assets</b>	<b>417,058</b>	<b>410,739</b>	<b>6,317</b>
Employee benefits	2,015	3,760	(1,745)
Long-term provisions	2,757	6,032	(3,275)
Financial liabilities to shareholders	5,344	5,720	(376)
Deferred tax liabilities	18,013	16,142	1,871
Liabilities for derivatives	0	630	(630)
Other non-current liabilities	2,161	3,199	(1,038)
<b>(D) Non-current liabilities</b>	<b>30,289</b>	<b>35,483</b>	<b>(5,193)</b>
<b>(E) Fixed capital</b>	<b>386,769</b>	<b>375,256</b>	<b>11,510</b>
<b>(NWC+Fixed capital) Net invested capital</b>	<b>375,174</b>	<b>341,064</b>	<b>34,110</b>
Share capital	9,013	9,013	-
Reserves	87,690	53,271	34,419
Treasury share held in portfolio	(3,609)	(3,609)	-
Undivided profits	107,377	101,440	5,937
Net profit for the year	9,118	7,683	1,435
<b>(SE) Total shareholders' equity</b>	<b>209,589</b>	<b>167,798</b>	<b>41,791</b>
Other non-trade receivables <sup>6</sup>	(9,154)	(8,866)	(288)
Cash and cash equivalents	(100,542)	(69,183)	(31,359)
Current financial assets <sup>7</sup>	(23,475)	(15,298)	(8,177)
Non-current financial assets <sup>7</sup>	(13,223)	(15,475)	2,252
Current financial liabilities	90,050	74,741	15,309

Non-current financial liabilities	166,595	156,803	9,792
Current liabilities to other lenders	962	3,578	(2,616)
Non-current liabilities to other lenders	12,825	13,757	(932)
Current bond loan	13,257	11,550	1,707
Non-current bond loan	28,292	21,659	6,633
<b>(NFP) Net financial position</b>	<b>165,587</b>	<b>173,266</b>	<b>(7,679)</b>
<b>(SE+NFP) Total sources</b>	<b>375,174</b>	<b>341,064</b>	<b>34,110</b>

<sup>6</sup> The item includes receivables deriving from the sale of equity investments, included in the "Other receivables".

<sup>7</sup> The item includes financial receivables from associated companies, for more information please refer to the section "(3) Financial fixed assets" of the Consolidated Explanatory Notes.

The reclassified balance sheet represents a useful disclosure because it shows the sources of financial resources, divided between own and third-party assets, and their use in fixed capital and working capital. Net working capital amounted to Euro -11.6 million and during the period it absorbed liquidity for Euro 22.6 million compared to 31 December 2021.

The change is attributable to the joint effect of:

- the liquidity absorbed for the increase in trade receivables, for Euro 34.9 million, which derives from the orders connected to the 110 Superbonus, the energy credit of Armpower and the increase in other current receivables, for Euro 6.6 million, mainly formed by receivables for advances to suppliers and insurance credits;
- the liquidity absorbed for the increase of the item Inventories net of Advances for Euro 8.4 million, still caused by the processing connected to the 110 Superbonus as well as by the orders entered into processing in 2022;
- the liquidity generated by higher payables to suppliers, for Euro 37.7 million, as a result of the implementation times of the Interim Payment Certificate recorded close to year-end and largely related to building bonuses;
- the liquidity absorbed on net receivables (prepaid taxes, other receivables, other tax liabilities) for Euro 10.4.

Fixed capital increased by Euro 11.5 million compared to 31 December 2021 and this is due to the combined effect of investments made in tangible and intangible fixed assets for Euro 33.3 million (including foreign exchange effects), offset by amortisation/depreciation for the period for Euro 21.8 million, and the increase in financial assets for Euro 17.8 million, commented in detail in the paragraph "Financial fixed assets" of the Explanatory Notes.

The net invested capital amounted to Euro 375.2 million with an increase of Euro 34.1 million and is covered by the total shareholders' equity for Euro 209.6 million (up by Euro 41.8 million also due to the change in the translation reserve, which changes positively by Euro 17.5 million, and the change in the cash flow hedge reserve, which changes by Euro 16.4 million) and the net financial position for Euro 165.6 million (-7.7 million compared to 173.3 million Euro at 31 December 2021).

The equity and financial structure of the Renco Group as at 31 December 2022 confirms a solid financial debt coverage and a debt equity ratio (NFP/SE ratio) of 79%.

The Group's NFP increased from Euro 173.3 million at 31 December 2021 to Euro 165.6 million at 31 Decem-

ber 2022, with an improvement of Euro 7.7 million.

The financial debt to banks goes from Euro 231.5 million on 31 December 2021 to Euro 256.6 million on 31 December 2022, of which Euro 90.5 million is the current portion (within 12 months) and Euro 166.2 million is the non-current portion (beyond 12 months). Armpower's financial debt contracted on a project-financing (non-recourse) basis at 31 December 2022 amounted to Euro 93.5 million (Euro 81.6 million at 31 December 2022). The appreciation of the USD on the EUR, for Euro 6 million, contributes to the increase in Armpower's debt.

The Group's adjusted NFP for Armpower's net financial debt amounted to Euro 73.6 million.

The cash generated from operations, attributable to an EBITDA of 47.6 million Euro net of bank interest paid, taxes paid and the movement of working capital (adjusted for foreign exchange effects) amounted to 33.9 million Euro. The investment activities led to a cash absorption of Euro 26.5 million and the financial management guaranteed sources of Euro 23.9 million, resulting in an overall increase in cash and cash equivalents of Euro 31.3 million at the end of 2022.

The cash absorption of working capital of Euro 22.6 million is mainly due to the growth in turnover of the services division and the "Superbonus 110" works, both characterised by an absence of advances as well as, for the activities related to the "Superbonus 110", from purchases in stock carried out to reduce the risk of increasing the cost of materials.

## Industrial Policy

### **Renco Group S.p.A.**

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

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

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

The second strategic line pursued is to strengthen, as gradually as necessary, participation in project financing/private public partnership initiatives where Renco contributes with its own finances to the realization of customer projects. The need to bring funding to the project selects the companies that can participate in the initiatives. The most striking example of this new strategic line is represented by the construction in JV with Siemens of the 250 MW combined cycle gas plant built in Yerevan in Armenia.

These initiatives, aimed at ensuring higher margins in the EPC phase, guarantee consistent revenue flows also for the entire period of operation.

The third strategic line is represented by the decision to make investments in collateral activities in support of projects related to the realm of gas and energy production. An example of these activities is represented by the "Jetty" and the logistic base of Pemba to manage transport and storage activities for materials for the Palma plants. These investments guarantee a revenue flow over time and at the same time ensure a high return on invested capital. Projects related to the construction of wind farms or the sale of energy to corporate customers fall within the same rationale.

## Renco Valore Group S.p.A.

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

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

Even in the most disadvantaged countries buildings of great architectural value are built, using Italian materials for the finishes and low energy consumption; an aspect, this one, that is particularly relevant in some environments where temperatures can fluctuate by up to 80 degrees Celsius.

Another strong point of Renco's real estate assets is constant maintenance. All properties are supported by computer-aided scheduled maintenance. This level of maintenance gives our international customers the opportunity to enjoy buildings that maintain their level of efficiency over time.

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

Hotels are mainly aimed at the business market and only in some cases at the tourist market.

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

## Investment policy

The investments made in 2022 are outlined below:

Description	Amounts
Investments in intangible assets	1,773
Investments in tangible assets	25,015
<b>Total investments in fixed assets</b>	<b>26,788</b>

Capital expenditures made during the period are related to investments made in tangible activities in the industrial and real estate sectors. The main ones are listed below:

- the purchase of land and buildings for Euro 6.4 million.
- the purchase of plants, machinery, equipment and other assets for Euro 2.8 million, of which Euro 1.7 million supported by Renco S.p.A. in industrial equipment used for activities on construction sites.
- the realization of fixed assets still in progress for Euro 14.8 million, of which Euro 14.1 million relating to the construction of the extension of the quay of the port of Pemba in Mozambique.

Investments in intangible assets are focused on development projects, for Euro 1.8 million, as well as on the adaptation of IT platforms.

## Alternative performance indicators

Below are the main economic, equity and financial indicators useful for the understanding the performance of the Group's operations, calculated on the consolidated financial statements data for 2022 and 2021.

<b>Return On Equity</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Group profit (loss)	9,119	7,682
Shareholders' equity	209,589	167,798
<b>ROE</b>	<b>4.35%</b>	<b>4.58%</b>

<b>Return On Investments</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Operating result	24,908	16,513
Net invested capital	375,174	341,064
<b>ROI</b>	<b>6.64%</b>	<b>4.84%</b>

<b>Return On Sales</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Operating result	24,908	16,513
Revenues from contracts with customers	426,597	292,640
<b>ROS</b>	<b>5.84%</b>	<b>5.64%</b>

<b>Return On Capital Employed</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Operating result	24,908	16,513
Total assets - Current liabilities	550,485	485,370
<b>ROCE</b>	<b>4.52%</b>	<b>3.40%</b>

<b>Debt Equity</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Net Financial Position	165,587	173,266
Total shareholders' equity	209,589	167,798
<b>Debt Equity</b>	<b>79.01%</b>	<b>103.26%</b>

<b>NFP EBITDA</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Net Financial Position	165,587	173,266
Gross operating result	47,303	33,616
<b>NFP EBITDA</b>	<b>3.50</b>	<b>5.15</b>

<b>Debt Equity adjusted</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Net Financial Position without PO	124,038	140,057

Total shareholders' equity	209,589	167,798
<b>Debt Equity</b>	<b>0.59</b>	<b>0.83</b>

<b>NFP EBITDA ADJUSTED</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Net Financial Position without PO	124,038	140,057
Gross operating result	47,303	33,616
<b>NFP EBITDA</b>	<b>2.62</b>	<b>4.17</b>



## Information on the environment

### Environmental litigation

The Group does not currently have any civil or criminal litigation against third parties for damage caused to the environment or environmental crimes.

On 22/12/2000, the Group obtained ISO 14001 certification.

During the supervisory audit carried out in July 2021 by the certifying body, the Group successfully passed the re-surveillance audit, according to ISO 14001:2015, retaining the certification that is valid until 18 December 2024.

### Sustainability

When it comes to sustainability, RENCO follows its commitment to invest in what are the fundamental pillars: the environment, society and the economy.

With regards to the environment, RENCO continues to focus on the various projects located in the many geographical areas of the world in which it operates, through the implementation of environmental monitoring plans tailor-made to each individual project together with activities to raise awareness on environmental preservation and conservation, especially in those countries where the legislation concerning the environment is at the outset and which can draw inspiration from benchmarks already evolved.

As far as society is concerned, RENCO keeps prioritising safety at work, together with quality and social responsibilities. For this reason, the Company has maintained its commitment to labour protection by always ensuring an accident-free environment for its employees, also supporting its subcontractors in pursuing the same objective.

Even for the year 2022, during which a significant number of job sites related to the “Superbonus 110” were activated in Italy, entailing considerable risks such as the fall from above, there were no accidents. This has allowed RENCO to stand out in the current Italian construction industry, particularly attentive to the Control Bodies in the field of Hygiene and Safety. Lastly, there is the good reputation gained with the territory and local Supervisory Authorities who have shown appreciation for the structured and evolved approach shown by RENCO.

In the social field, RENCO has promoted several initiatives aimed at increasing the involvement of individual workers in extremely important issues such as safety at work, gender equality, environmental protection. Several awareness-raising campaigns have also been carried out in Congo, involving local staff in awareness-raising activities, including on issues of great importance in these areas, such as the fight against HIV, which is unfortunately still widespread.

## Information on personnel

The current legislation requires that the analysis of the situation and performance of operations, in addition to being consistent with the size and complexity of the Group’s business, also contains “financial and, where appropriate, non-financial performance indicators relevant to the Group’s specific business, including information relating to the environment and personnel, to the extent necessary for an understanding of the Group’s situation and performance and results of operations”.

As can be seen from the above standard, the Civil Code requires administrators to assess whether or not additional environmental information can contribute to an understanding of the Group’s situation. The



administrative body, in light of the above, believes that the information in question can be omitted as it is not, at present, significant and, therefore, is not considered to contribute to an understanding of the Group's situation and results of operations. Such information will be disclosed whenever there are concrete, tangible and significant environmental impacts, such as to generate potential financial and income consequences for the Group.

## **Safety**

The company operates in all its environments in accordance with the provisions of Legislative Decree 81/08 for the safety of workers.

On 19/12/2003, the Group obtained OHSAS 18001 certification and the regulatory migration to ISO 45001:2018 was carried out on 05/08/2020.

During the supervisory audit carried out in July 2021 by the certifying body, the Group reconfirmed the certification according to ISO 45001:2018 whose validity lasts until 18 December 2024.

The activities carried out in this field include:

- training of employees and collaborators;
- Periodic medical examinations;
- the organisation and training of the intervention teams provided for by the legislation;
- continuous corporate monitoring of the HSO;
- the preparation and dissemination of the documents of Legislative Decree 81/08;
- Coordination and supervision of compliance with Health and Safety requirements in construction site activities.

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

- 14 different health and safety training courses were carried out and a total of 248 employees were trained.

Below are the main courses carried out:

- employee training according to the State-Regions Agreement of 21/12/2011;
- the WHSRs carried out the 8-hour refresher course, in October 2022;
- training courses provided in accordance with the provisions of Legislative Decree 81/08;
- training for supervisors;
- first aid training;
- fire-fighting training;
- training for assembly and disassembly of scaffolding;
- PPE III Category training;
- basic life support training;
- bosiet training;
- training on the Seveso Directive.

Additional training for specific risks has been organised mainly for the personnel of the services:

- H2S training;
- forklift driver training
- confined spaces training.

The courses were delivered both in the “on site training” mode and in the e-learning training mode, in relation to the different modalities provided for by the legislation.

Among the main initiatives undertaken in the field of Safety are the following:

- the effectiveness of Health and Safety supervision of the Building division’s construction sites was confirmed by appointing dedicated HSRs and carrying out periodic inspections and audits by the headquarters safety department;
- the ISO 45001 course addressed to corporate WHSR has been delivered with the aim of increasing awareness and involvement in Health and Safety;
- during the period, a Leadership workshop was held according to ISO 9001/14001/45001, addressed to RENCO Project Managers in order to raise awareness among the key players of the Projects for increasingly conscious and responsible management in accordance with Quality, Environment and Safety requirements;
- finally, a workshop was held on job sites waste management addressed to the Project Managers and RENCO Managers of the Buildings division in order to raise awareness among the key players of the Projects for an increasingly conscious and responsible management in accordance with the Environment requirements.

RESCO continues the development of its digitization process related to the implementation of the Integrated Management System, in with a particular focus on Security, through the Qualiware software. To this end, the Qualiware software has developed a smartphone application for the registration of HSE Observations.

The year 2022 also featured the installation of outdoor screens at its relevant headquarters and construction sites, to convey HSE information with the aim of increasing a Safety culture to international standards in the major RENCO construction sites.

For the year 2023, the use of Qualiware software is expected for the systematic collection of QHSE data from the various Group branches and construction sites.

## **Accidents**

During 2022 Renco strengthened its commitment by promoting a culture of IIF (Incident & Injury Free) Safety. In this regard, the implementation of a programme to develop an IIF culture on a RENCO pilot project is planned for the year 2023, and then expand its implementation to all organisational levels of the Group.

During the year, the following occurred:

- 0 work-related accidents;
- 0 non-work related accidents (Covid infection);
- 1 accidents in progress;

- 0 ascertained occupational diseases;
- 0 Deaths.

### Social responsibilities

The SA8000:2014 on Social Accountability certification was maintained following the six-monthly verifications carried out by the certification body LSQA in April and November 2022 respectively. Next maintenance check is scheduled for May 2023.

The year 2022 featured the implementation of an external communication system organised in bulletins sent by e-mail to all users of the Group, located in the various countries of activity, concerning various issues of quality, safety and the environment, social responsibility, inclusion, gender equality, sustainability, circular economy, international days in order to raise greater awareness among the entire RENCO population on issues considered important for the Group.

### Personnel

Finally, with reference to employees, the following information is reported<sup>8</sup>:

- as at 31.12.2022, 401 employees, 320 men and 81 women were employed, of whom 304 on permanent contracts (240 men and 64 women) and 50 on fixed-term contracts (39 men and 11 women) + 19 short-term contract (men) + 5 internships (2 men and 3 women) + 23 on secondment contracts (20 men and 3 women);
- the average length of service is 7 years, unchanged from last year;
- 154 employees, collaborators and interns were hired, while 202 people terminated the employment relationship, with a reduction of 48 units (annual average);
- in 2021 taking into account the compulsory and non-compulsory courses, training days were 648, i.e. 5,186 training hours/ 8 hours.

## Description of the main risks and uncertainties to which the group is exposed

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

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

With reference to risk management, the Group has a centralised management of the risks themselves, while still delegating the identification, monitoring and mitigation of the risks to functional level, also in order to better measure the impact of each risk on business continuity, reducing its occurrence and/or limiting its impact depending on the determining factor.

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

- risks related to the spread of infectious diseases;
- risks arising from exogenous variables;
- risk related to competitiveness;

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<sup>8</sup> Data relating only to Renco S.p.A.

- risks associated with the evolution of the general economic framework;
- risk related to financial management;
- risks related to the activation of partnerships.

### **Risks arising from Exogenous Variables**

The Group operates internationally and is therefore exposed to the risk deriving from the fluctuation of the exchange rates of the foreign currencies with which the Group operates, especially with respect to the Kazakh Tenge, the Armenian Dram, the Mozambican Metical, the Rouble and the USD. Currency risk arises from future business transactions, assets and liabilities recorded in the financial statements. Management's policy provides that the Group sometimes manages its exposure to currency risk by resorting, at times, to hedging contracts to offset potential losses or gains that may be incurred by forward sales. The approach is to cover the expected cash flows in the main settlement currency of the Group's operations: Euro.

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

### **Risks arising from conflict**

The overall market environment during 2022 was significantly influenced by international geopolitical tensions and the effects of the Covid-19 pandemic crisis. Although the latter have shown a gradual attenuation compared to the previous two years, the consequences of geopolitical tensions have instead been increasingly evident.

In particular, following the outbreak of the conflict in Ukraine, the Council of the European Union considered appropriate to adopt a series of restrictive measures against the Russian Federation. These restrictive measures were implemented through packages adopted by the European Union, starting with Council Regulations 2022/328 of 25 February and subsequent updates, which introduced a series of progressively tighter restrictive measures.

Among the main restrictive measures taken against the Russian Federation there was the introduction of a ban on any transaction with a number of Russian natural and legal persons, identified by specific lists constantly updated along with the evolution of the sanctions framework. In addition, restrictive measures have been enacted in the energy sector, which have introduced a ban on the sale, supply, transfer or export, directly or indirectly, of goods and technologies suitable for use in oil refining listed in Annex X of EU Regulation 2022/328 to any natural or legal person, entity or body in Russia or for use in Russia. However, until 27 May 2022, the prohibition shall not apply to the execution of contracts concluded before 26 February 2022 or of ancillary contracts required for the execution of such contracts.

The sanctions imposed on the Russian economy have been increasingly incisive and aggressive over time. Until the seventh package of measures, the aim was to exert increasing pressure on the Russian economy. However, with the eighth package of 6 October 2022, new restrictions that affected more and more types of goods and services were introduced. In particular, the lists of subjects excluded from any economic relationship have been expanded and restrictions have been introduced on advisory services, including engineering, architecture, IT and legal services.

The ninth round of EU sanctions against Russia, which came into force on 16 December, has further increased the types and number of goods banned from exporting to Russia. New people and entities have been blacklisted and additional types of services and advice banned.

The financial sector has also been targeted with specific sanctions, aimed at limiting Russia's access to

capital markets. The EU has decided to initially exclude seven Russian banks from the international financial system (swift) as of 12 March 2022, preventing companies and individuals from transacting worldwide through these banks. Subsequently, the exclusion extended to three other banks, including Sberbank, Russia's largest banking group.

Given the ever-increasing complexity of sanctions, also in light of further sanctions imposed by the US and England, which added to those provided by the EU and which in any case deserve to be taken into account, the Group has put in place the necessary verification and control procedures to comply with the obligations provided and in particular has availed itself of the professionalism of a reputable law firm focused on the management of sanctioning regimes, for continuous updates and for the request for verification aimed at mitigating any risks.

Finally, to assess the possible implications, the Group prepared an analysis of the economic and financial exposure of projects and investments in Russia. In addition, it has constantly updated its economic and financial forecasts. At the moment, on the basis of the information available, there are no critical issues with respect to the criteria adopted for the preparation of the financial statements and no impairment losses have been detected on the recorded values.

The Company and the Group are operating in full compliance with the provisions of the European and national institutions regarding the Russian Federation.

### **Risk linked to competitiveness**

The Group operates on open, unregulated markets, not protected by any tariff barrier, or administered regime, or public concession, with the exception of the photovoltaic business, partially limited by the existence of incentive policies promoted by local governments and the business of works related to the Superbonus 110. Markets are highly competitive in terms of product and service quality, innovation, price competitiveness, reliability and customer service.

In some markets and services, the Group faces very aggressive competitors, some of which are large operators and may have superior resources or more competitive cost positions, both in terms of economies of scale and cost of factors, allowing them to implement aggressive pricing policies.

The success of the Group's activities will depend on the ability to target its efforts on specific industry sectors, focusing on solving technological problems and customer service, in order to provide superior value to customers in the market niches in which it competes.

### **Risks associated with the evolution of the general economic framework**

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

The Group operates through its subsidiaries in many international markets, such as in particular Africa, Middle East, CIS countries as well as in European countries; this widespread geographical presence allows the Group as a whole to mitigate the effects of the recession phase, which has affected mainly the countries of the Eurozone and Italy. The diversification of the markets in which the Group operates and of the products and services that the Group offers mitigates and reduces exposure to cyclical trends in certain markets; however, it cannot be excluded that such cyclical trends may have a significant impact on the Group's business and economic and financial situation.

### **Risk related to financial management**

The Group has a financial situation characterised by the presence of controlled current financial debt, in line with the growth in the volume of assets produced. This results in a positive net working capital without any sign of financial stress.

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

With regard to the information required by art. 2428 of the ITALIAN CIVIL CODE no. 3 no. 6 bis, the following is specified.

### **Liquidity risk**

As of 31 December 2022, the Group has a total of bank loans granted for approximately 396 million Euro (322 million Euro in 2021), of which 171 million Euro (131.2 million Euro in 2021) relating to unsecured loans, and pursues a policy of careful liquidity risk management.

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

The bank loans currently granted to the Group, the cash and cash equivalents and the liquidity generated by ordinary activities, are therefore deemed to be adequate and such as to allow meeting obligations in a timely manner and at the due dates.

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

In September, the rating agency Cerved carried out a periodic review of Renco Group S.p.A.'s rating and confirmed the A3.1 rating with the rating communication of 29 October 2022.

### **Exchange rate risk**

The Group operates internationally and is therefore exposed to the risk deriving from the fluctuation of the exchange rates of the foreign currencies with which the Group operates, especially with respect to the Kazakh Tenge, the Armenian Dram, the Rouble, the Mozambican Metical and the USD. The Group's policy is based on a correct assessment of foreign exchange risks arising from future business and financial transactions settled in currencies other than the Euro, and is aimed at stabilising the expected flows in Euro through the use of derivative instruments and the conclusion of forward sales contracts.

To this end, USD/Euro exchange rate option contracts have been stipulated to hedge future cash flows relating to the progress of the Barges construction orders, which were and will be collected in USD.

On the basis of the financial statements as at 31 December 2022, the Group recorded losses on foreign exchange totalling Euro 0.1 million (Euro 8.4 million of gains in 2021).

They consist mainly of realised foreign exchange losses of Euro 1.4 million and unrealised exchange gains of Euro 1.3 million, resulting from the conversion of intra-group trade or financial receivables/payables denominated in foreign currency (transaction risk).

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

### **Credit risk**

The Group's credit risk is mainly attributable to the amount of trade receivables from its customers, which are mainly large Oil Companies, high profile international operators and institutional actors.

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

Provisions for bad debts made by the Group companies accurately reflect the actual credit risks through the targeted quantification of the provision.

Following the continuation of the current economic situation, the Group has improved its control over credit risks through the strengthening of monitoring and reporting procedures, in order to promptly identify possible countermeasures against the causes identified. To control credit risk, methodologies for the monitoring and control of credits have been defined in addition to the definition of strategies to reduce credit exposure, including the analysis of the solvency of customers during the acquisition phase and the management of the legal litigation of credits related to the services provided.

### **Interest rate risk**

Interest rate risk refers to the possible effects in the income statement that could result from any fluctuations in interest rates on Group loans.

The amount of the company's variable rate debt not covered by interest rate risk represents the main risk component for the negative impact resulting from an increase in market interest rates. The interest rate risk to which the company is exposed originates mainly from medium to long-term financial payables.

The Renco Group's risk management policy aims to achieve an properly balanced debt structure in order to reduce the amount of financial payables subject to changes in interest rates and at the same time to contain the cost of the funding.

For medium and long-term loans, at 31 December 2021 the company has Interest Rate Swap and Interest Rate Cap transactions with financial counterparties of primary standing for a total notional amount of Euro 81.3 million. These derivative instruments allow to hedge against the risk of interest rate growth by converting this share of variable-rate loans into a fixed rate.

At 31 December 2022, at Group level, 81.1% of medium-long term gross debt to third parties was at a fixed rate (84.5% in 2021), while 18.9% at a variable rate (15.5% in 2021).

### **Risks associated with the activation of partnerships**

The increasing complexity of the works implemented and/or conditions for risk sharing opportunities make it increasingly common to use of management models for certain investments and orders in partnership with other operators in the reference sector . This approach facilitates entering into new countries and/or sectors but, at the same time, determines potential risks and complexities related to cultural and organizational integration with partners which, in the worst case scenario, could even lead to a discrepancy between the vision of the Group and that of the partnership. There are also further critical issues related to exposure to the economic and financial situations of the partners. The management of this type of risk is guaranteed through an effective allocation of roles and responsibilities within the individual strategic initiatives, as well as a correct application of the process of defining and subsequent managing contracts and any shareholder agreements.

## **Information pursuant to art 2428 no. 6 bis**

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

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

With reference to debt towards the banking system, interest rate fluctuations affect the market value of the Group's financial assets and liabilities and net financial charges. The Group's policy is to strive to

maintain a ratio between fixed and variable rate exposure such as to minimise the risk arising from fluctuating in interest rates while still reaping the benefits of the particularly favourable situation in terms of low interest rates. In order to maintain this balance, the Group has entered into derivative contracts, typically interest rate swaps.

## Research and development activities

In line with what is indicated in the “Industrial Policy” section, the Management has given strong impetus to the search for new opportunities aimed at the development of initiatives that can be private public partnerships, project finance or investment in its own activities where Renco contributes to projects implementation with its own funds and EPC capabilities. In this context, the Group incurred development costs of 3.2 million Euro during 2022, the size of this commitment concretely demonstrates Renco’s strong orientation towards concentrating its EPC and internal investment activities in areas characterised by a high level of margins.

In order to mitigate the risk of cyber-attacks resulting from the increasing use of computer systems. In 2022 Renco invested in cybersecurity through the implementation of advanced intrusion detection tools with the adoption of a SOC (Security Operations Center) to prevent cyber threats with a proactive approach and anti-ransomware solution. We have also protected the Group through the design and implementation of a disaster recovery system located 150 km from the headquarters. Thanks to this system, in case of emergency or failure of the main systems, it is possible to quickly restore business activities without suffering interruptions or data loss. This solution aims to ensure greater safety and reliability for Renco’s business, protecting it from the possible consequences of unforeseen events.

Over the period, further projects have been developed with the aim of making specific business areas more efficient and faster. For this reason, in the year Renco adopted Egencia as a travel management application, aimed at simplifying the management of corporate travel of staff, and Agomir for equipment management, an application used to better organise and trace corporate equipment. Finally, for logistics, Qualiware has been implemented, ensuring a better management of shipping services. All these applications are integrated with the Oracle JDEdwards ERP and thanks to these solutions, Renco has been able to improve the organisation of its operations.

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

## Relations with associated, parent and partner companies

With regard to relations with related parties and in particular relations with associated companies and sister companies, please refer to the detailed prospectus included in the specific paragraph of the Explanatory Notes.

Relations with companies, associates, sister companies, which do not include atypical and/or unusual transactions, are governed by normal market conditions.

## Treasury shares and shares/holdings in parent companies

In compliance with points 3) and 4), c.2, art. 2428 of the Civil Code, we provide an appropriate summary table of the data relating to the treasury share held by the ultimate parent of the group Renco Group S.p.A., highlighting the changes that occurred during the year and we inform you that the same Company



did not hold stocks and/or shares of parent companies during the year.

With reference to treasury shares recognised as a reduction in shareholders' equity, it should be noted that they were purchased partly in 2010 and partly in 2012. As of 31.12.2022, the Parent Company held 36,050 shares equal to a par value of 360,500 representing 4% of its share capital; the percentage share held complies with the legal constraints set forth by Articles 2357 and 2357-bis of the Code.

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

## Foreseeable business outlook

2022 has been a complex year and marked by tragic events that have had a significant impact on the global economy and energy security in many countries, including Italy. The conflict in Ukraine has had global implications, including rising commodity prices and inflationary pressures. Moreover, the energy crisis generated by the conflict has called into question Italy's energy security, an issue that had not been so urgently posed for decades.

The escalation of the conflict in Ukraine has led to the decision by many countries, including the United States and the European Union, to impose economic sanctions on Russia. These sanctions have had a significant impact on the Russian economy and have also affected the global commodities market, including the price of gas and oil.

Italy, like many other countries, has suffered the impact of sanctions and has had to face the economic consequences of the situation. In this context, the importance of an energy policy based on sources diversification and on an improved national energy security has become even more evident.

Faced with this situation, Italy needs to reduce its dependence on fossil fuels and increase national energy security. This commitment is in line with the decarbonisation goals set by the European Union and represents an important step towards a more sustainable and environmentally friendly future.

2022 was a difficult year for Italy and the world, but it also highlighted the importance of investing in the transition to a low-carbon economy and in the diversification of energy sources to ensure a secure energy supply. The situation in Ukraine and the sanctions against Russia have underlined the importance of this commitment and have accelerated the energy transition process in many countries, including Italy.

Despite this, the 2022 financial year represents a year of significant growth for the Group. The value of production to third parties went from €292.6 million in 2021 to €426.6 million in 2022 with a growth of 46%. This growth is not fuelled by exogenous contingencies and sporadic opportunities but by a consistent corporate strategy that has managed to generate the set results and lays solid foundations for the years to come.

The backlog demonstrates how sustainability and the energy transition are key aspects of the Group's activities. In the last year, the process of gradual shifting of its position on the market from pure EPC Contractor, towards the integrated role of developer, builder and project manager in which RENCO is a sponsor (with minority or majority shares) has ensured less competition in the processes of acquisition of construction works, for the benefit of margins, and has laid the foundations for future recurring revenue streams at high margins. These include the Salinella wind farm, the power barges in Albania, the photo-

voltaic in Mozambique, the TPP in Yerevan and the Jetty in Mozambique. Of these projects, only the Yerevan power plant is in the commercial phase and contributed in 2022 for 46 million Euro in terms of VOP, for 10.3 million Euro in terms of EBITDA and will contribute for the next 23 years to an expected margin in the Group's budget balance of about 15 million Euro.

In continuity with the above, the activities related to the Superbonus 110% regulation must also be related to the company's role as a developer and implementer of complex projects within the energy transition. In fact, the Group has proved itself capable of finding all the necessary ceilings for the sale of the tax credit accrued through the discount on the invoice, contracting loan facilities dedicated to the financing of the working capital of the construction sites and efficiently managing more than one hundred construction sites in Italy in full compliance with the quality and safety requirements. This activity will also continue in the year 2023, helping to fuel the Group's growth process, which is expected to reach a production value of approximately 600 million Euro in 2023.

As part of the services business line activity and in line with its strategic vision, the Group has acquired important new markets by entering Oman, Qatar and Saudi Arabia. In light of the renewed focus on the gas market, the Middle East together with Mozambique will be the target of significant investments in the energy industry that will fuel the future growth of the division.

Although the 2022 financial year brought excellent results, it does not fully express the Group's economic and financial potential. In fact, there are still important investments underway, such as the Jetty in Mozambique, which will make their contribution in terms of revenues and margins in future years. At the same time, the financial situation is still significantly influenced by the activity of the superbonus 110%, which absorbs significant resources due to the specific procedure established by the regulation.

The increasing attention of markets, institutions and lenders to ESG issues has shed new light on operational aspects that have always characterised RENCO's work in the various regions of the world in which it operates. The attention to local communities, the environment, and the creation of a sustainable economic growth in the countries where the Group operates through significant direct investments in the territory, have always determined an important competitive advantage mitigating risks and creating great opportunities. This value alignment with our key stakeholders, and the renewed focus on the energy industry, supports our strategic choices and the important future growth that the Group aims to achieve.

## Organisational model and code of ethics

During 2022, the Supervisory Body monitored the updating of the Model adopted, constantly verifying the company's activity and ascertaining the absence of any violation and the compliance with the Organisational Model adopted by the subsidiary Renco S.p.A.

Pesaro, 5 May 2023

On behalf of the Board of Directors  
The Chairman  
Giovanni Gasparini



# Financial statements Consolidated 2022

1) Report on operations

2) Consolidated financial statements

Financial statement formats

Preamble

Significant Activities of the Group

Preparation criteria

Scope and methods of consolidation and significant events during the year

Consolidation criteria

Measurement criteria

Disclosure of financial statements items

Other information

## Balance sheet assets

(€ thousand)	31/12/2022	31/12/2021
<b>A) Called up share capital not paid</b>		
I) Called up share capital not paid	2	2
II) (portion called)	-	-
<b>Total called up share capital not paid</b>	<b>2</b>	<b>2</b>
<b>B) Fixed assets</b>		
I) Intangible fixed assets		
1) Start-up and expansion costs	513	23
2) Development costs	1,607	1,870
3) Industrial patent and intellectual property rights	2,763	3,373
4) Concessions, licenses, trademarks and similar rights	22	47
6) Fixed assets in progress and advances	4,958	3,430
7) Other ...	6	19
<b>Total intangible fixed assets</b>	<b>9,869</b>	<b>8,762</b>
II) Tangible fixed assets		
1) Land and buildings	323,063	347,987
2) Plants and machinery	9,087	11,404
3) Industrial and commercial equipment	8,608	7,450
4) Other assets	6,013	6,851
5) Fixed assets in progress and advances	27,503	13,127
<b>Total tangible fixed assets</b>	<b>374,274</b>	<b>386,819</b>
III) Financial fixed assets		
1) Equity investments in:		
a) Subsidiaries	67	1,142
b) Associated companies	1,810	1,388
d bis) Other companies	3,599	149
<b>Total Equity investments</b>	<b>5,476</b>	<b>2,679</b>
2) Receivables		
a) From subsidiaries		
1) Within 12 months	20	452
2) Beyond 12 months	-	-
b) From associated companies		
1) Within 12 months	23,475	15,298
2) Beyond 12 months	13,223	15,475
d bis) From others		
1) Within 12 months	-	19

2) Beyond 12 months	26	12
<b>Total Receivables</b>	<b>36,744</b>	<b>31,256</b>
3) Other securities	-	-
4) Active derivative financial instruments	15,303	229
<b>Total Fixed Assets</b>	<b>441,666</b>	<b>429,745</b>
<b>C) Current assets</b>		
I) Inventories		
1) Raw materials, ancillary materials and consumables	3,518	3,508
2) Product in progress and semi-finished products	32,064	87
3) Contract work in progress	395,497	282,144
4) Finished products and goods	12,648	12,564
5) Advances	-	-
<b>Total Inventories</b>	<b>443,728</b>	<b>298,303</b>
II) Receivables		
1) From customers		
1) Due within 12 months	85,354	54,473
2) Due beyond 12 months	-	-
2) From subsidiaries		
1) Due within 12 months	-	87
2) Due beyond 12 months	-	-
3) From associated companies		
1) Due within 12 months	11,550	7,482
2) Due beyond 12 months	-	-
5 bis) For tax receivables		
1) Due within 12 months	15,185	14,182
2) Due beyond 12 months	27	110
5 ter) For prepaid taxes		
1) Due within 12 months	18,603	10,921
2) Due beyond 12 months	-	-
5 quater) From others		
1) Due within 12 months	18,747	13,184
2) Due beyond 12 months	12,061	11,657
<b>Total Receivables</b>	<b>161,527</b>	<b>112,866</b>
III) Financial assets other than fixed assets		
2) Equity investments in associated companies	1,371	
IV) Cash and cash equivalents		
1) Current bank accounts and post-office deposits	100,186	68,769
2) Cheques	-	-

3) Cash in hand and other valuables	356	414
<b>Total cash and cash equivalents</b>	<b>100,542</b>	<b>69,183</b>
<b>Total current assets</b>	<b>707,167</b>	<b>480,353</b>
<b>D) Accruals and deferrals</b>	<b>3,398</b>	<b>2,057</b>
<b>Total Assets</b>	<b>1,152,232</b>	<b>912,157</b>

## Balance sheet liabilities

(€ thousand)	31/12/2022	31/12/2021
<b>A) Shareholders' equity</b>		
I) Share Capital	9,013	9,013
II) Share premium reserve	25,987	25,987
III) Revaluation reserves	4,697	4,697
IV) Legal reserve	1,503	1,503
V) Statutory reserves	-	-
VI) Other reserves	32,900	19,430
- Extraordinary reserve	21,916	24,283
- Capital contributions	25,026	25,026
- Conversion reserves from foreign consolidation	(20,569)	(38,012)
- Consolidation reserve	6,526	8,132
VII) Reserve for hedging of expected cash flows	14,201	(2,151)
VIII) Retained earnings (accumulated losses)	107,377	101,440
IX) Profit (Loss) for the year	8,533	8,239
X) Negative reserve for treasury shares in portfolio	(3,609)	(3,609)
<b>Total shareholders' equity</b>	<b>200,601</b>	<b>164,522</b>
Minority interest		
Share capital and reserves of minority interests	8,403	3,832
Profit (Loss) of minority interests	585	(556)
<b>Total Minority interests</b>	<b>8,988</b>	<b>3,276</b>
<b>Total Group Shareholders' equity</b>	<b>209,589</b>	<b>167,798</b>
<b>B) Provisions for risks and charges</b>		
1) Pension funds and similar obligations	-	-
2) Provisions for taxes, including deferred taxes	18,013	16,142
3) Passive derivative financial instruments	-	4,121
4) Others	2,757	2,541
<b>Total Provisions for risks and charges</b>	<b>20,770</b>	<b>22,804</b>

<b>C) Employee severance indemnity</b>	<b>2,015</b>	<b>3,760</b>
<b>D) Payables</b>		
1) Bonds		
1) Within 12 months	13,257	11,550
2) Beyond 12 months	28,292	21,659
3) Payables to shareholders for loans		
1) Within 12 months	5,344	5,720
2) Beyond 12 months	-	-
4) Payables to banks		
1) Within 12 months	90,050	74,741
2) Beyond 12 months	166,595	156,806
5) Payables to other lenders		
1) Within 12 months	962	3,578
2) Beyond 12 months	12,825	13,757
6) Advances		
1) Within 12 months	313,019	188,985
2) Beyond 12 months	108,186	95,193
7) Payables to suppliers		
1) Within 12 months	148,116	109,161
2) Beyond 12 months	-	-
9) Payables due to subsidiaries		
1) Within 12 months	86	238
2) Beyond 12 months	0	60
10) Payables due to associated companies		
1) Within 12 months	9,987	11,083
2) Beyond 12 months	-	-
12) Tax payables		
1) Within 12 months	6,673	8,104
2) Beyond 12 months	1,232	1,772
13) Payables to social security and welfare institutions		
1) Within 12 months	2,692	2,265
2) Beyond 12 months	-	-
14) Other payables		
1) Within 12 months	9,915	10,832
2) Beyond 12 months	929	1,367
<b>Total Payables</b>	<b>918,160</b>	<b>716,871</b>
<b>E) Accruals and deferrals</b>	<b>1,702</b>	<b>923</b>
<b>Total Liabilities</b>	<b>1,152,232</b>	<b>912,157</b>



## Income statement

(€ thousand)	31/12/2022	31/12/2021
<b>A) Value of production</b>		
1) Revenues from sales and services	294,117	228,447
2) Change in inventories of products in progress, semi-finished and finished products	4,319	(2,529)
3) Changes in contract work in progress	111,791	63,113
4) Increase on internal works capitalised	17,416	41,678
5) Other revenues and income, with separate indication of grants related to income		
a) Miscellaneous	16,228	3,502
b) Grants related to income	162	107
<b>Total Value of production</b>	<b>444,013</b>	<b>334,318</b>
<b>B) Cost of production</b>		
6) For raw materials, ancillary materials, consumables and goods	104,292	79,412
7) For services	197,484	131,902
8) For use of third-party assets	10,976	11,711
9) For personnel	79,994	73,733
(a) Wages and salaries	66,332	61,693
b) Social security costs	12,091	10,070
c) Employee severance indemnity	1,339	1,853
d) Pension costs and similar	-	-
e) Other costs	232	117
10) Amortisation, depreciation and write-downs	21,822	14,903
a) Amortisation of intangible fixed assets	1,610	1,418
b) Depreciation of tangible fixed assets	19,167	12,850
c) Other write-downs of fixed assets	450	367
d) Write-downs of receivables included in current assets and cash and cash equivalents	596	268
11) Changes in inventories of raw materials, ancillary materials, consumables and goods	28	616
12) Provision for risks	-	0
13) Other provisions	573	2,200
14) Other operating expenses	3,953	3,328
<b>Total cost of production</b>	<b>419,105</b>	<b>317,803</b>
<b>Difference between value and costs of production (A-B)</b>	<b>24,908</b>	<b>16,515</b>
<b>C) Financial income and charges</b>		
15) Income from equity investments	85	48
a) From subsidiaries	-	-
b) From associated companies	5	48

16) Other financial income	2,894	387
a) From receivables recorded among financial fixed assets		
b) From long-term securities, other than equity investments	-	-
c) From short-term securities, other than equity investments	-	-
d) Income other than the above		
1) From subsidiaries	-	-
2) From associated companies	207	203
5) Others	2,687	184
17) Interest and other financial charges	17,282	7,740
a) From subsidiaries	-	-
e) Other	17,282	7,740
17a) Foreign exchange gains and losses	(61)	8,337
<b>Total financial income and charges</b>	<b>(14,362)</b>	<b>1,061</b>
<b>D) Value adjustments of financial assets and liabilities</b>		
18) Write-ups of	875	-
a) Equity investments	875	-
b) Financial fixed assets (other than equity investment)	-	-
c) Short-term securities (other than equity investments)	-	-
d) Derivative financial instruments	-	-
e) Financial assets for centralised treasury management	-	-
19) Write-downs of	3,026	1,379
a) Equity investments	2,226	579
b) Financial fixed assets	800	800
c) Short-term securities (other than equity investments)	-	-
d) Derivative financial instruments	-	-
e) Financial assets for centralised treasury management	-	-
<b>Total value adjustments of financial assets</b>	<b>(2,151)</b>	<b>(1,379)</b>
<b>Profit/Loss before taxes (A-B+C+D)</b>	<b>8,394</b>	<b>16,197</b>
20) Current, deferred, and prepaid income taxes for the period		
a) Current taxes	4,070	7,837
b) Taxes from previous years	1,100	2,407
c) Deferred and prepaid taxes	(5,894)	(1,730)
<b>Profit (loss) for the year</b>	<b>9,119</b>	<b>7,682</b>
Profit (loss) for the year attributable to the Group	8,533	8,238
Profit (loss) for the year attributable to minority interests	585	(556)

Chairman of the Board of Directors  
Giovanni Gasparini

## Cash flow statement

(€ thousand)	31/12/2022	31/12/2021
<b>A. Cash flows from operating activities (indirect method)</b>		
<b>Profit (loss) for the year</b>	<b>9,119</b>	<b>7,682</b>
Income taxes	(975)	8,548
Interest expense/(interest income)	14,054	6,840
Value adjustments to financial assets	43	1,126
Write-downs for impairment losses	450	367
(Capital gains)/losses deriving from the disposal of assets	(11,435)	(945)
<b>1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale of assets.</b>	<b>11,256</b>	<b>23,620</b>
<b>Adjustments for non-monetary items that were not offset in net working capital</b>		
Provisions	3,525	3,445
Amortisation/Depreciation of fixed assets	20,776	14,268
Value adjustments of derivative financial instruments	0	0
Other upward or downward adjustments for non-monetary items	(9,030)	(19,601)
<b>2. Cash flow before changes in NWC</b>	<b>15,271</b>	<b>(1,888)</b>
Changes in net working capital		
Decrease/(increase) in inventories and advances	11,314	(23,198)
Decrease/(increase) in receivables from customers and group companies	(17,829)	(15,309)
Increase/(decrease) in payables to suppliers and group companies	31,162	14,307
Decrease/(increase) in accrued income and prepaid expenses	(1,340)	1,398
Increase/(decrease) in accrued liabilities and deferred income	1,669	180
Other changes in net working capital	10,037	4,388
<b>3. Cash flow after changes in nwc</b>	<b>35,012</b>	<b>(18,234)</b>
Other adjustments		
Interest collected/(paid)	(14,588)	(6,172)
(Income taxes paid)	(9,657)	(9,017)
(Use of provisions)	(4,905)	(5,701)
<b>4. Cash flow after other adjustments</b>	<b>(29,149)</b>	<b>(20,890)</b>
<b>Cash flow from operating activities (A)</b>	<b>32,390</b>	<b>(17,392)</b>
<b>B. Cash flows from investment activities</b>		
Tangible fixed assets		
(Investments)	(18,241)	(42,434)
Disinvestments	2,886	1,923

Intangible fixed assets		
(Investments)	(2,396)	(2,372)
Disinvestments	0	0
Financial fixed assets		
(Investments)	(8,575)	(9,008)
Disinvestments	1,550	48
Non-fixed financial assets		
(Acquisition of business units net of cash and cash equivalents)	0	86
Sale of business units net of cash and cash equivalents	(208)	(99)
<b>Cash flow from investment activities (B)</b>	<b>(24,985)</b>	<b>(51,856)</b>
<b>C. Cash flows from financing activities</b>		
Third-party means		
Increase (decrease) in short-term payables to banks	(21,678)	32,982
New loans	70,017	60,205
Loan repayments	(32,460)	(13,596)
Repayments of loans to shareholders	(388)	(186)
Increase (decrease) in short-term payables to bondholders	8,450	(11,550)
Increase (decrease) in short-term payables to other lenders	12	(33)
Own resources		
Dividends paid	0	0
<b>Cash flow from financing activities (C)</b>	<b>23,954</b>	<b>67,822</b>
<b>Increase (decrease) in cash and cash equivalents (A ± B ± C)</b>	<b>31,358</b>	<b>(1,425)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>69,183</b>	<b>70,608</b>
<b>Cash and cash equivalents at end of year</b>	<b>100,541</b>	<b>69,183</b>

As evidenced by the cash flow statement, prepared using the indirect method, during the year there was an increase in liquidity of Euro 31,358 thousand. Please refer to the Consolidated Report on operations for more information on the financial dynamics that affected the Group in 2022.

The main changes in the Cash Flow Statement are shown below.

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

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

**Disbursements for investments in tangible fixed assets and collections for disinvestments in tangible fixed assets** - For detailed information on the financial flow for investments in tangible fixed assets, please refer to the paragraph of these explanatory notes to the financial statements “Tangible fixed assets”.

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

**Collection for disinvestments in financial fixed assets and Disbursements for financial fixed assets** - For a accurate representation of the financial flow for disinvestments and investments in financial fixed assets, please refer to the paragraph of these explanatory notes “Financial fixed assets”.

**Increase/(Decrease) in payables to banks** - This item includes the change in payables to banks that during the period underwent a positive change of Euro 24 million due to the taking out new loans and bond loans for Euro 78 million and the repayment of loans, shareholders and bondholders for Euro 54 million.

Chairman of the Board of Directors  
Giovanni Gasparini



# Notes to the consolidated financial statements

## Preamble

Dear Shareholders,  
these consolidated financial statements, submitted for your review, show a profit for the year of Euro 9,119 thousand.

## Activities carried out and relevant facts concerning the Group

The “Renco Group” of which Renco Group S.p.A. is the ultimate parent company, represents an important Italian company in the industrial plant engineering sector and in the “general contracting” area. The Group’s activity is divided into several business lines that include the Energy Business Line, the Buildings Business Line, the Asset Management Business Line and the Services Business Line.

## COVID-19 impact

About three years after the start of the emergency generated by the COVID-19 pandemic, things are going back to normality in Italy, while in the other countries where the Group operates, the state of normality has already been reached during 2021. However, at company level, prudence and prevention have always been recommended to avoid possible sources of infection. Also in 2022, the situation in Italy required care to ensure the safety and operational continuity of all companies and the Group followed all the indications expressed by the competent health authorities, as well as the legislative measures issued from time to time. The Group continues to commit itself with all the necessary energy, activities and means aimed at accompanying employees and collaborators in the management of any further pandemics to promote their well-being, health, engagement and development.

There are no reported impacts on financial items; the Group, by continuing monitoring on potential pandemic risks, maintains a solid capital, economic and financial profile.

## Preparation criteria

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

The presentation currency of the Financial Statements is the Euro. Balances are expressed in thousands of Euro, unless specifically stated otherwise. It should also be noted that any differences found in some tables are due to rounding off of the values expressed in thousands of Euro.

The consolidated financial statements present for comparative purposes the values for the previous year, indicated in the following notes in brackets.

The criteria used in the formation and measurement of the financial statements closed on 31.12.2022 take into account the changes introduced into the national legislation by Legislative Decree 139/2015 which, as of 2016, implemented Directive 2013/34/EU. As a result of Legislative Decree 139/2015 the OIC national accounting standards have been amended.

The accounting principles used for the preparation of these financial statements are consistent with the principles used for the preparation of the financial statements as at 31/12/2021, except for the account-

ing principle used for the consolidation of the Armenian company Armpower Cjsc, which has entailed, in compliance with the provisions of OIC29, the need to present comparative data so-called “restated”. For more information on this, please refer to the paragraph “Change in the Armpower consolidation criterion”.

These explanatory notes highlight the data and information required by art. 38 of the same decree, therefore the Financial Statements consist of the following documents:

- Balance Sheet;
- Income statement;
- Cash flow statement;
- Explanatory Notes.

In addition to the annexes provided for by law, the statement of reconciliation between the net income and the shareholders’ equity of the consolidating company and the respective values resulting from the consolidated financial statements is presented.

### **Scope and methods of consolidation and significant events during the year**

The consolidated financial statements originate from the financial statements of RENCO GROUP S.P.A. (Ultimate Parent Company) and of the Companies in which the Ultimate Parent Company directly or indirectly holds the controlling interest or exercises control. The financial statements of the Companies included in the scope of consolidation were consolidated by using the full consolidation method. The list of these Companies is provided in Annex no. 1.

Since the previous year, the following changes have occurred in the Group’s structure:

- On 21 January 2022 Renco S.p.A. sold 60% of the share capital of the subsidiary Salinella S.r.l. to the company belonging to the Ascopiave group, Asco Renewables S.p.A. The consideration for the sale of the share amounted to Euro 588 thousand. During the period, Salinella began construction work on a wind farm in the province of Catanzaro with a nominal capacity of up to 21 MW. The construction of the park, which involves a total investment of approximately Euro 30 million, is being carried out by Renco S.p.A. The sale highlights the characteristic activity of the Energy Business Line that also evaluates and finalizes extraordinary operations;
- during the period, the merger by incorporation between Renco Valore S.p.A. and Renco Food S.r.l. was completed, effective from 1 January 2022. This operation did not have an impact on the consolidated financial statements;
- for the completion of the initiatives of the Energy Business Line, Renco S.p.A. participated in the establishment of a company under Albanian law, a project company called Excelerate Renco FPB Sh.p.k.. The project company, of which Renco owns 10%, invested during the year in the purchase of two barges for the production of 110 Mw of electricity, which will be leased for a period of 24 months to the Albanian public company that manages the electricity networks. The project company must also provide for the mooring and connection of the barges to the Albanian electricity grid in the port of Valona;
- as part of the project described above, the company under Albanian law Renco Spark Sh.p.k. was created during the period, wholly owned by Renco S.p.A., which will also provide for O&M activities during the contractual period of lease;



- Renco S.p.A. has acquired from Asco Renewable S.p.A. a 10% stake in Green Factory S.r.l. for one thousand Euro. The purchase is aimed at potential future developments in the energy sector within the Veneto region;
- during the period Renco S.p.A. established Renco Green Sarlu, a company under Congolese law, to seize the opportunity to develop in the Republic of Congo a project for forest conservation and re-forestation, aimed at absorbing CO2 present in the atmosphere, capable of generating carbon credits that can be sold on the voluntary market;
- in July 2022 the company Renco Erma S.r.l. was established, 87% controlled by Renco S.p.A. The company was created as a project company aimed at the execution of works in Project Financing in relation to Superbonus 110% energy efficiency and anti-seismic interventions on buildings located in Jesi owned by Erap Marche. Based on the concession agreement signed with the public entity, the grantor provides for the payment of the works through the transfer of the Superbonus credits that will be generated, and the grantee is required to guarantee the energy performance of the buildings for a management period of 5 years;
- in December 2022 Renco Valore S.p.A. sold 100% of the shares held in the company Hotel Yerevan Ojsc, at the sale price of USD 19 million. The sale generated a capital gain of Euro 15,203 thousand for the selling company, while at the time of consolidation the recorded capital gain amounted to Euro 9,792 thousand, taking into account the value contributed by the subsidiary in the consolidated financial statements of the Group. The sale price was fully collected in March 2023. The sale highlights the characteristic activity of the BU Asset Management that also evaluates and finalizes acquisition and sale operations, for the benefit of the Renco Group;
- as of January 1, 2022, Renco Group adopted the proportional method option to consolidate the Armenian company, Armpower. For a better understanding of the effects, please refer to the paragraph “Change in the Armpower consolidation criterion” included in the Explanatory Notes to the consolidated financial statements;
- finally, it should be noted that Rebar S.A., a Swiss company 60% owned by Renco S.p.A., has been created and that the liquidation process of the Renco Lancia Iter Consortium has been completed.

For significant events that occurred during the year, please refer to what is indicated in the first part of the Report on operations.

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

It should be noted that the Armenian company Velofirma Llc as of 31.12.2022, although indirectly held through the New Velodrome at 53.7%, is not controlled by the Group on the basis of agreements with the local partner. The agreements provide, among other clauses, for gradual acquisition of the majority by the local partner and the permanence of the Renco Group with a final shareholding percentage of 20%.

Companies over which joint control is exercised pursuant to art. 37 of Legislative Decree 127/91 are included in the consolidation in proportion to the shareholding held. The list of these companies is provided in Annex No. 2.

Associated companies, over which the Ultimate Parent Company directly or indirectly exercises significant influence and holds between 20% and 50% of the share capital, are valued according to the equity method or, in the absence of appropriate information for the correct application of the method, to the cost net of impairment. The list of these Companies is provided in Annex no. 3.

Other subsidiaries excluded from consolidation pursuant to Legislative Decree 127/91 are valued according to the cost method, net of impairment. These Companies are listed in Annex 3, with an indication of the reasons for their exclusion.

Where companies in which the shareholding held is greater than 50% but in which there are shareholders' agreements that demonstrate joint control, as defined in par. 13 of OIC 17, are recorded under the item Equity investments in subsidiaries and valued using the equity method.

For the consolidation, the financial statements of the individual Companies, already approved by the Shareholders' Meetings or prepared by the Boards of Directors for approval, reclassified and adjusted to comply with the accounting principles and presentation criteria adopted by the Group.

### **Consolidation criteria**

The book value of equity investments in consolidated companies is eliminated against the corresponding fraction of shareholders' equity. The differences resulting from the elimination are attributed to the individual financial statement items that justify them and, the residual amount, if positive, is recognised in an asset item called "goodwill", unless it must be fully or partially charged to the income statement in item B14. The amount recognised in the asset is amortised in the period provided for in the first paragraph, no. 6, of Article 2426. If negative, the difference is recognised, where possible, as a reduction of the assets recorded for values higher than their recoverable value and to the liabilities recorded at a value lower than their extinction value. The residual negative difference is recognised in the shareholders' equity item "Consolidation reserve" or in a specific "Consolidation provision for future risks and charges", in compliance with the criterion of art. 33, paragraph 3, of Legislative Decree 127/91.

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

The portions of shareholders' equity pertaining to minority interest are recorded under a specific item of the balance sheet. In the income statement, the share of income attributable to minority interests is shown separately.

The equity and economic relationships between the Companies included in the scope of consolidation are totally eliminated.

Profits and losses arising from transactions between consolidated Companies, which are not realised through transactions with third parties, are eliminated.

Profits and losses arising from transactions between group companies and relating to values included in the assets of one of them at the date of closing of the consolidated financial statements are not eliminated as they are irrelevant for the purposes of the truthful and correct representation of the equity, financial and economic position of the group.

Prior to consolidation entries relevant solely for tax purposes were eliminated and the related deferred taxes were set aside. In the case of acquisition or loss of control of investees, the corresponding effects, respectively of consolidation or deconsolidation, are made starting from the date on which the transaction was finalised.

The conversion of the financial statements of foreign subsidiaries and associated companies into currencies other than the Euro was carried out using the spot exchange rate at the balance sheet date for assets

and liabilities, and using the average exchange rate for the period for income statement items. The net effect of the translation of the financial statements of the investee company into accounting currency is recognised in the “Reserve for translation differences”.

For the conversion of financial statements expressed in foreign currency, the rates indicated in the following table have been applied:

(amount in currency for €1)	Exchange rate as of 31.12.2022		Exchange rate as of 31.12.2021	
	as of 31.12. 2022	2022 average	as of 31.12. 2021	2021 average
Algerian Dinar	146.50	149.65	157.41	159.65
Libyan dinar	5.15	5.05	5.21	5.34
US Dollar	1.07	1.05	1.13	1.18
Armenian dram	420.06	460.11	543.98	596.48
CFA franc	655.96	655.96	655.96	655.96
Lek (Albania)	114.46	118.93	120.71	122.44
N. Metical (Mozambique)	68.25	67.37	72.50	77.54
Russian Ruble	78.91	73.36	85.30	87.15
Tenge Kazakhstan	492.90	485.59	492.75	504.43
Oman Rial	0.410	0.40	0.436	0.45

## Measurement criteria

The criteria used in the preparation of the consolidated financial statements as at 31.12.2022 are those used in the financial statements of the parent company that prepares the consolidated financial statements and do not deviate from the same ones used for the formation of the consolidated financial statements of the previous year, particularly with regard to measurements and continuity of said criteria.

In application of the principle of materiality, referred to in art. 2423, paragraph 4, of the Civil Code, in the Explanatory Notes do not contain comments to financial statement items, even if specifically provided for by art. 2427 of the Civil Code or by other provisions, in cases where both the amount of these items and the related information are irrelevant in order to give a true and correct representation of the equity and financial position and the economic result of the Company and the Group.

The recognition and presentation of the financial statements items was made taking into account the substance of the transaction or contract.

The measurement of the financial statements items was made based on the general criteria of prudence and accruals basis of accounting, from a going concern perspective; the recognition and presentation of the items was carried out taking into account the substance of the transaction or contract, where compatible with the provisions of the Civil Code and the OIC accounting standards.

In particular, the measurement criteria adopted were as follows.

### Intangible fixed assets

Intangible fixed assets have been recorded at the cost of acquisition or internal production, including

ancillary charges directly attributable to them.

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

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

Special treatment was reserved for the investment in the Oracle – JDEdwards integrated management system carried out by Renco S.p.A., which became operational since 2017 and for which an amortisation rate of 10% is used considering a useful life of 10 years; a choice corroborated by a market analysis on the main companies on the international scene that have been using this ERP system for decades, which in fact is one of the most used.

There were no changes in amortisation rates compared to the previous year.

If, regardless of the amortisation already accounted for, there is a lasting loss in value, the fixed asset is written down accordingly. If in subsequent years the conditions for write-down are no longer met, the original value will be restored, adjusted to amortisations only.

The development costs incurred for the realization of new investments are recorded under assets when the company is able to demonstrate:

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

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

### **Tangible fixed assets**

Tangible fixed assets have been recorded in the Financial Statements at the cost of purchase or internal production. This cost includes ancillary charges as well as directly attributable costs.

Other costs, incurred during manufacturing and up to the time from which the asset may be used, were

also included for the portion reasonably attributable to the goods.

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

The corresponding amounts are stated net of accumulated depreciation, systematically calculated with reference to the rates indicated below, in relation to their residual possibility of use taking into account the use, destination and economic-technical duration of the assets.

<b>Description</b>	<b>Applied rates</b>
Buildings	3%
Plant and machinery	10%
Plants and machinery (photovoltaic systems part related to the plant)	9%
Industrial and commercial equipment	12.5%
Other assets:	
- Furniture and furnishings	12%
- Electronic office machines	20%
- Cars and motorcycles	25%
- Motor vehicles	20%

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

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

If, regardless of the amortisation already accounted for, there is a lasting loss in value, the fixed asset is written down accordingly. If in subsequent years the conditions for write-down are no longer met, the original value will be restored, adjusted to amortisations only.

### **Financial fixed assets**

Financial fixed assets consisting of equity investments in non-consolidated subsidiaries and associated companies have been measured according to the equity method, adjusted for the share of intra-group profits/losses, including ancillary charges or, in the absence of appropriate information for the correct application of this method, according to the cost method; the book value in the financial statements is determined on the basis of the purchase or subscription price or the value attributed to the assets. Changes in the value of equity investments resulting from the application of the equity method are represented in line with the provisions of paragraph 175 of OIC 17.

Equity investments that are expected to be sold within the following year are classified as current assets

under financial assets other than fixed assets.

Equity investments in other non-subsidiary and/or associated companies were recorded at purchase cost, possibly adjusted on the basis of the losses recognised by the investee companies and therefore recognised at a value lower than the acquisition cost itself.

Receivables recorded among financial fixed assets are recognised in the financial statements according to the amortised cost

criterion, taking into account the time factor and the expected realisable value. This criterion is applied for receivables recognised from 1 January 2016, as permitted by OIC 15.

The amortised cost criterion shall not be applied where the effective interest rate is not significantly different from the market interest rate or where the effects of applying that criterion are irrelevant with respect to the criterion adopted.

### **Inventories, securities and non-fixed financial assets**

Inventories, securities and financial assets other than fixed assets have been recorded at the lower of the purchase cost, including directly attributable ancillary charges and the presumed realisable value, inferable from market performance.

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

Products in progress have been recorded on the basis of the expenses incurred during the year.

Works in progress (orders of interim duration) are recorded on the basis of the costs incurred in the year or on the basis of the criterion of the completed order or the completed contract: the revenues and the order margin are recognised only when the contract is completed, that is, when the works are completed and delivered.

Works in progress (ultra-annual orders) are recorded according to the criterion of the percentage of completion or progress: costs, revenues and order margin are recognised according to the effective progress of the production activity. For the application of this criterion, the cost-to-cost method is adopted.

Any losses on orders estimated with reasonable approximation are fully charged to the income statement in the year in which they become known.

### **Receivables**

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

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

At the end of the financial year, the value of receivables measured at amortised cost is equal to the present value of future cash flows discounted at the effective interest rate. In the event that the contractual rate is a fixed rate, the effective interest rate determined at the time of initial recognition shall not be recalculated. If, on the other hand, it is a variable rate based on market rates, then future financial flows are periodically re-determined to reflect changes in market interest rates, going to recalculate the effective interest rate.

Discounting of receivables was not carried out for receivables with a maturity of less than 12 months.

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

The adjustment of the par value of the receivables to the assumed realisable value is obtained through a specific provision for bad debts, taking into account the existence of indicators of long term loss. Receivables originally collectable within the year and subsequently converted into long-term receivables have been shown in the balance sheet under financial fixed assets.

Receivables shall be written off when the contractual rights on cash flows arising from the receivable are extinguished or if all risks related to the liquidated receivable have been transferred.

### **Securities**

Securities held as fixed assets, intended to remain in the Group's portfolio until their natural maturity, are recorded at purchase cost. The book value includes the ancillary charges directly attributable were taken into account.

### **Cash and cash equivalents**

The item includes cash and cash equivalents, both in national and foreign currency, stamps and cash holdings resulting from the accounts held by the company with credit institutions, all expressed at their par value, specifically converted into national currency when dealing with accounts in foreign currency.

### **Accruals and deferrals**

Accruals and deferrals were determined on an effective accruals basis.

With regard to the multi-year accruals and deferrals, steps were taken to verify the retention of the original registration; necessary changes were made where appropriate.

### **Treasury shares**

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

### **Derivative financial instruments**

Derivative financial instruments, even if incorporated in other financial instruments, were initially recognised when the related rights and obligations are acquired; their measurement was made at fair value both at the initial recognition date and at each financial statements closing date. Changes in fair value compared to the previous year were recognised in the income statement; in the case of instruments that

hedge the risk of changes in expected cash flows of another financial instrument or from a planned transaction and in line with the requirements of OIC 32, the changes were recognised in a positive reserve in shareholders' equity.

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

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

Changes in the fair value of the effective component of derivative financial instruments hedging cash flows have been recorded in the reserve for hedging of expected cash flows.

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

### **Provisions for risks and charges**

These were allocated to cover losses or liabilities of a determined nature, of certain or probable existence, of which, however, at the end of the year, the amount or date of occurrence cannot be determined.

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

Contingent liabilities are recognised in the financial statements and recorded in the provisions as they have been considered probable and the amount of the related charge can be reasonably estimated.

### **Employee severance indemnities**

The severance indemnity represents the actual liability of the Company for each employee, determined in accordance with current legislation and in particular with the provisions of art. 2120 of the Italian Civil Code and by collective labour and supplementary company agreements.

This liability is subject to revaluation by means of indices.

The provision corresponds to the total of the individual indemnities accrued in favour of employees until 31 December 2006 at the balance sheet date, net of advances paid, and is equal to what should have been paid to employees in the event of termination of the employment relationship on that date.

The provision does not include indemnities accrued from 1 January 2007, intended for supplementary pension schemes pursuant to Legislative Decree no. 252 of 5 December 2005 (i.e. transferred to the INPS treasury).

### **Payables**

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



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

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

Discounting of payables was not carried out for payables with a maturity of less than 12 months (and/or because the effects are irrelevant compared to the non-discounted value).

With reference to the payables recorded in the financial statements prior to the year starting from 1 January 2016, they are recorded at par value since, as required by accounting standard OIC 19, it was decided not to apply the amortised cost criterion and discounting.

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

### **Criteria for the translation of values expressed in foreign currency**

Receivables and payables originally expressed in foreign currency are converted into Euro at the historical exchange rates in force on the day on which they arose. Exchange differences arising from the payment of debts and the collection of receivables in foreign currency are charged to the income statement.

With regard to receivables in foreign currency at the end of the financial year, their conversion into Euro was carried out at the exchange rate on the closing day of the Financial Statements; the foreign exchange gains and losses thus recognised were disclosed in the income statement of the Financial Statements under item C.17-bis "Foreign exchange gains/losses".

Property acquired and/or held through lease contracts (so-called 'Lease')

The properties owned by means of financial lease contracts, through which all the risks and benefits related to the property are substantially transferred to the Group, are presented among the Group's assets and classified in the properties, while the corresponding liability towards the lessor is represented in the financial statements among the financial payables; the cost of the rent is broken down into its components of financial charges, accounted for in the income statement, and capital repayment, recorded as a reduction of the financial debt. The value of the leased property is determined on the basis of the fair value of the asset itself.

Capitalised leased assets are amortised according to the estimated useful life of the asset.

### **Accounting of revenues and costs**

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

Specifically:

- revenues from services are recognised on the basis of the service itself and in accordance with the revenues for the provision of services are recognised on the basis of the completed performance and in accordance with the relevant contracts. Revenues related to contract work in progress are recorded

in proportion to the progress of the work;

- revenues from the sale of goods are recognised at the time of transfer of ownership, which normally coincides with the delivery or shipment of the goods;
- revenues from increase on internal works capitalised are recognised on the basis of the cost incurred for the construction of the fixed asset;
- costs are accounted for on an accrual basis;
- income and expenses of a financial nature are recognised on the basis of the accrual principle.

### **Income taxes**

Taxes are allocated according to the accruals principle; they therefore represent:

- provisions for taxes paid or to be paid for the year, determined according to the rates and rules in force in the individual countries;
- the amount of taxes deferred or paid in advance in relation to temporary differences which have arisen or been cancelled during the year;
- the amount of deferred and prepaid taxes is also subject to recalculation in the event of a change of the tax rates originally considered.



## Change in the consolidation policy on the armpower subsidiary

The EPC order for the construction of the Armpower combined cycle power plant was concluded at the end of 2021 and therefore the EPC exemption clauses for conflict of interest of the RENCO Group from the decisions concerning the company under the contract no longer apply. In view of the this change in Armpower's governance, Renco Group is now able, jointly with Siemens, to exert influence and control over all operational decision-making policies of the Armenian company.

As of 1 January 2022, the Company, within the scope of the options permitted by the OIC 17 accounting standard and in order to better represent the above, has decided to modify on a voluntary basis the consolidation criterion of the Armenian company Armpower, switching from the equity consolidation method to the proportional consolidation method, thus merging the individual assets and liabilities, revenues and costs, of the subsidiary Armpower for a value corresponding to the percentage of shareholding held by the Group, equal to 60%, into the consolidated RENCO. This involved the retrospective application of the change of criteria in compliance with the provisions of OIC 29, with restatement of comparative data starting from the opening balances of 1 January 2021. The effects, for a value of 3.7 million Euro, were recognised in shareholders' equity under the item "Retained earnings (accumulated losses).

On the financial statements as at 31 December 2021, the significant effects were:

- At the equity level, an increase in tangible fixed assets deriving from the registration of the power plant, for Euro 133 million; an increase in financial payables for Euro 84.2 million; the elimination of the equity investments account for Euro 46.2 million;
- At an economic level, the elimination of the contract margin which led to a decrease in EBITDA of Euro 0.6 million; the recognition of greater amortisation/depreciation of Euro 0.3 million; the recognition of higher prepaid taxes of Euro 1.9 million, generated by the temporary differences in assets and liabilities between the statutory balance sheet in USD and the fiscal balance sheet in AMD.

The financial statements as at 31 December 2022 are compared in these explanatory notes and in the Report on operations with the balances of the financial statements as at 31 December 2021 subject to restatement.

As significant, we report the effects on the balance sheet and income statement of the retrospective application of the new accounting standard on the financial statements as at 31 December 2021:

<b>Income statement</b>	<b>31/12/2021</b>	<b>Restatement Effects</b>	<b>31/12/2021</b>
Revenues from sales	338,562	(110,115)	228,447
Changes in inventories of WIP products	(26,509)	87,093	60,584
Increase on internal works capitalised	14,273	27,405	41,678
Other operating revenues	3,577	32	3,609
<b>Value of Production</b>	<b>329,903</b>	<b>4,415</b>	<b>334,318</b>
Goods and consumable materials	(75,465)	(3,947)	(79,412)
Costs for services	(130,978)	(924)	(131,902)
Personnel costs	(73,635)	(98)	(73,733)
Other operating costs	(15,614)	(41)	(15,655)
<b>Operating costs</b>	<b>(295,692)</b>	<b>(5,010)</b>	<b>(300,702)</b>
<b>Gross operating result (EBITDA)</b>	<b>34,211</b>	<b>(595)</b>	<b>33,616</b>

Amortisation, Depreciation and write-downs	(14,595)	(308)	(14,903)
Provisions for risks and guarantees	(2,200)	-	(2,200)
<b>Operating result (EBIT)</b>	<b>17,416</b>	<b>(903)</b>	<b>16,513</b>
Income from equity investments	48	-	48
Other financial income	387	-	387
Interest and other charges	(7,354)	(386)	(7,740)
Foreign exchange gains and (losses)	8,337	29	8,366
Adjustments to financial fixed assets	(1,244)	(135)	(1,379)
<b>Profit before taxes</b>	<b>17,590</b>	<b>(1,394)</b>	<b>16,196</b>
Income taxes	(10,244)	-	(10,244)
Deferred and (prepaid) taxes	(224)	1,954	1,730
<b>Profit (loss) for the year</b>	<b>7,121</b>	<b>561</b>	<b>7,682</b>

<b>Restated balance sheet</b>	<b>31/12/2021</b>	<b>Restatement Effects</b>	<b>31/12/2021</b>
Inventories	297,681	622	298,303
Current trade receivables	68,779	(6,737)	62,042
Current tax assets	14,182	770	14,952
Prepaid tax assets	6,138	4,783	10,921
Other current assets	1,701	6,610	8,311
<b>(A) Current assets</b>	<b>388,481</b>	<b>6,048</b>	<b>394,529</b>
Current trade payables	116,061	4,421	120,482
Current advances	284,444	(266)	284,178
Current tax liabilities	8,100	4	8,104
Other current liabilities	13,978	43	14,021
<b>(B) Current liabilities</b>	<b>422,583</b>	<b>4,202</b>	<b>426,785</b>
<b>(A-B) Net working capital</b>	<b>(34,102)</b>	<b>1,846</b>	<b>(32,256)</b>
Tangible fixed assets and usage rights	253,709	133,110	386,819
Intangible fixed assets and goodwill	9,368	(606)	8,762
Non-current tax assets	110	-	110
Non-current financial assets	49,558	(46,167)	3,391
Other non-current assets	11,657	-	11,657
<b>(C) Non-current assets</b>	<b>324,402</b>	<b>86,337</b>	<b>410,739</b>
Employee benefits	3,760	-	3,760
Long-term provisions	2,541	-	2,541
Financial liabilities to shareholders	5,720	-	5,720
Deferred tax liabilities	13,972	2,170	16,142
Liabilities for derivatives	630	3,491	4,121
Other non-current liabilities	3,199	-	3,199
<b>(D) Non-current liabilities</b>	<b>29,822</b>	<b>5,661</b>	<b>35,483</b>
<b>(E) Fixed capital</b>	<b>294,580</b>	<b>80,676</b>	<b>375,256</b>

<b>(NWC+E) Net invested capital</b>	<b>260,478</b>	<b>82,522</b>	<b>343,000</b>
Share capital	9,013	-	9,013
Reserves	53,316	(45)	53,271
Treasury share held in portfolio	(3,609)	-	(3,609)
Undivided profits	105,146	(3,706)	101,440
Net profit for the year	7,121	562	7,683
<b>(SE) Total shareholders' equity</b>	<b>170,987</b>	<b>(3,189)</b>	<b>167,798</b>
Other non-trade receivables	(8,866)	1,936	(6,930)
Cash and cash equivalents	(68,722)	(461)	(69,183)
Current financial assets	(15,298)	-	(15,298)
Non-current financial assets	(15,475)	-	(15,475)
Current financial liabilities	69,156	5,585	74,741
Non-current financial liabilities	80,811	75,992	156,803
Current liabilities to other lenders	920	2,658	3,578
Non-current liabilities to other lenders	13,757	-	13,757
Current bond loan	11,550	-	11,550
Non-current bond loan	21,659	-	21,659
<b>(NFP) Net financial position</b>	<b>89,492</b>	<b>85,710</b>	<b>175,202</b>
<b>(SE+NFP) Total sources</b>	<b>260,478</b>	<b>82,522</b>	<b>343,000</b>

	31/12/2021	Restatement effects	31/12/2021
<b>A. Cash flows from operating activities (indirect method)</b>			
<b>Profit (loss) for the year</b>	<b>7,121</b>	<b>561</b>	<b>7,682</b>
Income taxes	10,482	(1,934)	8,548
Interest expense/(interest income)	6,454	387	6,840
Value adjustments to financial assets	1,126	0	1,126
Write-downs for impairment losses	367	0	367
(Capital gains)/losses deriving from the disposal of assets	(945)	0	(945)
<b>1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale of assets. Adjustments for non-monetary items that were not offset in net working capital</b>	<b>24,606</b>	<b>(987)</b>	<b>23,620</b>
Provisions	3,445	0	3,445
Amortisation/Depreciation of fixed assets	13,960	308	14,268
Other upward or downward adjustments for non-monetary items	(5,625)	(13,976)	(19,601)
<b>2. Cash flow before changes in NWC</b>	<b>11,780</b>	<b>(13,667)</b>	<b>(1,888)</b>

Changes in net working capital			
Decrease/(increase) in inventories	(21,618)	(1,580)	(23,198)
Decrease/(increase) in receivables from customers	(21,803)	6,494	(15,309)
Increase/(decrease) in payables to suppliers	17,614	(3,307)	14,307
Decrease/(increase) in accrued income and prepaid expenses	1,398	(1)	1,398
Increase/(decrease) in accrued liabilities and deferred income	180	(0)	180
Other changes in net working capital	7,825	(3,437)	4,388
<b>3. Cash flow after changes in nwc</b>	<b>(16,403)</b>	<b>(1,831)</b>	<b>(18,234)</b>
Other adjustments			
Interest collected/(paid)	(5,786)	(387)	(6,172)
(Income taxes paid)	(9,017)	0	(9,017)
(Use of provisions)	(5,701)	0	(5,701)
<b>4. Cash flow after other adjustments</b>	<b>(20,503)</b>	<b>(387)</b>	<b>(20,890)</b>
<b>Cash flow from operating activities (A)</b>	<b>(521)</b>	<b>(16,871)</b>	<b>(17,392)</b>
<b>B. Cash flows from investment activities</b>			
Tangible fixed assets			
(Investments)	(19,460)	(22,974)	(42,434)
Disinvestments	1,923	0	1,923
Intangible fixed assets			
(Investments)	(2,355)	(17)	(2,372)
Disinvestments	0	0	0
Financial fixed assets			
(Investments)	(16,883)	7,875	(9,008)
Disinvestments	48	0	48
Non-fixed financial assets			
(Acquisition of business units net of cash and cash equivalents)	86	0	86
Sale of business units net of cash and cash equivalents	(99)	0	(99)
<b>Cash flow from investment activities (B)</b>	<b>(36,740)</b>	<b>(15,116)</b>	<b>(51,856)</b>
<b>C. Cash flows from financing activities</b>			
Third-party means			
Increase (decrease) in short-term payables to banks	32,370	611	32,982
New loans	29,975	30,230	60,205
Loan repayments	(13,596)	0	(13,596)
Repayments of loans to shareholders	(186)	0	(186)
Increase (decrease) in short-term payables to bondholders	(11,550)	0	(11,550)

Increase (decrease) in short-term payables to other lenders	(9)	(24)	(33)
Own resources			
Dividends paid	0	0	0
<b>Cash flow from financing activities (C)</b>	<b>37,004</b>	<b>30,818</b>	<b>67,822</b>
<b>Increase (decrease) in cash and cash equivalents (A ± B ± C)</b>	<b>(256)</b>	<b>(1,169)</b>	<b>(1,425)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>68,979</b>	<b>1,629</b>	<b>70,608</b>
<b>Cash and cash equivalents at end of year</b>	<b>68,722</b>	<b>460</b>	<b>69,183</b>

## Information on financial statements items

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

### 1) Intangible fixed assets

The composition of the item is as follows.

	Start-up and expansion costs	Development costs	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Fixed assets in progress and advances	Other intangible fixed assets	Total
<b>(thousand €)</b>							
<b>Net opening value 31.12.2021</b>	<b>23</b>	<b>1,870</b>	<b>3,373</b>	<b>47</b>	<b>3,430</b>	<b>19</b>	<b>8,762</b>
Acquisitions	506	10	140	26	1,710	3	<b>2,395</b>
Reclassifications	-	187	26	(26)	(187)	-	-
Sales	-	-	-	-	-	-	-
Write-downs	-	-	-	-	(58)	-	(58)
Translation differences	(6)	151	168	3	63	1	379
Amortisation/depreciation	(10)	(611)	(943)	(28)	-	(17)	<b>(1,610)</b>
Change in the scope of consolidation	-	-	-	-	-	-	-
<b>Net closing value 31.12.2022</b>	<b>513</b>	<b>1,607</b>	<b>2,763</b>	<b>22</b>	<b>4,958</b>	<b>6</b>	<b>9,869</b>

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

#### Development costs

The Group pursues a development activity aimed at obtaining and deploying new initiatives in order to

improve the sustainability and diversification of the business. The net balance amounted to Euro 1,607 thousand (Euro 1,870 thousand). The amount also includes activities supported by Renco Power in previous years for the realization of the investment in Armpower, as well as various investments in Mozambique, including the construction of the port of Pemba.

Amortisation for the period amounted to Euro 611 thousand.

### Patents and intellectual property rights

The net balance amounts to Euro 2,763 thousand (Euro 3,373 thousand) and includes the rights relating to the use and exploitation of third-party software. The increase in the year just passed, equal to Euro 140 thousand, mainly relates to costs incurred for the streamlining of the JDE Oracle management system.

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

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

Amortisation for the period amounted to Euro 943 thousand.

### Fixed assets in progress and advances

Investments in progress and advances amount to Euro 4,958 thousand and refer to the capitalisation of development costs on projects not yet completed, including development costs inherent in initiatives in Italy for Euro 870 thousand, in Mozambique for Euro 1,948 thousand, in Armenia for Euro 422 thousand and in Congo for Euro 875 thousand.

The write-down during the year, equal to Euro 58 thousand, refers to development costs capitalised in 2021, relating to projects considered no longer strategic for the Group.

### Other intangible fixed assets

The net balance amounts to Euro 6 thousand (Euro 19 thousand) and consists mainly of the capitalization of ancillary charges and preliminary investigation expenses in respect of the medium/long-term bank loans taken out by Renco S.p.A. prior to 2016. Amortisation for the period amounted to Euro 17 thousand.

## 2) Tangible fixed assets

The composition of the item is as follows.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Fixed assets	Total
<b>(thousand €)</b>						
<b>Net opening value 31.12.2021</b>	<b>347,987</b>	<b>11,404</b>	<b>7,450</b>	<b>6,851</b>	<b>13,127</b>	<b>386,819</b>
Acquisitions	6,540	215	2,587	854	14,820	<b>25,016</b>



Reclassifications	(26,486)				(680)	<b>(27,166)</b>
Disposals	(1,125)	(7)	(35)	(116)	(351)	<b>(1,634)</b>
Amortisation/depreciation	(12,096)	(3,368)	(1,792)	(1,911)		<b>(19,167)</b>
Translation differences	19,750	843	468	465	587	<b>22,113</b>
Change in the scope of consolidation	(11,507)		(68)	(129)		<b>(11,704)</b>
<b>Net closing value 31.12.2022</b>	<b>323,063</b>	<b>9,087</b>	<b>8,608</b>	<b>6,013</b>	<b>27,503</b>	<b>374,274</b>

### Land and buildings

They amount to Euro 323,063 thousand (Euro 347,987 thousand).

The increase deriving from the acquisitions for the year amounted to Euro 6.5 million and is attributable to the improvement work carried out on the Group's structures, of which Euro 2.1 million in Kazakhstan and Russia, Euro 1.1 million in Congo (relating to industrial bases, extraordinary maintenance of the Hilton Hotel in Pointe Noire and the management offices), Euro 1.3 million in Mozambique, Euro 1.2 million in Armenia (relating to the hotel and the Group's residential and management structures), Euro 0.8 million still in Armenia on Armpower and Euro 0.1 million on Italian companies.

The reclassifications refer to the land of Viserba that following the start of the development of the real estate initiative, as widely described in the Report on operations, was recognised under the item "Products in progress and semi-finished products".

The decreases for the year, for a total of Euro 12.6 million, relate to Euro 1.1 million for the sale of land and some real estate units held in Yerevan by the company Armenia Valore and Euro 11.5 million for the deconsolidation of the Hotel Yerevan following the sale during the period, the operation of which is described in the previous paragraphs to which reference is made.

Depreciation and amortisation for the period amounted to Euro 12.1 million and the exchange effects were positive in the year for Euro 19.8 million.

Pursuant to the A.S. OIC no. 16, the value of the land on which the buildings exist has been spun off and recognised separately.

### Plant and machinery

They amount to Euro 9,087 thousand (Euro 11,404 thousand).

The increases of the period, equal to Euro 0.2 million, are due to the purchase of machinery used to carry out the orders or for the functionality of the structures.

Depreciation and amortisation for the period amounted to Euro 3.4 million and the exchange effects were positive in the amount of Euro 0.8 million.

### Industrial and commercial equipment

They amount to Euro 8,608 thousand (Euro 7,450 thousand).

The increases, equal to Euro 2.6 million, are due to the purchase of equipment for the implementation of the operational orders of the Group. In particular, the increases relate to Renco S.p.A. for Euro 1.7 million and are related to the activities related to the work on the Superbonus 110.

Depreciation and amortisation for the period amounted to Euro 1.8 million and the exchange effects were positive in the amount of Euro 0.5 million.

## Other assets

They amount to Euro 6,012 thousand (Euro 6,850 thousand).

The increase of Euro 0.9 million is mainly attributable to the purchase of goods, trucks and vehicles by Renco S.p.A. companies.

Depreciation and amortisation for the period amounted to Euro 1.9 million and the exchange effects were positive for Euro 0.5 million.

## Fixed assets in progress and advances

They amount to Euro 27.5 million (Euro 13.1 million) and refer to:

- Euro 10 million for the construction of the 1,500-bed camp (“Men Camp Hotel”) in Palma, Mozambique, held by Real Moz; Euro 2.2 million to other ongoing investment initiatives.
- Euro 13.7 million to the activities of expansion of the port facility, as better described in the dedicated paragraph of the Report on operations;
- Euro 2.3 million to other ongoing investment initiatives.

## 3) Financial fixed assets

The composition of the item is as follows.

(thousand €)	31.12.2021	Increases	Decreases	31.12.2022
Equity investments in:				
b) Subsidiaries	1,142	57	(1,132)	67
b) Associated companies	1,388	1,835	(1,413)	1,810
d) Other companies	149	3,450		3,599
Receivables from:				
a) Subsidiaries	452	20	(452)	20
b) Associated companies	30,773	8,258	(2,333)	36,698
d) From others	31	6	(11)	26
Active derivative instruments	229	15,074		15,303
<b>Total</b>	<b>34,164</b>	<b>28,700</b>	<b>(3,971)</b>	<b>57,523</b>

## Equity investments

Changes which took place in the item equity investments are as a result of:

(thousand €)	Equity investments in subsidiaries	Equity investments in associated companies	Equity investments in other companies
<b>Balance as of 31.12.2021</b>	<b>1,142</b>	<b>1,388</b>	<b>149</b>
Increases during the year	57	1,444	3,450
Translation exchange differences	(652)		
Change in the scope of consolidation	(88)		
Reclassifications	(392)	(980)	
Decreases during the year			
Revaluations during the year			

Write-downs during the year		(43)	
<b>Balance as of 31.12.2022</b>	<b>67</b>	<b>1,810</b>	<b>3,599</b>

### Non-consolidated subsidiaries

The following information is provided regarding the shareholding held directly or indirectly for subsidiaries and associated companies (Article 2427, first paragraph no. 5 of the Italian Civil Code).

Changes in equity investments in non-consolidated subsidiaries are shown in the following table:

(thousand €)	31.12.2021	Increases	Decreases	Exchange Effect	Other adjustments	31.12.2022
Renco-Lancia-Iter Consortium	65		(65)	-		-
Renco Food Srl	88			-	(88)	-
Renco Wayoe Ghana	-			-		-
Greenergo	10			-		10
Rebar S.A.		57		-		57
Salinella Eolico	979		(587)	-	(392)	-
<b>Total</b>	<b>1,142</b>	<b>57</b>	<b>(652)</b>	<b>-</b>	<b>(480)</b>	<b>67</b>

The transactions carried out during the year essentially concern the liquidation and closure of the Renco Lancia Iter Consortium, the merger by incorporation of Renco Food S.r.l. into Renco Valore S.p.A. with effect from 1 January 2022, the initial subscription of the share capital of Rebar S.A., the disposal of 60% of the company Salinella Eolico S.r.l. and consequent reclassification among the associated companies. In February 2022, the Swiss company Rebar S.A. was created, with the aim of intercepting future prospects for job acquisition and development in the hospital sector. Renco S.p.A. participates in the company holding 60% of the share capital.

In January 2022, 60% of the share capital of Salinella S.r.l. was sold at a value equal to the carrying value, Euro 587 thousand, forming part of the equity investments in associated companies of the Renco Group.

(€ migliaia)	Headquarters	Share capital	Shareholders' equity at 31.12.2022	Profit (loss) at 31.12.2022	% Ownership	Book value
Renco Foundation <sup>(1)</sup>	Italy	€104	88	(15)	100.0%	-
Renco Wayoe Ghana <sup>(1) (2)</sup>	Ghana	936 GHS			90.0%	-
Greenergo <sup>(2)</sup>	Italy	€10	8	(2)	100.0%	10
Rebar S.A. <sup>(1) (2)</sup>	Switzerland	100 CHF			60.0%	57
<b>Total</b>						<b>67</b>

<sup>(1)</sup> Measured with the cost method

<sup>(2)</sup> Unavailable balance sheet values

## Associated companies

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

(€ thousand)	31.12.2021	Increases	Decreases	Exchange Effect	Other adjustments	31.12.2022
Renco Irem Costrucoes	-	-	-	-	-	-
Renco Nigeria	8	-	-	-	(8)	-
Real Estate Management	9	1,362	-	-	(1,371)	-
Darin Construction	642	-	-	-	-	642
Trademark Italy LLP	0	-	-	-	-	0
Tolfa Care	715	-	-	-	(35)	680
Nova Portum	3	81	-	-	-	84
Green Factory	-	1	-	-	-	1
Salinella Eolico	-	-	-	-	392	392
Niassa Sanctuary	-	-	-	-	-	-
Central Solar Mozambique	-	-	-	-	-	-
Renco Energy Services LTD	10	-	-	-	-	10
Velofirma	-	-	-	-	-	-
<b>Total</b>	<b>1,388</b>	<b>1,444</b>	<b>-</b>	<b>-</b>	<b>(1,022)</b>	<b>1,810</b>

The increases for the period, for a total of Euro 1,444 thousand, are related to:

- Euro 81 thousand to the conversion equity investment account of Nova Portum of part of the financial loan against the settlement of losses for the period;
- Euro 1,362 thousand to the conversion into equity investment account Real Estate Management carried out following the waiver of the equal amount of the financial loan held towards the REM. The increase is premonitory to the sale of REM that was finalised in March 2023, as better described in the paragraph “Information on significant events that occurred after the end of the year” to which reference is made. In view of the developments in the sale transaction, the shareholding was reclassified entirely under the current item “Financial assets other than fixed assets”.

The item “Other adjustments”, in addition to the reclassification of the REM, also contains the reclassification from the item “Non-consolidated subsidiaries” to the item “Associated companies” of the value of the shareholding of Salinella Eolico, for Euro 392 thousand, and the write-down of Euro 8 thousand of Renco Nigeria. The effect on Tolfa Care, equal to Euro 35 thousand negative, derives from the valuation of the company’s using the equity method.

<b>(€ thousand)</b>	<b>Headquarters</b>	<b>Share capital</b>	<b>Shareholders' equity at 31.12.22</b>	<b>Profit (loss) at 31.12.22</b>	<b>% Ownership</b>	<b>Book value</b>
Renco Irem Costrucoes <sup>(1)</sup>	Mozambique	1	(1,836)	88	25.0%	
Renco Nigeria <sup>(1)</sup>	Nigeria	n.a.	n.a.	n.a.	30.0%	
Real Estate Management <sup>(1)</sup>	Italy	10	8,727	180	31.3%	1,371
Darin Construction <sup>(1)</sup>	Kazakhstan	44	(9,764)	476	49.0%	642
Trademark Italy LLP <sup>(1) (3)</sup>	Kazakhstan		(3,882)	(725)	50.0%	0
Tolfa Care <sup>(2)</sup>	Italy	813	1,590	(80)	47.6%	680
New Portum <sup>(1) (4)</sup>	Italy	10	(1,056)	(254)	30.0%	84
Green Factory <sup>(1)</sup>	Italy	10	(29)	(39)	10.0%	1
Wind Salinella <sup>(1)</sup>	Italy	10	(5,358)	(5,462)	40.0%	392
Niassa Sancturary <sup>(1) (3)</sup>	Mozambique	1	(6)	43	50.0%	
Central Solar Mozambique <sup>(1) (3)</sup>	Mozambique	1	1		25.0%	
Renco Energy Services LTD <sup>(1)</sup>	Nigeria	n.a.	n.a.	n.a.	49.0%	10
Velofirma <sup>(1)</sup>	Armenia	7	(9,213)	2,495	53.7%	
<b>Total</b>						<b>3,180</b>
<b>Reclassification to "Financial assets other than fixed assets"</b>						<b>(1,371)</b>
<b>Total</b>						<b>1,810</b>

<sup>(1)</sup> Measured with the cost method

<sup>(2)</sup> Measured with the equity method

<sup>(3)</sup> Values referring to the financial statements 31.12.2021

<sup>(4)</sup> Values referring to the financial statements 31.07.2022

Following the sale of 60% of Salinella S.r.l., the sold company was recognised as an associated companies. Salinella S.r.l. became part of the Ascopiave group and at the end of the year, as part of the rules applied by the Veneto group, an impairment exercise was carried out on the company's assets with consequent write-down, although the asset is under construction and the initial assumptions that led the two groups to collaborate for the development of the wind farm in Calabria have not changed. At 31 December 2022, the shareholders' equity of Salinella S.r.l. was negative for Euro 5,358 thousand; therefore, on 13 April 2023, an extraordinary meeting of the company was called, which decided to cover the losses and reconstitute the share capital through the waiver, by the shareholders, of the loans they had made to the competition. In order to take into account the requirements provided for by the combined provisions of art. 2482 bis 2482 ter of the Italian Civil Code, the Renco Group has recorded a provision for risks for the coverage of losses of Euro 2,183 thousand. The value of the shareholding of Euro 392 thousand is considered fully recoverable by the Directors, given that the company is in a phase of construction of the wind farm and the initial relevant conditions (Kwh price and duration of the surface right) used to evaluate the feasibility and cost-effectiveness of the investment have not changed and/or worsened.

It should be noted that, in case of impossibility to obtain the information necessary for the application of the equity measurement method provided for in Article 36 of Legislative Decree 127/91, the cost method was used. In this case, the book value is determined on the basis of the purchase or subscription price.

The cost as determined above is reduced in the event of long-term losses in value; if the reasons for the adjustment are no longer present, the value of the equity investment is restored within the limit of the

acquisition cost.

Pursuant to art. 2426 paragraph 2 of the Italian Civil Code, the registration of the following equity investments at a higher value than the corresponding share of Shareholders' Equity is justified as specified below.

### **Darin Construction**

Darin Construction is a vehicle company for the development of a real estate operation in the centre of Almaty, the economic capital of Kazakhstan, consisting of a multifunctional complex. The real estate complex was completed in 2018 and is spread over 11 floors above ground and 3 underground floors, for a total gross area of 51 thousand square meters divided into two blocks. The first block is dedicated to a 4-star hotel, affiliated with the Accor brand, which went into operation in 2018 and occupies a total area of 8,287 square meters. The second block, dedicated to the management and commercial part, contains a shopping centre, apartments, management offices, a sky restaurant on the top floor and underground parking, on which the company performs fit out work works as the surfaces are rented. The percentage of occupancy of the managerial part reached 100% in April 2022.

The investment in 2022 was fully operational, while the hotel is still suffering from the slowdown caused by the impact of the pandemic. In 2022 the company recorded revenues of Euro 5.4 million, an Ebitda of 1.6 million and repaid Euro 540 thousand of loans to Renco Valore S.p.A.

The higher book value of the equity investment is mainly justified by the higher value of the fixed assets owned by the investee as documented by a special appraisal drawn up by independent consultants specifically appointed by the Management. Once the investments have become fully operational, it is expected that the company will develop cash flows that will rebalance its economic and financial situation. To date the company is still in the advanced start-up phase of the management and lease activities of the property, therefore the Directors consider the impact of the non-adjustment to equity of the investment on the consolidated financial statements to be negligible, in view of its insignificance of the same in the Group's current operations and because the company's equity and result for the period are considerably impacted by the unrealised exchange loss recorded on the shareholder loan received in Euro.

### **Velofirma**

Velofirma is a vehicle company for the development of an important buildable lot near the historical centre of the capital of Armenia, Yerevan. The company that owns the lot completed the first development phase in 2015 with the inauguration of the Yerevan City Centre hotel associated with the Double Tree by Hilton chain. The higher book value of the equity investment is mainly justified by the higher value of the fixed assets owned by the investee, as per the valuation appraisal prepared by Scot Holland. In 2022, the company recorded revenues of Euro 2,966 thousand and an EBITDA of Euro 1,177 thousand, equal to 24% of revenues. The company is developing cash flows that will rebalance the company's economic and financial situation.

Finally, it should be noted that the company Velofirma is not consolidated as the Group, on the basis of shareholder agreements with other shareholders, does not have control of the investee itself; the agreements also provide for the gradual purchase of the majority by local partners and the permanence of the Renco Group with a 20% shareholding percentage.

During the year, the Armenian company Nuovo Velodromo sold, for 5 thousand Euro, 53.7% of its shares in the company Velofirma to Renco Valore S.p.A. The transaction was carried out with the aim of separating the two Armenian companies and promoting future real estate development on the land owned by Nuovo Velodromo.

For the companies Renco Nigeria and Renco Energy Services, at the date of preparation of this docu-

ment, no definitive data are available; the Directors consider, however, from the information in their possession, the impact in the consolidation of the failure to adjust to the equity of the equity investment, in consideration of the irrelevance of the same in the current operation of the Group, to be insignificant.

## Other companies

Changes in equity investments in other companies are shown in the following table:

(€ thousand)	31.12.2021	Increases	Decreases	Exchange Effect	Other adjustments	31.12.2022
Cedecorp SA-Camerun	23	-	-	-	-	23
Prom Invest Engin Atyrau	0	-	-	-	-	0
Partecipazione Conai	0	-	-	-	-	0
Kairos Air SPA	100	-	-	-	-	100
JSC Astanaenergосervic	26	-	-	-	-	26
Excelerate Renco FPB	-	3,450	-	-	-	3,450
<b>Total</b>	<b>149</b>	<b>3,450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,599</b>

## Receivables

(€ thousand)	Receivables from subsidiaries	Receivables from associated companies	Receivables from others
<b>Balance as of 31.12.2021</b>	<b>452</b>	<b>30,773</b>	<b>31</b>
Increases during the year	20	6,476	6
Decreases during the year	(452)	(551)	(11)
<b>Balance as of 31.12.2022</b>	<b>20</b>	<b>36,698</b>	<b>26</b>

Receivables from non-consolidated subsidiaries, amounting to Euro 20 thousand (Euro 452 thousand at 31 December 2021), consist of receivables from the subsidiary Rebar S.A. held by the company Renco S.p.A.

The decrease of Euro 452 thousand is due to the reclassification of the amount among receivables from associated companies, carried out following the sale of 60% of the company.

Receivables from associated companies amounting to Euro 36,698 thousand (Euro 30,773 thousand at 31 December 2021) consist of:

- receivables from the associated company Velofirma from Renco Valore S.p.A. for Euro 4,769 thousand (Euro 3,683 thousand at 31 December 2021), which increased by Euro 1,086 thousand as a result of the exchange rate adjustment recorded at the end of the period; the Directors consider the receivable fully recoverable, by virtue of the investments made and the initiatives relating to the investee, already described in the paragraph relating to equity investments;
- receivables from the associated company Real Estate Management S.r.l. for Euro 452 thousand (Euro 2,164 thousand at 31 December 2021) held by the company Renco Valore S.p.A. During the period Ren-

co Valore collected Euro 350 thousand loans as repayment, waived part of the financial loan of Euro 1,362 thousand to recapitalise the company in view of the imminent sale, as better described in the paragraph “Significant events during the year”. The amount of the financial loan at 31 December 2022, equal to Euro 452 thousand, was fully collected in March 2023;

- receivables from the associated company Darin Construction for Euro 12,770 thousand (Euro 13,311 thousand as at 31 December 2021) due from the company Renco Valore S.p.A., the change of Euro 540 thousand is given by the repayment of the loan received in the period. It is recalled that the Group owns 25% of the company Darin Construction and the financial loan has been disbursed in order to finance the share of its own relevance in the real estate development operation, as better described in the paragraph “Associated companies” of these explanatory notes, whose expected cash generation will also be used for the repayment of the loans received from the shareholders. Based on developments and the latent surplus value in the properties held by the associate, the directors consider the amount of receivables fully recoverable;
- receivables from affiliated companies Trade Mark Italy LLP, for Euro 955 thousand (Euro 1,555 thousand at 31 December 2021), and Niassa Sanctuary LTD, for Euro 443 thousand, provided to support the companies. During the period, a provision for write-down of Euro 800 thousand relating to the financial loan of Trade Mark Italy LLP was allocated;
- receivables from the company Renco Irem Construcoes of Euro 8,212 thousand (Euro 7,125 thousand at 31 December 2021). The company is leader of the local consortium that is following important construction work for the CCS client;
- receivables from the company Central Solar Mozambique for Euro 308 thousand, disbursed for the development of a photovoltaic project in Mozambique (as better indicated in the Report on operations), from Renco Nigeria for Euro 1,885 thousand and from Renco Energy Service for Euro 431 thousand;
- receivables from the company Salinella Eolico for Euro 4,832 thousand. The change of the period is given by the reclassification of Euro 452 thousand from the item “Receivables from subsidiaries” to the item “Receivables from associated companies”, and by the new disbursements, for Euro 4,380 thousand, to support the investment for the construction of a wind farm in Calabria, which will have an installed capacity of about 22 MW;
- receivables from Nova Portum S.r.l. for Euro 1,638 thousand (Euro 760 thousand at 31 December 2021). In the period the value of the receivable was restored for Euro 800 thousand and Euro 159 thousand were disbursed to support the real estate investment in the area of the former Agricultural Consortium located at the port of Pesaro.

Nova Portum S.r.l. has undertaken a real estate development initiative called “Calata 52” whose project involves the construction and marketing of units for residential and commercial use near the port of Pesaro. The construction activities started at the end of 2020 suffered a voluntary interruption, decided by the company in a precautionary manner, as a result of the initiation of an investigation promoted by the Pesaro authority. The question under examination originates from a statement submitted by the local Harbourmaster’s Office, which objected to the regularity of the building permit issued by the competent Municipality of Pesaro, this in consideration of the specific reference of destinations settled in the area. In view of this, the company had cautiously suspended all activities as soon as it had received news of the opening of the de quo procedure. Finally, it should be noted that the company had already paid the Municipality of Pesaro an amount for the Urbanization Charges equal to 2.2 million Euro.

The preliminary investigations were concluded with the postpone sentencing of the suspects (Legal Rep-



representative of Nova Portum srl. Project Manager and Site Manager). Prior to the initiation of the criminal proceedings, Nova Portum S.r.l. resorted to the TAR (Regional Administrative Courts) of Ancona in order to obtain certainty regarding the legitimacy of the Building Permit issued by the Municipality of Pesaro, in light of the statements made by the Director of the Municipality of Pesaro during the preliminary investigations that admitted the existence of a misuse in the Regulatory Plan that the Municipality considered superseded by conclusive facts.

The TAR ruled declaring the legitimacy of the Building Permit requiring the Municipality of Pesaro to cancel the misprint in the Master Plan. The Municipality proceeded with the cancellation.

Finally, the defendants requested the abbreviated rite so as to be able to quickly conclude the Criminal Procedure that in fact ended in February 2023 with a sentence of complete absolution with the formula “because there is no case to answer”.

In light of the above, the Group and the Directors considered that the appropriation set in 2021 of 800 thousand Euro was no longer necessary.

The changes in the item receivables are as follows:

(€ thousand)	31.12.2021	New disbursements	Repayments	Exchange Effect	Write-downs	Other movements	31.12.2022
Due from subsidiaries	452	20	-	-	-	(452)	20
Due from associated companies	30,773	6,476	(2,333)	1,330	-	452	36,698
Due from others	31	6	(8)	(3)	-	-	26
<b>Total</b>	<b>31,256</b>	<b>6,502</b>	<b>(2,341)</b>	<b>1,327</b>	<b>-</b>	<b>0</b>	<b>36,744</b>

Receivables from others, equal to Euro 26 thousand (Euro 31 thousand), consist of guarantee deposits.

The movement of the item “Other movements” includes the reclassification of the receivable from the company Salinella S.r.l., which became connected following the sale of 60% of the shareholding at the beginning of the year.

The breakdown of receivables as of 31.12.2022 by geographic area is shown in the following table (Article 2427, first paragraph, no. 6, Civil Code).

(€ thousand)	Italy	Europe	Africa and Middle East	Rest of the World	Total
Due from subsidiaries	-	20	-	-	20
Due from associated companies	6,923	-	16,049	13,726	36,698
Due from others	18	-	8	-	26
<b>Total</b>	<b>6,941</b>	<b>20</b>	<b>16,057</b>	<b>13,726</b>	<b>36,744</b>

## Other securities and derivative instruments

(€ thousand)	Other Securities	Active derivative instruments
<b>Balance as of 31.12.2021</b>	-	<b>229</b>
Increases during the year	-	15,074
Decreases during the year	-	
<b>Balance as of 31.12.2022</b>	-	<b>15,303</b>

The item Active derivative instruments, equal to Euro 15,303 thousand, represents the temporal valuation of derivatives as at 31 December 2022. For a more in-depth description of derivative instruments, please refer to the specific section of these explanatory notes.

## 4) Inventories

(thousand €)	31.12.2021	31.12.2022	Changes
Inventories:			
1) Raw materials, ancillary materials and consumables	3,508	3,518	10
2) Product in progress and semi-finished products	87	32,064	31,977
3) Contract work in progress	282,144	395,497	113,353
4) Finished products and goods	12,564	12,648	84
5) Advances	-	-	-
<b>Total</b>	<b>298,303</b>	<b>443,728</b>	<b>145,424</b>

The valuation criteria adopted are unchanged from the previous year and are described in the first part of these Explanatory Notes.

The item Products in progress and semi-finished products includes the real estate development activities that the Group is carrying out on the land of Viserba, for more information please refer to the specific paragraph of the Report on operations. The change of the period of Euro 31,977 thousand is given by the reclassification of the land from the item Land and Buildings to the item Products in progress and semi-finished products, for Euro 26,486 thousand, is from the processing of the period on the first building lot for Euro 5,491 thousand.

With regard to contract work in progress on ultra-annual orders, it should be noted that the same, as specified in the first part of the Explanatory Notes, are evaluated on the basis of the percentage of completion. Advances received from customers are recognised in the Liabilities of the Balance Sheet under item 6 of class D.

In view of the acquisition of the orders, the group undertakes to issue both bank and insurance guarantees to guarantee the completion of the same orders; the extent of the commitments assumed by the group is indicated in the paragraph "Commitments, guarantees and contingent liabilities not resulting from the balance sheet" of these explanatory notes.

The increase in contract work in progress equal to Euro 113,353 thousand derives from the progress of the production of orders already acquired in the past, which contributed to the change for Euro 132,912 thousand, and of the orders acquired in the year, for Euro 81,262 thousand, counterbalanced by the effect of the closure of orders acquired in the past and completed in the period, for Euro 100,844 thousand. A strong contribution to the positive change in inventories is given by the progress of activities recorded on the works contracts related to the Superbonus 110, for Euro 103,665 thousand, on the Evedrup gas compression station, for Euro 32,673 thousand, on the construction of the aqueduct in Kazakhstan, for Euro 28,980 thousand, and on the construction of the wind farm in Calabria, for Euro 16,469 thousand. The negative change was recorded as a result of the closure of the orders relating to Sarir Libya, for Euro 55,158 thousand, and to LNG Canada, for Euro 26,825 thousand.

The work portfolio as of 31 December 2022 with reference to the ongoing orders of the Buildings and Energia business lines, excluding Armpower as a management activity, amounted to Euro 1,394 million, of which Euro 992 million to be produced.

Finished products and goods include a building located in Rome worth Euro 5,900 thousand (Euro 5,900 thousand at 31 December 2021), used as a civil dwelling, purchased for resale by Renco Real Estate S.r.l. in May 2015; the property was granted to third parties on the basis of a rent to buy contract. The asset is recorded at the presumed realisable value, corresponding to the consideration agreed in the rental to buy contract in the event of exercising the purchase option.

Regarding the progress of the ongoing orders and the related valuation of inventories, it should be noted that the situation at national and international level created by the conflict could produce consequences also in 2023. The Directors constantly monitor the developments of the situation and note that the conflict has not had effects on the processing of existing orders.

## 5) Receivables

The balances of consolidated receivables, included in current assets after the elimination of intra-group values, are thus divided according to collectability.

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Changes</b>
Receivables			
1) From Customers	54,473	85,354	30,881
2) From Subsidiaries	87		(87)
3) From Associated Companies	7,482	11,550	4,068
5-bis) For tax receivables	15,062	15,212	150
5-ter) For prepaid taxes	10,921	18,603	7,682
5-quater) From Others	24,841	30,808	5,967
<b>Total</b>	<b>112,866</b>	<b>161,527</b>	<b>48,661</b>

The balance is thus divided according to the deadlines (art. 2427, point 6 of the Civil Code).

<b>(€ thousand)</b>	<b>Within 12 months</b>	<b>Beyond 12 months</b>	<b>Beyond 5 years</b>	<b>Total</b>
Receivables				

1) From Customers	85,354	-	-	85,354
2) From Subsidiaries		-	-	
3) From Associated Companies	11,550	-	-	11,550
5-bis) For tax receivables	15,185	27	-	15,212
5-ter) For prepaid taxes	18,603	-	-	18,603
5-quater) From Others	18,747	12,061	-	30,808
<b>Total</b>	<b>149,439</b>	<b>12,088</b>	<b>-</b>	<b>161,527</b>

The receivables are thus divided according to the geographic areas of operation of the debtor (art. 2427, point 6 of the Civil Code).

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>
Italy	30,407	68,946
European Union	11,032	9,828
Former CIS countries	33,592	43,759
Africa	30,577	28,040
Middle East	6,683	7,314
Other	576	3,641
<b>Total</b>	<b>112,866</b>	<b>161,527</b>

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

### Receivables from customers

The item “receivables from customers” equal to Euro 85,354 thousand (Euro 54,473 thousand) is stated net of the provision for bad debts of Euro 2,545 thousand (Euro 2,328 thousand), which in 2022 increased by Euro 217 thousand compared to the previous year.

The change in receivables from customers, amounting to Euro 30,881 thousand, is attributable to the increase in trade receivables relating to Superbonus 110, which have different conditions and collection logics compared to EPC or Services orders, and to the receivable deriving from the sale of the Yerevan Hotel at the end of the period, amounting to Euro 17,814 thousand. The percentage incidence of trade receivables on the value of production to third parties in the last 12 months goes from 19% at 31 December 2021 to 20% on 31 December 2022, substantially in line with the previous year. It should also be noted that in the first months of 2023, the trend of receivables from third-party customers does not show criticality.

The adjustment of the par value of the receivables to the presumed realisable value was obtained through a specific provision for bad debts that suffered, during the year, the following movements.

<b>(thousand €)</b>	<b>31.12.2021</b>	<b>Use</b>	<b>Provisions</b>	<b>Translation exchange differences</b>	<b>31.12.2022</b>
Provision for bad debts from current assets	2,328	(409)	596	31	2,545

The provision established at 31 December 2022 is considered adequate to cover both the specific situa-

tions, which have already manifested situations of non-performance during the current year, and the risks of non-performance implicit in “performing” receivables.

### Receivables from associated companies

The item “receivables from associated companies”, equal to Euro 11,550 thousand (Euro 7,482 thousand at 31 December 2021) consists exclusively of trade receivables and are represented by:

- receivables from the associated company Velofirma for Euro 1,453 thousand (Euro 1,008 thousand as at 31 December 2021), claimed of Euro 1,007 thousand (Euro 783 thousand as at 31 December 2021) by the subsidiary Renco Armestate, of Euro 251 thousand (Euro 105 thousand as at 31 December 2021) by the company Renco S.p.A., of Euro 52 thousand by Renco Valore S.p.A. and of Euro 143 thousand (Euro 68 thousand as at 31 December 2021) by Renco Asset Management S.r.l.;
- receivables from the affiliated company Renco Nigeria for Euro 680 thousand (Euro 2,001 thousand last year as of 31 December 2021), claimed by Renco Congo Sarlu;
- receivables from the affiliate Tolfa Care S.r.l. for Euro 11 thousand (Euro 43 thousand last year) claimed by Renco Asset Management S.r.l.;
- receivables from the associate Darin Construction for Euro 1,256 thousand (Euro 1,107 thousand last year as of 31 December 2021) claimed for Euro 1,018 thousand by Renco Valore S.p.A., Euro 114 thousand by Renco Kat, Euro 116 thousand by Renco Property and Euro 8 thousand by Renco S.p.A.;
- receivables from the affiliated company Real Estate Management S.r.l. for Euro 18 thousand (Euro 29 thousand last year) fully claimed by Renco Asset Management S.r.l.;
- receivables from the subsidiary Renco Energy Services for Euro 1,058 thousand, held by Renco S.p.A.;
- receivables from the associate Renco Irem Costrucoes Lda for Euro 5,429 thousand (Euro 1,779 thousand at 31 December 2021) claimed by Renco S.p.A. for Euro 147 thousand, by Rencotek Lda for Euro 5,250 thousand and by Mozestate for Euro 32 thousand;
- receivables from the subsidiary Trademark Italy for Euro 1,239 thousand (Euro 1,046 thousand at 31 December 2021), claimed by Renco Valore S.p.A. for Euro 597 thousand, by Renco Property for Euro 517 thousand, by Renco Kat for Euro 9 thousand and by Renco S.p.A. for Euro 116 thousand;
- receivables from the affiliated company Niassa Sanctuary for Euro 175 thousand, claimed by Renco S.p.A.;
- receivables from the associate Central Solar de Mecufi for Euro 188 thousand, claimed by Renco Energia;
- receivables from the affiliated company Nova Portum S.r.l. for Euro 43 thousand, claimed by Renco S.p.A.

### Tax receivables

The item “tax receivables” equal to Euro 15,212 thousand (Euro 15,062 thousand at 31 December 2021) is thus constituted.

(€ thousand)	31.12.2021	31.12.2022	Changes
Tax receivables			
Foreign tax receivable	975	121	(854)
Receivables for tax bonuses related to Superbonus 110	-	982	982
Tax receivables	4,796	4,655	(141)
VAT receivables	8,474	8,407	(66)

Other tax receivables	818	1,047	229
<b>Total</b>	<b>15,062</b>	<b>15,212</b>	<b>150</b>

The item receivables for taxes paid abroad is solely attributable to Renco Group S.p.A. and refers to taxes paid abroad through the operating companies of Italian subsidiaries.

The item credits for tax bonuses related to Superbonus 110, of a total of Euro 982 thousand, includes the credits recognised on the 110 tax bonus but not yet collected.

The item VAT receivables refers to the annual VAT receivable accrued from ordinary trading transactions.

### Receivables for deferred tax assets

Receivables for prepaid taxes amounting to Euro 18,603 thousand (Euro 10,921 thousand at 31 December 2021) relate to deductible temporary differences, including on tax losses carried forward, for a description of which reference is made to a specific paragraph in the last part of these Explanatory Notes. They are considered recoverable with reasonable certainty through future taxable profits.

(thousand €)	31.12.2021	Provisions	Uses	Translation exchange differences	Other movements	31.12.2022
Receivables for deferred tax assets	10,921	10,004	(2,627)	310	(5)	18,603

The item also includes receivables for prepaid taxes relating to the Armenian company Armpower, for Euro 9,762 thousand. Prepaid and deferred taxes on Armpower are recognised on temporary differences arising from the values of the assets and liabilities present in its statutory financial statements, the so-called “functional currency” is the USD, and the values of the assets and liabilities used as the basis of the tax return, which are in punctual DRAM for reference transaction.

### Receivables from others

The item “receivables from others, equal to Euro 30,808 thousand (Euro 24,841 thousand at 31 December 2021) is thus constituted.

(€ thousand)	31.12.2021	31.12.2022	Changes
Receivables from others			
Advances and advances to suppliers	4,671	6,720	2,049
Receivables from employees	1,435	1,146	(289)
Deposits	721	817	96
Receivables from sale of equity investments	8,866	9,154	288
Receivables for rent-to-buy	2,491	2,545	54
Insurance receivables	1,558	9,137	7,579
Receivables from social security institutions	21	59	38
Receivables from Terna	20	22	2
Other miscellaneous receivables	5,059	1,208	(3,850)
<b>Total</b>	<b>24,841</b>	<b>30,808</b>	<b>5,967</b>

Receivables for the sale of equity investments amount to Euro 9,154 thousand (Euro 8,866 thousand at 31

December 2021) and include:

- for Euro 5,453 thousand from receivables deriving from the sale of 50% of the Kazakh subsidiary Renco Kat; compared to the previous year, the aforementioned receivables have not changed and the only differences refer to exchange differences. According to the contractual agreements, the credit will be collected by bank transfers equal to a certain percentage of the profits distributed to the purchasing party as members of Renco Kat for a number of years such as to allow the total payment of the transfer price. By virtue of Renco Kat's development plans and existing agreements, at present the Directors do not detect critical issues in the recoverability of the receivables;
- for Euro 2,776 thousand from receivables deriving from sales up to 19.8% of Real Moz's shares. According to the contractual agreements, the credit will be collected by bank transfers in a similar way to the distribution of the investee's profits;
- for Euro 925 thousand from the credit deriving from the disposals made in the previous period on CD Properties, necessary to rebalance the company shares following the share capital increases subscribed in the past by Renco S.p.A.;

Receivables for rent-to-buy equal to Euro 2,545 thousand (Euro 2,491 thousand at 31 December 2021) are registered in Renco Valore and relate to the change in the rent to buy contract during 2016. Modification that provided for a further deposit by the buyer for the amount of consideration agreed for the sale of the property, taking the amount of Euro 3.7 million. As this is an external takeover with the consent of the bank but not a release, in 2016 the amount of Euro 3.7 million was recorded among the different receivables and among the different payables, an amount that has been reduced over the years to Euro 1.7 million.

Receivables from Terna, equal to Euro 20 thousand (Euro 1.2 million at 31 December 2020), relate to trade receivables from JV Renco Terna. The company is consolidated with the proportional method and the trade credit still open after the consolidated avoidance entries has been reclassified among receivables from others.

The insurance receivables represent the receivables deriving from the insurance coverage activated and recognised by the brokers, the change of the period is attributable to the coverage activated on Arm-power and Renco S.p.A. following the shut-down of the Yerevan power plant, which involved the activation of insurance for the coverage of the costs of the work and for the recognition of the loss of profit deriving from the "business interruption".

## 6) Financial assets other than fixed assets

(€ thousand)	31.12.2021	31.12.2022	Changes
Financial assets other than fixed assets		1,371	1,371
Other securities			
<b>Total</b>		<b>1,371</b>	<b>1,371</b>

The item represents the value of the shareholding in Real Estate Management S.r.l. represented at the end of the period among financial fixed assets that do not constitute fixed assets following the imminent sale of the company, please refer to the paragraph "Information on significant events that occurred after the end of the year" of these Explanatory Notes.

## 7) Cash and cash equivalents

(€ thousand)	31.12.2021	31.12.2022	Changes
Cash and cash equivalents			
Current bank accounts and post-office deposits	68,769	100,186	31,417
Cash in hand and other valuables	414	356	(58)
<b>Total</b>	<b>69,183</b>	<b>100,542</b>	<b>31,359</b>

The balance represents the cash and cash equivalents, the existence of cash and securities at the closing date of the financial year.

## 8) Accrued income and prepaid expenses

They represent the connection items for the year counted against the accrual criterion. The composition of the item is so detailed.

(€ thousand)	31.12.2021	31.12.2022	Changes
<b>Accrued income</b>	<b>66</b>	<b>152</b>	<b>87</b>
- Bank interest income	1	22	21
- Interest income on taxes	4	-	-
- Accruals on insurance	61	130	130
<b>Prepaid expenses</b>	<b>1,991</b>	<b>3,245</b>	<b>1,254</b>
- Rentals and leases	11	301	290
- Insurance	372	879	507
- Software licenses	252	502	250
- Surety charges	396	785	389
- Villa Molaroni lease fees	72	12	(60)
- other	889	766	(123)
<b>Total</b>	<b>2,057</b>	<b>3,398</b>	<b>1,341</b>

They measure income and charges whose competence is advanced or delayed with respect to the numerical and/or documentary manifestation and regardless of the date of payment or collection of the related income and charges, common to two or more years and distributable over time.

## 9) Shareholders' equity

### Shareholders' equity attributable to the Group

(€ thousand)	31.12.2021	Increases	Decreases	31.12.2022
Group shareholders' equity				
Share capital	9,013			9,013
Share premium reserve	25,987			25,987
Revaluation reserve	4,696			4,696



Legal reserve	1,503			1,503
Other reserves	19,403	17,496	(3,973)	32,899
Expected cash flow hedge reserve	(2,151)	16,352		14,201
Retained earnings (accumulated losses) and other reserves	101,440	10,605	(4,670)	107,376
Reserve for purchase of treasury shares	(3,609)			(3,609)
Profit (loss) for the period of the group	8,239	8,533	(8,239)	8,533
<b>Total</b>	<b>164,522</b>	<b>48,986</b>	<b>(12,909)</b>	<b>200,600</b>

La voce Altre Riserve è così composta:

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>31.12.2022</b>
Other reserves				
Extraordinary or optional reserve	24,283		(2,367)	21,916
Capital contributions	25,026	-	-	25,026
Conversion reserves from foreign consolidation	(38,038)	17,469	-	(20,569)
Consolidation reserve	8,132		(1,606)	6,526
<b>Total</b>	<b>19,403</b>	<b>17,496</b>	<b>(3,973)</b>	<b>32,899</b>

The Conversion reserves from foreign consolidation condenses the effect of the consolidation of foreign subsidiaries, having balance sheets with a currency other than the Euro, and is determined according to the consolidation criteria indicated above. The conversion reserve recorded a positive effect of Euro 16,352 thousand as a result of the appreciation recorded on the closing exchange rates of local currencies against the Euro, whose main changes in year-end spot exchange rates were recorded in the Metical +6% (compared to +26% recorded in 2021), in the Armenian Dram +29.5% (compared to +17.8% recorded in 2021) and in the Rouble +8.1% (compared to +7% in 2021). The Kazakh Tenge remained broadly in line with the value of the previous period.

At the closing date of the financial statements, the outstanding securities are no. 901,250 ordinary shares with a par value of Euro 10 each.

### Equity pertaining to minority interest

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Changes</b>
Minority interest			
Capital and reserves	3,832	8,403	4,571
Profit (loss) for the year	(556)	585	1,141
<b>Total</b>	<b>3,276</b>	<b>8,988</b>	<b>5,712</b>

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

## 10) Provisions for risks and charges

(€ thousand)	31.12.2021	Increases	Decreases	31.12.2022
Provisions for risks and charges				
2) Provisions for taxes, including deferred taxes	16,142	5,968	(4,097)	18,013
3) Derivative financial instruments – financial liabilities	4,121		(4,121)	
4) Others	2,541	2,757	(2,541)	2,757
<b>Total</b>	<b>22,804</b>	<b>8,725</b>	<b>(10,759)</b>	<b>20,770</b>

### Provisions for taxes

The tax provision, equal to Euro 18,013 thousand (Euro 16,142 thousand at 31 December 2021), includes Euro 17,463 thousand (Euro 15,722 thousand at 31 December 2021) the temporary differences recorded in the Group companies as well as the tax effects deriving from the consolidation records, all described analytically in the specific paragraph “deferred/advanced taxation” of these Explanatory Notes.

In addition, the tax provisions include probable tax liabilities and penalties of Euro 550 thousand against tax audits on Renco S.p.A. carried out by the tax authorities on the year 2017.

The movement of this provision is as follows:

(€ thousand)	31.12.2021	Provisions	Uses	Translation exchange differences	Other movements	31.12.2022
Tax provisions, to be probably assessed	420	550	(420)	-	-	550
Provision for deferred taxes	15,722	5,418	(2,302)	(2,062)	686	17,463
<b>Total</b>	<b>16,142</b>	<b>5,968</b>	<b>(2,722)</b>	<b>(2,062)</b>	<b>686</b>	<b>18,013</b>

The movements of the year were:

- provision of Euro 550 thousand to the tax provision against verifications carried out by the tax authorities on the year 2017 and use of Euro 420 thousand against the definition of the tax procedure on the year 2016;
- increase of a total of Euro 1,741 thousand of the deferred tax provision. In the section of this Explanatory Notes relating to the exposure of the effects of deferred taxation, the details relating to the deferred tax provision are provided.

### Other provisions for risks and charges

The balance is equal to Euro 2,757 thousand (Euro 2,541 thousand at 31 December 2021) and is composed as follows:

(€ thousand)	31.12.2021	Provision for the year	Use for the year	31.12.2022
Provisions for hedging investee losses	-	2,184	-	2,184
Provision for warranties on plant orders	2,541	573	(2,541)	573
<b>Total</b>	<b>2,541</b>	<b>2,757</b>	<b>(2,541)</b>	<b>2,757</b>

### Provision for hedging investee losses

The provision was allocated entirely for the Italian subsidiary Salinella Eolico S.r.l..

### Provision for guarantee of plant orders

The guarantee provision shall take into account up-to-date contractual practices relating to orders for industrial installations. It represents the estimate of the costs to be incurred for guaranteed interventions between the issuance of the Preliminary Acceptance Certificate (“PAC”) and the Final Acceptance Certificate (“FAC”). The PAC is the moment when ownership of the plant passes to the customer and the warranty period opens (established on a contractual basis that is customarily 24 months), while the release of the FAC takes place at the end of the warranty period. The provision is calculated on the basis of the historical incidence of guarantee costs on similar orders.

The movements of the period, both of increase and decrease, are linked to the normal management activity of the guarantee offered following the achievement of the PAC of the plant orders. The use is inherent to the works carried out under warranty on the Armpower power plant. The appropriation of Euro 573 thousand relates to the Sarir Libyan order that was completed during the period.

## 11) Employee severance indemnity

(€ thousand)	Opening balance	TFR paid during the year	Provisions	Change in the scope of consolidation	Other changes (+/-)	Closing balance
Employee severance indemnity	3,760	(1,944)	172		27	2,015

The provision represents the Group’s actual debt at 31 December 2022 to employees in force at that date, net of advances paid. The decrease derives substantially from Renco Congo Sarlu as a result of the completion of the provision of services to Eni Congo. As a result, the company’s personnel went from 1,026 at the beginning of the year to 227 at the end of the year.

## 12) Payables

The composition and variations of the individual items are represented by the following table (art. 2427, point 4 of the Civil Code).

(€ thousand)	31.12.2021	31.12.2022	Changes
<b>Payables</b>			
1) Bonds	33,209	41,549	8,340

3) Payables to shareholders for loans	5,720	5,344	(376)
4) Payables to banks	231,547	256,645	25,098
5) Payables to other lenders	17,335	13,787	(3,548)
6) Advances	284,178	421,205	137,027
7) Payables to suppliers	109,161	148,116	38,955
9) Payables to non-consolidated subsidiaries	298	86	(212)
10) Payables due to associated companies	11,083	9,987	(1,096)
12) Tax payables	9,876	7,905	(1,971)
13) Payables to social security institutions	2,266	2,692	426
14) Other payables	12,199	10,844	(1,355)
<b>Total</b>	<b>716,871</b>	<b>918,158</b>	<b>201,288</b>

The tables relating to the breakdown of payables by maturity and by geographic area on the basis of the combined provisions of articles 2427, point 6 of the Civil Code are shown respectively.

<b>(€ thousand)</b>	<b>Within 12 months</b>	<b>Beyond 12 months</b>	<b>Beyond 5 years</b>	<b>Total</b>
<b>Payables</b>				
1) Bonds	13,257	23,305	4,987	41,549
3) Payables to shareholders for loans	5,344			5,344
4) Payables to banks	90,050	112,612	53,982	256,645
5) Payables to other lenders	962	12,825		13,787
6) Advances	313,019	108,186		421,205
7) Payables to suppliers	148,116			148,116
9) Payables to non-consolidated subsidiaries	86			86
10) Payables due to associated companies	9,987			9,987
12) Tax payables	6,673	1,232		7,905
13) Payables to social security institutions	2,692			2,692
14) Other payables	9,915	929		10,844
<b>Total</b>	<b>600,101</b>	<b>259,089</b>	<b>58,970</b>	<b>918,158</b>

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>
Italy	345,447	481,593
European Union	90,344	114,624
Former CIS countries	111,449	206,696
Africa	163,367	106,952
Middle East	5,080	6,846
Other	1,183	1,447
<b>Total</b>	<b>716,871</b>	<b>918,158</b>

## Bonds

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

- bond loan issued on 23 November 2017 by the ultimate parent company Renco Group S.p.A. of nominal Euro 35 million consisting of 350 bonds of Euro 100,000 each and maturing on 23 November 2023 admitted to trading on the professional segment ExtraMOT PRO interest rate 4.75%.
- bond loan issued on 16 October 2020 by the ultimate parent company Renco Group S.p.A. of nominal Euro 10 million consisting of 100 bonds of Euro 100,000 each and maturing on 1 January 2027 placed in private placement;
- bond loan issued on 27 July 2022 by the ultimate parent company Renco Group S.p.A. of nominal Euro 15 million consisting of 150 bonds of Euro 100,000 each and maturing on 30 September 2028 placed in private placement;
- bond loan issued on 25 July 2022 by the ultimate parent company Renco Group S.p.A. of nominal Euro 5 million consisting of 50 bonds of Euro 100,000 each and maturing on 30 July 2026 placed in private placement.

It should be noted that the bond loan regulations contain the following financial covenants that must be respected at the group level. At the end of the financial year, the planned covenants were respected.

Financial equilibrium indices	Covenant	Consolidated result
<b>NFP/Equity</b>	<b>≤ 1.5</b>	<b>0.3</b>
Net financial position		
-----		
Shareholders' Equity		
<b>NFP/EBITDA</b>	<b>≤ 3.5</b>	<b>1.5</b>
Net financial position		
-----		
EBITDA		
<b>Interest Coverage Ratio (ICS)</b>	<b>≥ 4.5</b>	<b>5.0</b>
Ebitda		
-----		
Financial charges		

## Payables to shareholders for loans

Payables to shareholders for loans consist of the conversion, during 2009, of the total coupons on bonds accrued in favour of the shareholders of the Ultimate Parent Company Renco Group S.p.A. on 31 December 2008 and not yet paid by the company. The loan maturing on 31 December 2014 has been extended from time to time. As a result of new guarantees provided by the Ultimate Parent Company in favour of subsidiaries, shareholder loans are subject to distribution constraints.

During the year, Euro 386 thousand were reimbursed.

## Payables to banks

The balance of the payables to banks as at 31.12.2022 equal to Euro 256.6 million (Euro 231.5 million as at 31 December 2021), including mortgages payable, expresses the actual debt for capital, interest and ancillary charges accrued and due.

During the year, the Group obtained new financing for Euro 70 million, of which Euro 38.9 million related to loans and Euro 19.9 million related to credit lines both contracted by Renco S.p.A., Euro 6.7 million related to a loan obtained from Armpower CJSC and Euro 3.5 million for the “constructing” loan received from Residence Viserba. The weighted average duration of the new acquired loans is approximately 60 months. It should be noted that some of the loans granted to the Company provide for the respect of covenants that, at the balance sheet date, are respected.

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

Below are the details:

(€ thousand)	Par value	Outstanding debt	Amortised cost	Due date	Rate	Hedging transactions
Term Loan A Credit Line	35,000	31,734	31,495	17/06/2027	Var	IRS
Term Loan B Credit Line	28,000	16,321	16,041	17/06/2027	Var	IRS
<b>Total</b>	<b>63,000</b>	<b>48,055</b>	<b>47,536</b>			

On 10 July 2020 the company Villa Soligo S.r.l. contracted a loan of Euro 3 million aimed at supporting the complete renovation works of the hotel. The loan has a duration of 10 years and expires on 5 July 2031, indexed to the 3-month Euribor interest rate plus a spread of 2.5%, and a floor rate of 0%. The repayment period started from August 2021 and at 31 December 2022 the loan amounted to Euro 2.6 million (Euro 2.9 million at 31 December 2021).

It should be noted that the subsidiary and consolidated Renco Capital S.r.l. has the following loans in place:

- variable rate loan of Euro 1 million with maturity date 30 June 2025, indexed at the 6-month Euribor interest rate and spread 1.85%, whose residual value of the amortised cost at 31 December 2022 is equal to Euro 0.35 million (Euro 0.5 million at 31 December 2021);
- variable rate loan of Euro 12 million with maturity date 30 June 2032, indexed to the 6-month Euribor and spread 2.3%. The residual amount of the amortised cost as at 31 December 2022 amounts to Euro 10.2 million (Euro 11 million as at 31 December 2021).

Below are the details:

(€ thousand)	Par value	Outstanding debt	Amortised cost	Due date	Rate	Hedging transactions
Loan 1 mln	1,000	358	357	30/06/2025	Var	
Loan 12 mln	12,000	10,222	10,167	30/06/2032	Var	IRS
<b>Total</b>	<b>15,000</b>	<b>10,580</b>	<b>10,524</b>			

During the year, Residence Viserba granted two loans of Euro 2 million and Euro 1,465 million, both expiring on 31 December 2025. The financial debt at 31 December 2022 of these loans is Euro 3.4 million.

## Armpower

As of 31.12.2022 there are payables for loans in foreign currency, specifically those referring to Armpower loans contracted to finance the construction of the power plant. The breakdown of the loans is as follows:

Description (values in thousands)	Par value USD	Amortised cost USD	Amortised cost of Renco share in Euro	Due date	Rate	Hedging transactions
International Finance Corporation (IFC)	73,000	63,406	35,668	31/12/2033	Var	IRS
Asian Development Bank (ADB)	43,860	38,096	21,430	31/12/2033	Var	IRS
OPEC Fund for International Development (OFID)	25,300	21,972	12,360	31/12/2033	Var	IRS
Deutsche Investitions (DEG)	21,500	18,682	10,509	31/12/2033	Var	IRS
Deutsche Investitions (DEG)	15,700	15,067	8,476	30/06/2027	Var	
<b>Total</b>	<b>179,360</b>	<b>157,223</b>	<b>88,443</b>			

The loans indicated above with maturity on 31 December 2033 are indexed at the 6-month Libor interest rate plus a spread of 4.5%. Interest accrues on June 30 and December 31 of each year.

During the period Armpower received additional financing from the SDR, for a value of USD 15,700 thousand, whose interest rate is indexed to the 6-month Libor plus a spread of 5.25%.

The loans are entirely guaranteed by the main asset, the power plant, and by the company's shares.

Loan agreements with international financial institutions include some financial and non-financial covenants. One of the financial covenants relates to the debt service coverage ratio, or DSCR (Debt Service Coverage Ratio), both historical and prospective. According to the agreements signed, the non-compliance of one of the covenants may entitle creditors to request the immediate repayment of the full amount of the loans. At 30 June 2022 and consequently also at 31 December 2022, the company is in breach of the aforementioned covenant.

The cause of the violation is the damage to the steam turbine, as better described in the Report on operations to which reference is made, which led to the shut-down of the plant for four months. The event was regularly communicated to all interested parties, including creditors, and on October 27, 2022 the company received a waiver ("Waiver") from all financial institutions for non-compliance with the covenant as of June 30, 2022. However, covenants are calculated semi-annually at 30 June and 31 December. The derogation obtained in October assumes that the company is still in "breach" of the covenant as of 31 December 2022, therefore management has not classified the loans as current as of 31 December 2022, maintaining the original maturities.

Payables for loans over 12 months.

The balance of payables to banks over 12 months, equal to a total of Euro 166.6 million, is composed as follows:

- as for Euro 29.2 million (Euro 17.3 million at 31 December 2021) is represented by the residual payable

with maturity beyond 12 months of loans from Renco S.p.A.;

- as for Euro 9.5 million (Euro 10.5 million at 31 December 2021) is represented by the residual payable with maturity over 12 months of loans to Renco Capital S.r.l.;
- as for Euro 3.4 million for residual payable maturing over 12 months on loans made during the period by Residence Viserba S.r.l.;
- as for Euro 37.2 million (Euro 48.3 million at 31 December 2021) is represented by the residual payable with maturity beyond 12 months of loans from Renco Valore S.p.A.;
- as for Euro 2.3 million (Euro 2.6 million at 31 December 2021) is represented by the residual payable with maturity over 12 months of loans to Villa Soligo S.r.l.;
- as for Euro 1.9 million (Euro 2.05 million) is represented by the residual payable with maturity over 12 months of loans from Eat's Re S.r.l.;
- as for Euro 82.6 million is represented by the residual payable with maturity over 12 months of financing from Armpower CJSC.

The balance of payables to banks over 5 years is equal to Euro 53.9 million and is represented by the residual payable of loans to Armpower for Euro 45.9 million, Renco Capital S.r.l. for Euro 5.4 million, Villa Soligo S.r.l. for Euro 1.2 million, Eat's Re S.r.l. for Euro 1 million and Renco S.p.A. for Euro 0.6 million.

The Group companies are currently in good standing with the payment of overdue installments.

The non-recourse<sup>9</sup> debt at 31.12.2022 amounted to Euro 95,533 thousand and related to the financial debt of Eat's Re, for Euro 2,061 thousand, and to the financial debt of Armpower, for Euro 93,472 thousand.

### **Payables to other lenders**

"Payables to other lenders" amounting to Euro 13.8 million (Euro 17.3 million at 31 December 2021) include:

- payables to lease companies for Euro 2.8 million. The debt refers to the lease agreement held by Renco Capital S.r.l. of a property located in Pesaro, for which Euro 0.7 million remain, and to the contracts entered into by Renco S.p.A. for equipment and cranes intended for work in progress whose residual value is equal to Euro 2.1 million;
- payables to Simest for Euro 11 million. During 2019, a share capital increase was implemented in Renco Power Cjsc by Simest S.p.A. and the Venture Capital Fund by subscribing a share corresponding to 22.37% of the share capital. In compliance with the reference accounting standards and in consideration of Renco S.p.A.'s commitment to repurchase the shares subscribed by Simest and FVC, to be carried out by 30 June 2026, this increase in share capital was represented as debt to other lenders.

### **Advances**

The balance of the item "Advances" includes advances, already collected from customers on the order, advances received from customers on ongoing orders and advances relating to the rent to buy contract. In particular, the advances amounted to Euro 11.8 million (Euro 8.5 million), the advances on ongoing orders amounted to Euro 401 million (Euro 270 million), the advances to others relating to the rental to buy contract stipulated in 2015 amounted to Euro 5.9 million (Euro 5.8 million) and Euro 3 million of advances received from customers as a confirmatory deposit on the real estate development of Viserba. The varia-

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<sup>9</sup> This means the loan guaranteed by an asset, in this case the mortgage on the Eat's Re property and on the power plant and the shares of Armpower, for which the debtor is liable only within the limits of the flows produced by the guarantee. The debt is non recourse to the debtor's financial responsibility, art. 2740 of the Civil Code, as the latter responds only to the limits of the asset given as collateral.



tion “Advances” is linked in particular to the closure of the Power Plant Yerevan and Accademia GdF orders in Bergamo as well as the invoicing of advances on ongoing orders (in particular for activities carried out in Italy, Denmark and Mozambique).

The amount of advances in foreign currency is USD 107.5 million, LYD 1.6 million, KZT 29,487.6 million and AMD 2,915.4 million.

### Payables to suppliers

“Payables to suppliers” amounting to Euro 148,116 thousand (Euro 109,161 thousand at 31.12.2021) are recorded net of commercial discounts; cash discounts are instead recognised at the time of payment. The par value of these payables has been adjusted, on the occasion of returns or rebates (billing adjustments), to the extent corresponding to the amount defined with the counterparty.

### Payables to non-consolidated subsidiaries

The item payables to non-consolidated subsidiaries equal to Euro 86 thousand (Euro 298 thousand at 31.12.2021). The balance includes payables that the Group companies present to Renco Ghana Wayoe for Euro 86 thousand (Euro 133 thousand at 31.12.2021) relating to the capital to be paid.

### Payables to associated companies

The item payables to associated companies equal to Euro 9,987 thousand (Euro 11,082 thousand at 31.12.2021) includes short-term positions that are frequently moved with Group companies. Specifically, they are represented by payables to Renco Irem Costrucoes for Euro 9,978 thousand (Euro 11,022 thousand at 31.12.2021) and various payables to other associated companies for Euro 7 thousand (Euro 58 thousand at 31.12.2021).

### Tax payables

The item “Tax payables” equal to Euro 7,905 thousand (Euro 9,876 thousand at 31.12.2021) includes only liabilities for certain and determined taxes, being the liabilities for probable or uncertain taxes in the amount or on the date of occurrence, or for deferred taxes, recorded in item B.2 of the liability (Tax provision). In particular, tax payables include:

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Changes</b>
Tax payables			
Payables for withholding taxes	853	897	44
Tax liabilities	3,081	1,023	(2,058)
Payables for taxes to be assessed	2,752	1,933	(819)
Payables for VAT	2,066	2,566	500
Other tax payables	1,125	1,487	363
<b>Total</b>	<b>9,876</b>	<b>7,905</b>	<b>(1,971)</b>

### Other payables

The balance “Other payables” includes the following items:

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Changes</b>
Payables to others			
Payables to employees	6,826	6,465	(361)

Payables for rent-to-buy	1,788	1,367	(421)
Payables for purchase of equity investments	729	260	(469)
Payables for dividends	202	202	(0)
Payables for payment of share capital		1,434	1,434
Other sundry payables	2,653	1,115	(1,538)
<b>Total</b>	<b>12,199</b>	<b>10,844</b>	<b>(1,355)</b>

Payables to personnel represent the debt for salaries and holidays accrued by employees.

The item “Payables for rent-to-buy” relates to the rental to buy contract stipulated during 2015 and concerning the property recorded among the inventories; it should be noted in this regard that during 2016 an act amending the rental to buy contract was signed. With the amendment to the contract, the buyer paid an additional deposit for the portion of consideration agreed for the sale of the property, taking the amount of Euro 3,729 thousand of the remaining portion of the land loan contract with MPs bank. Since this is an external takeover with the consent of the bank but not a discharge, the increase in the advances paid and the cancellation of the payable owed to the bank for the loan were made, the amount of Euro 3,729 thousand was entered among the different receivables and among the different payables (amounts reduced during 2021 as a result of the payment of the loan installments expired during the year); in the event of non-fulfilment by the buyer, in fact, the bank could request the fulfilment directly from Renco Valore S.p.A. as a subsidiary obligation.

The balance of the “Payables for purchase of equity investments” shows a decrease of Euro 469 thousand compared to 2021, for payments made against the purchase of Salinella in 2021.

### Accrued liabilities and deferred income

They represent the connection items for the year counted against the accrual criterion, and are composed as follows:

(€ thousand)	31.12.2021	31.12.2022	Change
<b>Accrued liabilities</b>	<b>695</b>	<b>1,522</b>	<b>827</b>
- Interest expense and commissions	535	982	447
- Bond interest	97	540	443
- Miscellaneous	535	982	447
<b>Deferred income</b>	<b>228</b>	<b>180</b>	<b>(48)</b>
- Revenues from asset management	-	-	-
- Miscellaneous	228	180	(48)
<b>Total</b>	<b>923</b>	<b>1,702</b>	<b>778</b>

They measure income and charges whose competence is advanced or delayed with respect to the numerical and/or documentary manifestation and regardless of the date of payment or collection of the related income and charges, common to two or more years and distributable over time.

### 13) Value of production

An indication of the composition of the value of production is provided, as well as the changes in the individual items, compared to the previous year:

(€ thousand)	31.12.2021	31.12.2022	Change	Change %
Revenues from sales and services	228,447	294,097	65,650	28.74
Changes in inventories of products in progress	(2,529)	4,319	6,848	n.a.
Change in contract work in progress	63,113	111,791	48,678	77.13
Increases for in-house work	41,678	17,416	(24,262)	(58.21)
Other revenues and income	3,609	16,390	12,781	354.14
<b>Total</b>	<b>334,318</b>	<b>444,014</b>	<b>109,695</b>	<b>32.81</b>

#### Revenues by category of activity

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

(€ thousand)	31.12.2021	31.12.2022	Change	Change %
Services Business Line	60,545	70,614	10,069	16.63
Buildings Business Line	97,000	170,357	73,357	75.63
Asset Management Business Line	30,265	44,629	14,364	47.46
Energy Business Line	146,508	158,413	11,905	8.13
<b>Total</b>	<b>334,318</b>	<b>444,014</b>	<b>109,695</b>	<b>32.81</b>

During 2022, the Renco Group achieved a “Value of Production” of Euro 444,014 thousand (Euro 334,318 thousand in the same period of 2021), with an increase of Euro 109,695 thousand (+32.81%).

The increase in production value was supported by the contribution of all Business lines, for a complete analysis of the business performance, please refer to the Report on operations.

#### Revenues by geographic area

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

(€ thousand)	31.12.2021	31.12.2022	Change	Change %
Italy	82,753	179,366	96,613	116.75
European Union	64,666	54,504	(10,162)	(15.71)
Former CIS countries	90,944	127,930	36,986	40.67
Africa	79,280	60,354	(18,926)	(23.87)
Middle East	14,566	18,524	3,958	27.17
Other	2,109	3,335	1,226	58.13
<b>Total</b>	<b>334,318</b>	<b>444,014</b>	<b>109,696</b>	<b>32.81</b>

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

For a more in-depth analysis on the foreseeable business outlook and on industrial and commercial strategies, please refer to what is reported in the Report on operations.

### Other revenues and income

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

(€ thousand)	31.12.2021	31.12.2022	Change
Other revenues and income			
Gains from disposal of assets	960	11,498	10,538
Revenues from contributions	107	162	55
Other sundry revenues	2,542	4,730	2,188
<b>Total</b>	<b>3,609</b>	<b>16,390</b>	<b>12,781</b>

“Other sundry revenues” are represented by items not directly related to the Group’s production activities, but in any case related to the core business. They mainly include capital gains from the disposal of fixed assets, contingent assets, insurance reimbursements and other miscellaneous income. At 31 December 2022 they amounted to Euro 16,390 thousand, with an increase of Euro 12.71 thousand compared to 31 December 2021, mainly due to the sale of the Hotel Yerevan, which entailed a capital gain of Euro 9,792 thousand, and the sale of a piece of land of the Property in Kazakhstan, on which a capital gain of Euro 1,012 thousand was recorded.

### 14) Costs of production

An indication of the composition of the costs of production is provided, as well as the changes in the individual items, compared to the previous year:

(€ thousand)	31.12.2021	31.12.2022	Changes
Cost of production			
Raw materials, ancillary materials and goods	79,412	104,292	24,880
Services	131,902	197,467	65,565
Use of third-party assets	11,711	10,976	(735)
Wages and salaries	61,693	68,183	6,490
Social security costs	10,070	12,091	2,021
Employee severance indemnity	1,853	(512)	(2,365)
Other personnel costs	117	232	115
Amortisation of intangible fixed assets	1,418	1,610	192
Depreciation of tangible fixed assets	12,850	19,167	6,317
Other write-downs of fixed assets	367	450	83
Write-down of current receivables	268	596	328
Change in inventories of raw materials	616	28	(588)
Other provisions	2,200	573	(1,627)
Other operating expenses	3,328	3,953	625
<b>Total</b>	<b>317,803</b>	<b>419,106</b>	<b>101,301</b>

The “Other provisions” amount to Euro 573 thousand and refer to the provisions for plant guarantees recorded following the completion of the Sarir contract in Libya. For more information, please refer to the paragraph “Provision for warranties on plant orders” of these explanatory notes.

### Costs for raw materials

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

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Change</b>
Raw materials, ancillary materials and goods			
Raw materials and materials	75,948	100,455	24,508
Capital goods valued less than €516	444	322	(122)
Miscellaneous tools and equipment (repair parts, spare parts, etc.)	51	310	259
Fuel	1,372	1,700	328
Stationery and printed matter	133	170	37
Working clothes	746	778	32
Customs clearance materials	719	557	(162)
<b>Total</b>	<b>79,412</b>	<b>104,292</b>	<b>24,880</b>

The item “Costs for raw materials, ancillary materials and goods”, equal to Euro 100,455 thousand, consists of Euro 70,800 thousand from the costs incurred by the company Renco S.p.A. The increase in costs related to the purchase of raw materials is attributable to the consolidation of Armpower, which contributes with Euro 30,563 thousand of costs related to the purchase of utilities, including the gas necessary for the operation of the plant.

### Costs for services

The balance of “Costs for services” includes the following items:

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Change</b>
Services			
Work performed by third parties and general services	96,951	157,194	60,243
Project Collaborators	3,592	5,434	1,842
Transportation costs	5,150	3,432	(1,719)
Property maintenance and repairs	181	90	(91)
Motor vehicle maintenance and repairs	164	262	98
Cleaning costs	554	850	296
Lighting	1,538	2,187	649
Other utilities	503	599	96
Postal and telephone charges	803	802	(1)
Security expenditure	663	760	97
Technical and commercial consulting	982	975	(8)
Legal, administrative and tax consulting	2,819	3,471	652
Insurance	2,561	4,220	1,659

Travel expenses	5,230	6,322	1,093
Expense Reimbursements	12	10	(2)
Other maintenance and repairs	256	679	423
Advertising and promotional expenses	293	279	(14)
Personal refresher courses	368	485	117
Software licenses and production licenses	924	1,105	181
Remuneration of corporate bodies	411	374	(37)
Company canteen	990	675	(316)
Health services	1,410	1,342	(69)
Bank commissions	3,040	2,757	(283)
Other costs for services	2,505	3,164	660
<b>Total</b>	<b>131,902</b>	<b>197,467</b>	<b>65,565</b>

The amount for the year includes Euro 148,986 thousand relating to contract costs for Renco S.p.A., Euro 26,517 thousand relating to costs for Reno Kat.

### Costs for use of third-party assets

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

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Change</b>
Use of third-party assets			
Rental of premises and offices	3,893	5,276	1,383
Rental of vehicles and equipment	7,763	5,605	(2,158)
Other lease and rental expenses	55	95	40
<b>Total</b>	<b>11,711</b>	<b>10,976</b>	<b>(735)</b>

The amount mainly includes rents for offices and warehouses and rental costs of which Euro 10,260 thousand for Renco S.p.A. (Euro 8,576 thousand in 2021), increased as a result of Italian orders that require a temporary allocation of personnel in different regions.

### Personnel costs

The item “Personnel costs” totalling Euro 79,994 thousand (Euro 73,333 thousand at 31 December 2021), mainly includes the personnel costs of Renco S.p.A. for Euro 29,520 thousand (Euro 26,264 thousand in 2021) and Renco Congo Sarlu for Euro 17,273 thousand (Euro 19,017 thousand in 2021). The item increased by Euro 6,661 thousand as a result of the new hiring policies carried out by the company in particular for technical tasks

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Change</b>
Personnel costs			
Wages and Salaries	61,693	66,332	4,639
Social security costs	10,070	12,091	2,021
Employee severance indemnity	1,853	1,339	-514

Other costs	117	232	115
<b>Total</b>	<b>73,733</b>	<b>79,994</b>	<b>6,261</b>

The average number of employees of the companies included in the consolidation with the full consolidation method, broken down by category, is reported separately by category.

	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Change</b>	<b>Average number</b>
Executives and Managers	52	44	(8)	48
Office workers	881	927	46	904
Blue-collar workers	2,251	1,376	(875)	1,814
Others	100	160	(60)	130
<b>Total</b>	<b>3,284</b>	<b>2,508</b>	<b>(776)</b>	<b>2,896</b>

The number of employees is strongly impacted by the dynamics that are recorded in the Business Line Services, which manages interventions through hiring or interruptions. The decrease stems from Renco Congo Sarlu, which as a result of the completion of the provision of services to Eni Congo, has interrupted working relationships with employees engaged in the service provided to Eni. As a result, the company's personnel went from 1,026 at the beginning of the year to 227 at the end of the year.

### Other operating expenses

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

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Change</b>
Other operating expenses			
Miscellaneous taxes	1,308	1,828	520
Membership fee	91	102	11
Rounding down	0		(0)
Administrative sanctions	676	263	(413)
Losses on receivables, not covered by a specific provision	223	680	457
Losses from disposal of assets	16	63	47
Other miscellaneous expenses	1,014	1,017	3
<b>Total</b>	<b>3,328</b>	<b>3,953</b>	<b>625</b>

The item "Miscellaneous taxes" consists of taxes paid on the Group's real estate properties.

### 15) Financial income and charges

The composition of the item is as follows:

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Changes</b>
Financial income and charges			
Income from equity investments in subsidiaries	48	85	37

Income other than the above	387	2,894	2,507
(Interest and other financial charges)	(7,740)	(17,281)	(9,541)
Foreign exchange gains (losses)	8,366	(61)	(8,427)
<b>Total</b>	<b>1,061</b>	<b>(14,362)</b>	<b>(15,423)</b>

The item Interest and other financial charges, equal to Euro 17,281 thousand, includes interest expense on non-recourse financial debt for Euro 7,838 thousand.

Regarding losses on foreign exchange of Euro 61 thousand, it should be noted that these include both the monetary changes made on the items closed during the year, and the “Unrealised foreign exchange gains and losses” since they relate to transactions not yet closed at the end of the period.

The economic result relating to realised and unrealised exchange differences reflects the development of the foreign exchange market that characterised 2022.

“Foreign exchange gains (losses)” can be divided as follows:

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Changes</b>
Exchange gains	10,066	20,719	(10,654)
Exchange losses	(5,713)	(22,131)	16,418
Unrealised exchange gains	6,075	4,764	1,310
Unrealised exchange losses	(2,062)	(3,413)	1,352
<b>Total</b>	<b>8,366</b>	<b>(61)</b>	<b>8,427</b>

## 16) Value adjustments to financial assets and liabilities

The composition of the item is as follows:

<b>(€ thousand)</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>Changes</b>
<b>Revaluations</b>		<b>875</b>	<b>875</b>
Of equity investments			
Of financial fixed assets		875	875
<b>Write-downs</b>	<b>(1,379)</b>	<b>(3,026)</b>	<b>(1,647)</b>
Of equity investments	(579)	(2,226)	(1,647)
Of financial fixed assets	(800)	(800)	
Securities recorded in current assets			-
Of derivative financial instruments			
<b>Total</b>	<b>(1,379)</b>	<b>(2,151)</b>	<b>(772)</b>

For a comment on the write-down of equity investments and financial fixed assets, please refer to the paragraphs dedicated to equity investments in subsidiaries and associates, and financial receivables.



## 17) Income taxes for the year

(€ thousand)	31.12.2021	31.12.2022	Changes
Income taxes for the year			
Current taxes	7,837	4,070	(3,767)
Taxes relating to previous years	2,407	1,100	(1,307)
Deferred/(prepaid) taxes	(1,730)	(5,894)	(4,164)
<b>Total</b>	<b>8,515</b>	<b>(725)</b>	<b>(9,238)</b>

Income taxes for the period amounted to Euro 4,070 thousand (Euro 7,837 thousand), down by Euro 3,767 thousand, with a pre-tax profit of Euro 8,394 thousand in 2022 (Euro 16,196 thousand in 2021). The tax rate stands at 48%, in line with the previous period. In addition to current taxes, the tax burden includes Euro 1,100 thousand (Euro 2,407 thousand in the previous period) of taxes referring to previous periods recorded following the definition of tax assessments in Italy and Iraq. Finally, in 2022 there was an effect of Deferred Tax Assets (DTA) equal to Euro 5,894 million. This element of a temporary nature is influenced almost exclusively by the temporary differences deriving from Armpower, in which the statutory financial statements drawn up in USD ("Functional Currency" of the financial statements) are compared with the related fiscal financial statements drawn up in the local currency, Armenian DRAM. These differences are subject to the USD vs DRAM exchange rate trend.

### Deferred/advance taxation

Deferred taxation is recognised in the tax provision under the item "Provisions for taxes, including deferred taxes" and as at 31.12.2022 amounted to Euro 17,463 thousand (Euro 15,722 as at 31 December 2021). Deferred taxes have been calculated according to the global allocation criterion, taking into account the cumulative amount of all temporary differences, on the basis of the average expected rates in force at the time when these temporary differences will be repaid.

Prepaid taxes have been recognised as there is reasonable certainty of their existence, in the years in which deductible temporary differences will be paid, against which prepaid taxes have been recorded, of taxable income not less than the amount of the differences that will be cancelled.

The main temporary differences that led to the recognition of deferred and prepaid taxes are indicated in the following table together with their effects.

(€ thousand)	financial year 31/12/2021		financial year 31/12/2022	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
<b>Prepaid taxes:</b>				
Unrealised exchange losses	807	194	808	194
Non-deductible interest expense	5,450	1,308	9,809	2,354
Real estate lease instalments referring to land	132	38	145	42
Real estate depreciation referring to land	196	56	106	30
Maintenance costs	2	0	3	1
Provisions for risks and charges	2,688	744	720	195

Prepaid taxes on foreign financial statements	1,564	313	2,123	425
Armpower financial statement prepaid taxes	23,921	4,784	52,645	10,529
Ace	-	-	1,282	308
Prepaid taxes on reserve for expected derivative flows	630	151		
Tax losses that can be carried forward	-	-	5,230	1,255
Provision for bad debts	1,039	249	1,039	249
Other	1,718	412	1,283	308
Elimination of intra-group margins (*)	9,577	2,672	9,275	2,713
<b>Total deferred tax assets</b>	<b>47,724</b>	<b>10,921</b>	<b>84,468</b>	<b>18,603</b>
Deferred taxes:				
<b>Unrealised exchange gains</b>	<b>2,317</b>	<b>556</b>	<b>4,246</b>	<b>1,019</b>
Cash flow hedge reserve	32	8	7,256	1,741
PO issue costs	142	34	41	10
Villa Soligo property greater value	538	150	538	151
Lease accounting (equity method) (*)	1,911	533	1,126	314
Deferred taxes foreign financial statements	16,140	3,228	10,697	2,139
Armpower Deferred Financial Statement Taxes	10,850	2,170	15,685	3,137
Intra-group profit eliminations	3,695	887	3,927	943
Recognition of greater values	31,616	8,156	30,895	8,009
Recognition of Renco Kat (*) greater value	6,732	1,346	6,182	1,237
Recognition of Residence (*) greater value	22,043	6,150	22,043	6,150
Recognition of AK value (*) greater values	1,681	336	1,545	309
Recognition of Villa Soligo (*) greater values	1,161	324	1,122	313
Total deferred taxes	67,241	15,722	74,411	17,463
<b>Total deferred taxes</b>	<b>67,241</b>	<b>15,722</b>	<b>74,411</b>	<b>17,463</b>
<b>Net deferred (prepaid) taxes</b>	<b>19,517</b>	<b>4,801</b>	<b>(10,057)</b>	<b>(1,140)</b>

(\*) These tax effects derive from consolidation entries

## Other information

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

It should be noted that the Group considered concluding derivative contracts for the coverage of interest rate risk, related to part of the bank loans.

Below is the detailed information required by art. 2427-bis paragraph 1 no. 1 of the Italian Civil Code.

Description	Fair value 31/12/2021	2021 tax effect	Fair value 31/12/2022	2022 Tax effect	Change IS	Change in SE	Nature	Notional in thousands
Interest rate SWAP	17	(4)	631	(151)		467	(A)	10,000
Interest rate SWAP	(26)	6	354	(85)		289	(A)	8,000
Interest rate SWAP			306	(74)		233	(A)	10,000
Interest rate SWAP			273	(65)		207	(A)	10,000
Flexible forward contract			1,473	(354)		1,120	(B)	USD 27,600
Interest rate SWAP	(129)	31	1,100	(264)		934	(A)	12,000
Interest rate SWAP	(96)	23	3,117	(748)		2,442	(A)	63,000
Interest rate SWAP	(3,492)	629	8,047	(1,448)		9,462	(A)	163,660 USD
Flexible forward contract	15	(4)				(11)	(B)	1,910 USD
Flexible forward contract	(319)	76				242	(B)	6,000 USD
Interest rate SWAP	(60)	14				46	(A)	8,500
<b>Total</b>	<b>(4,090)</b>	<b>772</b>	<b>15,302</b>	<b>(3,190)</b>		<b>15,430</b>		
<b>Active derivative financial instruments</b>			<b>15,302</b>					

(A) Hedging derivative on interest rate fluctuation risk

(B) Hedging derivative on exchange rates for future transactions

As of 31.12.2022, the Group has the following derivative financial instruments of the “Cash flow hedge” type in place to cover the financing operations or cash flows expected from USD currency orders, and for which the hedging relationship is present:

- Notional IRS Euro 10,000 thousand due 31/12/2025 with quarterly payment period to cover financing of the same amount signed in the period by Renco S.p.A.. The fair value of the derivative of Euro 631 thousand has been recorded in the “Expected cash flow hedge reserve” net of deferred taxation and is offset by item B III) 4) “Active derivative financial instruments”;
- Notional IRS Euro 8,000 thousand due 31/03/2026 with quarterly payment period to cover financing of the same amount signed in the period by Renco S.p.A.. The fair value of the derivative of Euro 354 thousand has been recorded in the “Expected cash flow hedge reserve” net of deferred taxation and is offset by item B III) 4) “Active derivative financial instruments”;
- Notional IRS Euro 10,000 thousand due 31/12/2025 with quarterly payment period to cover financing of the same amount signed in the period by Renco S.p.A.. The fair value of the derivative of Euro 306 thousand has been recorded in the “Expected cash flow hedge reserve” net of deferred taxation and is offset by item B III) 4) “Active derivative financial instruments”;
- Notional IRS Euro 10,000 thousand due 31/03/2028 with quarterly payment period to cover financing of the same amount signed in the period by Renco S.p.A.. The fair value of the derivative of Euro 273 thousand has been recorded in the “Expected cash flow hedge reserve” net of deferred taxation and is

offset by item B III) 4) “Active derivative financial instruments”;

- flexible forward contracts on USD/Euro exchange rate, notional of USD 27,600 thousand, with future maturities, to cover the USD cash flow that the Group will collect from the EPC and O&M activity on barges in Albania. The fair value of the derivative of Euro 1.43 thousand has been recorded in the “Expected cash flow hedge reserve” net of deferred taxation and is offset by item B III) 4) “Active derivative financial instruments”;
- Notional IRS Euro 12,000 thousand due 01/07/2032 with six-monthly payment period to cover financing of the same amount signed by Renco Capital S.r.l.. The fair value of the derivative of Euro 1,100 thousand has been recorded in the “Expected cash flow hedge reserve” net of deferred taxation and is offset by item B III) 4) “Active derivative financial instruments”;
- Notional IRS Euro 63,000 thousand due on 17/06/2027 to cover the loan signed in June 2020 by Renco Valore S.p.A. The fair value of the derivative of Euro 3,117 thousand has been recorded in the “Expected cash flow hedge reserve” net of deferred taxation and is offset by item B III) 4) “Active derivative financial instruments”;
- Notional IRS USD 163,600 thousand due 31/12/2033 to cover the financing subscribed by Armpower CJSC for the construction of the power plant. The fair value of the derivative of Euro 8,047 thousand has been recorded in the “Expected cash flow hedge reserve” net of deferred taxation and is offset by item B III) 4) “Active derivative financial instruments”.

### Disclosure relating to transactions with related parties

(Ref. Article 38, first paragraph, letter o-quinquies), Legislative Decree no. 127/1991.

Transactions with entities related to normal market conditions were carried out during the year. These transactions refer to commercial activities carried out in favour of consolidated customers who have produced profitability in line with the company’s income parameters.

The table below summarizes both commercial and financial exchanges with related entities by category:

Company	Revenues	Costs	Financial income (expenses)	Trade receivables	Trade payables	Advances	Financial receivables	Financial payables
<b>Unconsolidated subsidiaries</b>					<b>86</b>		<b>20</b>	
Renco Ghana Wayoe	-	-	-	-	86	-	-	-
Rebar	-	-	-	-	-	-	20	-
Greenergo	-	-	-	-	-	-	0	-
<b>Associated companies</b>	<b>1,927</b>	<b>79</b>	<b>207</b>	<b>11,550</b>	<b>9,986</b>	<b>14,045</b>	<b>36,699</b>	
Darin Construction	828	2	157	1,256	1	-	12,771	-
Velofirma	250	62	-	1,453	-	-	4,769	-
Real Estate Management	-	13	-	18	2	-	452	-
Trademark	137	2	31	1,239	0	-	955	-
Niassa Sanctuary	-	-	-	175	-	-	443	-

Renco Irem Costrucoes	38	-	-	5,429	9,979	14,045	8,213	-
Renco Nigeria	-	-	-	680	3	-	1,885	-
Nova Portum	8	-	19	43	-	-	1,638	-
Central Solar Mozambique	-	-	-	188	0	-	309	-
Tolfa Care SRL	-	-	-	11	-	-	-	-
Salinella	-	-	-	-	-	-	4,832	-
Renco Energy Services	667	-	-	1,058	-	-	431	-
<b>Other related parties</b>		<b>270</b>						<b>5,344</b>
Isco S.R.L.	-	270	-	-	-	-	-	-
Shareholders	-	-	-	-	-	-	-	5,344
<b>Total</b>	<b>1,927</b>	<b>349</b>	<b>207</b>	<b>11,550</b>	<b>10,072</b>	<b>14,045</b>	<b>36,719</b>	<b>5,344</b>

### Information on significant events that occurred after the end of the financial year

Pursuant to art. 2427 no. 22 quater) of the Italian Civil Code, the following is noted:

On 22 March 2023, the sale of Real Estate Management S.r.l. was completed. The company that owns Palazzo Castri 1874, a four-star hotel with 58 rooms located in Piazza dell'Indipendenza in Florence, was sold at a price of Euro 28 million, net of net working capital and net financial position, calculated at 31 December 2022. Renco Valore S.p.A. will recognise a capital gain of approximately Euro 4.9 million in 2023, a value that will be updated by May 2023 following the price adjustment agreed on the net working capital and net financial position calculated at the closing date.

Real Estate Management S.r.l. was established ad hoc in 2013 for 30% by Renco Real Estate S.r.l. (now Renco Valore S.p.A.) and 70% from Porto Via LP (now Portovia Limited) with the aim of investing in the acquisition, relaunch and management of hotel facilities in Italian art cities. In 2013, the company bought the Palazzo Castri 1874 at auction by judicial procedure and began renovation work, inaugurating the hotel in May 2015. In the period 2015-2019, the turnover of Palazzo Castri 1874 grew steadily, reaching a peak of Euro 4 million in 2017, with an EBITDA margin of around 40%.

The sale of Real Estate Management S.r.l. represents an important step in the investment strategy of Renco Valore S.p.A. and in its acquisition and management of real estate properties in Italy and abroad. With this further transaction, Renco Valore S.p.A. confirms itself as an important operator in the Italian and foreign real estate sector, and confirms its ability to generate value for its shareholders.

### Commitments, guarantees and contingent liabilities not resulting from the balance sheet

Please note the total amount of commitments, guarantees and contingent liabilities not resulting from the balance sheet, with an indication of the nature of the collateral provided; the existing commitments on pension and similar treatment, as well as the commitments made to subsidiaries, associates, as well as parent companies and companies subject to their control are clearly indicated:

(€ thousand)	31.12.2021	31.12.2022	Changes
Memorandum accounts of third-party risks	151,111	172,953	21,842
Memorandum accounts of commitments undertaken	-		
<b>Total</b>	<b>151,111</b>	<b>172,953</b>	<b>21,842</b>

The following is information on the composition and nature of commitments and other memorandum accounts, the knowledge of which is useful for assessing the equity and financial position of the company, with specific indication of those relating to subsidiaries, associates, parent companies and subsidiaries. The total amount of sureties issued by the Group as at 31 December 2022 amounted to Euro 173 million (Euro 151.1 million in 2021), below is the detail of the sureties:

- Euro 154.5 million (Euro 124.8 million in 2021), guarantees issued by Renco S.p.A. in favour of customers, against the commitments assumed by the Group companies for the correct execution of the acquired orders. The item consists of performance bonds, for Euro 60.7 million (Euro 69.2 million in 2021), advance payment bonds, for Euro 54 million (Euro 28.8 million in 2021), retention/bid bonds and stand by letter for Euro 6.7 million (Euro 7.1 million in 2021) and other guarantees, for Euro 31.4 million (Euro 19.4 million in 2021);
- Euro 12.9 million relate to the insurance guarantee issued by Residence Viserba S.r.l. in favour of the Municipality of Rimini to guarantee the construction and subsequent free transfer to the same of the urbanisation works relating to the Viserba area;
- Euro 4.3 million relates to sureties issued by Residence Viserba S.r.l. in favour of buyers to cover deposits and advances paid for the purchase of real estate units.

#### **Disclosure relating to agreements not resulting from the balance sheet**

(Ref. Article 38, first paragraph, letter o-sexies), Legislative Decree no. 127/1991.

The Group has no agreements in place other than those resulting from the Balance Sheet.

#### **Disclosure relating to the remuneration due to the Statutory Auditor**

(Ref. Article 38, first paragraph, letter o-septies), Legislative Decree no. 127/1991.

Pursuant to the law, the fees pertaining to the year for the services rendered by the Statutory Audit Company and by entities belonging to its network to the Group are highlighted.

- 8 thousand Euro for the statutory audit of the company's financial statements;
- 45 thousand Euro for the statutory audit of the financial statements of Renco S.p.A.;
- 84 thousand Euro for the statutory audit of the consolidated financial statements of the Renco Group;
- 13.7 thousand Euro for expenses;
- 18 thousand Euro for other services.

#### **Other information**

Pursuant to the law, the total remuneration due to the Directors and members of the Board of Statutory Auditors of the parent company is highlighted, including also those for the performance of these functions also in other companies included in the consolidation.

Office	Renco Group S.p.A.	Renco S.p.A	Renco Valore S.p.A.	Fee
Directors	145	79		224
Board of Statutory Auditors	17	52	66	135
Supervisory body	33	42	20	95
<b>Total</b>	<b>195</b>	<b>173</b>	<b>86</b>	<b>454</b>

These consolidated financial statements, consisting of the Balance Sheet, Income Statement and Explanatory Notes, truthfully and correctly represent the equity and financial position as well as the economic result and correspond to the results of the accounting records of the parent company and the information transmitted by the companies included in the consolidation.

Attached to the consolidated financial statements are:

- the list of companies included in the consolidation with the full consolidation method pursuant to art. 26 of Legislative Decree 127/91;
- the list of companies included in the consolidation with the proportional method pursuant to art. 37 of Legislative Decree 127/91;
- a list of other equity investments in non-consolidated subsidiaries and associates;
- the list of other equity investments;
- the balance sheet of the parent company and the consolidated financial statements;
- the consolidated statement of changes in consolidated equity accounts.

Pesaro, 5 may 2023

For the Board of Directors  
The Chairman  
Giovanni Gasparini





## RENCO GROUP S.P.A.

Headquarters in Strada del Montefeltro, 51 - 61122 Headquarters in VIALE VENEZIA, 53 - 61121 PESARO (PS) - Share capital Euro 9,012,500.00 fully paid up

Annex no. 1 to the consolidated financial statements as of 31/12/2022

### List of companies included in the consolidation with the full consolidation method pursuant to art. 26 of Legislative Decree 127/91 to 31/12/2022

Company name	Headquarters	Currency	Share capital	Shareholders	Share prop.	Share cons.
Renco S.P.A.	Italy	Eur	60,000,000	Renco Group S.P.A.	99.51%	99.51%
Renco Valor S.P.A.	Italy	Eur	100,000	Renco Group S.P.A.	99.51%	99.51%
Renco Health Care S.R.L.	Italy	Eur	100,000	Renco Valor S.P.A.	90.00%	89.56%
Renco Capital S.R.L.	Italy	Eur	100,000	Renco Group S.P.A.	99.99%	99.99%
Residence Viserba S.R.L.	Italy	Eur	1,425,420	Renco Valor S.P.A.	100.00%	99.51%
Arengest S.R.L.	Italy	Eur	10,000	Renco Valor S.P.A.	100.00%	99.51%
Italsec G7 S.R.L.	Italy	Eur	100,000	Renco S.P.A.	70.00%	69.66%
Renco Asset Management S.R.L.	Italy	Eur	100,000	Renco Group S.P.A.	99.51%	99.51%
Villa Soligo S.R.L.	Italy	Eur	93,080	Renco Valor S.P.A.	50.00%	49.76%
Renco Energy Solution S.R.L.	Italy	Eur	15,000	Renco S.P.A.	51.00%	50.75%
Renco Eco Energy S.R.L.	Italy	Eur	15,000	Renco S.P.A.	51.00%	50.75%
Villa Delle Rose S.R.L.	Italy	Eur	10,000	Renco Valor S.P.A.	100.00%	99.51%
Eat's Re S.R.L.	Italy	Eur	1,300,500	Renco Valor S.P.A.	100.00%	99.51%
Renco Erma S.R.L.	Italy	Eur	10,000	Renco S.P.A.	87.00%	86.57%
				Renco Energy Solution	10.00%	5.08%
Greenergo S.R.L.	Italy	Eur	10,000	Renco S.P.A.	100.00%	99.51%
Renco Spark SP.K.H.	Albania	Lek	1,213,900	Renco S.P.A.	100.00%	99.51%
Renco Armestate L.T.D.	Armenia	Amd	500,992,000	Renco S.P.A.	100.00%	99.51%
Armenia Management	Armenia	Amd	50,000	Renco Valor S.P.A.	100.00%	99.51%
Renco Armenia Valor L.T.D.	Armenia	Amd	500,000,000	Renco Valor S.P.A.	100.00%	99.51%

New Velodrome	Armenia	Amd	50,000	Renco Valor S.P.A.	100.00%	99.51%
Italsec Armenia	Armenia	Amd	100,000	Italsec S.R.L.	100.00%	69.66%
Renco Power CJSC	Armenia	Amd	100,000	Renco S.P.A.	78.00%	99.51%
Renco Saudi Arabia L.T.D.	Arabia	Sar	50,000	Renco S.P.A.	100.00%	99.51%
Renco-Kat S.R.L.	Kazakhstan	Ktz	74,600,000	Renco S.P.A.	50.00%	49.76%
Renco Property LLP	Kazakhstan	Ktz	74,600,000	Renco Valor S.P.A.	100.00%	99.51%
Geodelta Corp	Kazakhstan	Ktz	100,000	Renco S.P.A.	60.00%	59.71%
Interrenko L.T.D.	Russia	Rub	134,500	Renco Pro- perty	99.90%	99.41%
				Renco Valor S.P.A.	0.10%	0.10%
Renco Sakh LLP	Russia	Rub	233,278,000	Renco Pro- perty	99.90%	99.41%
				Renco Valor S.P.A.	0.10%	0.10%
Southern Cross LLC	Russia	Rub	37,256,408	Grapevine In- vestimentos e Sericos L.D.A.	100.00%	49.76%
Renco Service LLC	Russia	Rub	100,000	Renco S.P.A.	100.00%	99.51%
Renco Qatar	Qatar	Qr	200,000	Renco S.P.A.	49.00%	48.76%
Grapevine Investimentos e Sericos LDA	Portugal	Eur	5,000	Renco Valor S.P.A.	50.00%	49.76%
Italsec Mozambique	Mozambique	Metical	250,000	Italsec S.R.L.	62.50%	43.54%
Real Moz LDA	Mozambique	Metical	889,248,416	Renco Valor S.P.A.	80.20%	79.81%
Renco Mozambique LTP	Mozambique	Metical	250,000	Renco Valor S.P.A.	97.00%	96.52%
Rencotek LDA	Mozambique	Metical	10,000,000	Renco S.P.A.	99.00%	99.51%
				Renco Valor S.P.A.	1.00%	99.51%
Renco Energia LDA	Mozambique	Metical	250,000	Renco S.P.A.	62.50%	62.19%
Mozestate LDA	Mozambique	Metical	250,000	Renco Valor S.P.A.	99.00%	98.51%
				Renco Group S.P.A.	1.00%	1.00%
Capo Delgado Properties SA	Mozambique	Metical	227,675,000	Renco S.P.A.	63.00%	62.69%
Pemba Bulk Terminal LTD	Mozambique	Metical	100,000	Capo Delgado Properties SA	80.00%	50.15%
Renco Moz Green LTD	Mozambique	Metical	170,357,903	Renco S.P.A.	99.00%	98.51%
				Mozestate L.D.A.	1.00%	1.00%

Renco Middle East LLC	Oman	Omr	250,000	Renco S.P.A.	99.00%	98.51%
				Renco Group S.P.A.	1.00%	1.00%
Renco Saudi Arabia LTD	Saudi Arabia	Sar	50,000	Renco S.P.A.	100.00%	99.51%
Renco Immobiliere Management	Congo	Xaf	10,000,000	Renco Valor S.P.A.	70.00%	69.66%
Renco Congo Sarlu	Congo	Xaf	10,000,000	Renco S.P.A.	100.00%	99.51%
Renco Congo Value	Congo	Xaf	611,910,337	Renco Valor S.P.A.	100.00%	99.51%
Italsec Congo	Congo	Xaf	10,000,000	Italsec S.P.A.	100.00%	69.66%
Renco Green Sarlu	Congo	Xaf	100,000,000	Renco S.P.A.	100.00%	99.51%
Renco Algeria	Algeria	Dzd	1,000,000	Renco S.P.A.	100.00%	99.51%
Renco Canada	Canada	Cad	100	Renco S.P.A.	100.00%	99.51%

## RENCO GROUP S.P.A.

Headquarters in Strada del Montefeltro, 51 - 61122 PESARO (PU) - Share capital Euro 9,012,500.00 fully paid up

Annex no. 2 to the consolidated financial statements as of 31/12/2022

### List of companies included in the consolidation with the proportional method pursuant to art. 37 of Legislative Decree 127/91 to 31/12/2022

Company name	Headquarters	Share capital		Shareholders	Share Prop.	Share Cons.
		Currency	Amount			
Jv Terna Greece	Greece	EUR	0	Renco S.P.A.	50.00%	50.00%
Armpower CJSC	Armenia	USD	101,126,961	Renco Power CJSC	60.00%	59.41%

Chairman of the Board of Directors  
Giovanni Gasparini

## RENCO GROUP S.P.A.

Headquarters in Strada del Montefeltro, 51 - 61122 PESARO (PU) - Share capital Euro 9,012,500.00 fully paid up

Annex no. 3 to the consolidated financial statements as of 31/12/2022

### List of other equity investments in subsidiaries (non-consolidated) and associates

Company name	Headquarters	Currency	Share capital	Shareholders	Share Prop.	Share Cons.
Velofirma <sup>(1)</sup>	Armenia	Amd	4,100,000	Renco Valor S.P.A.	53.70%	53.44%
Renco Onlus Foundation <sup>(2)</sup>	Italy	Eur	104,537	Renco S.P.A.	100.00%	99.51%
Tolfa Care s.r.l.	Italy	Eur	825,000	Renco Health Care S.r.l.	47.50%	42.54%
Real Estate Management s.r.l.	Italy	Eur	10,000	Renco Valor S.P.A.	30.00%	29.85%
Greenergo srl <sup>(2)</sup>	Italy	Eur	10,000	Renco S.P.A.	100.00%	99.51%
Salinella Eolico s.r.l.	Italy	Eur	10,000	Renco S.P.A.	100.00%	99.51%
Nova Portum s.r.l.	Italy	Eur	10,000	Renco S.P.A.	30.00%	29.85%
Darin Construction	Kazakhstan	Kzt	3,500,000	Renco Valor S.P.A.	25.00%	24.88%
Trademark Italy LLP	Kazakhstan	Kzt	240,500	Renco Valor S.P.A.	50.00%	49.76%
Renco Nigeria	Nigeria	Ngn	15,977	Renco S.P.A.	49.00%	48.76%
Renco Energy Services LTD	Nigeria	Ngn	10,000,000	Renco S.P.A.	49.00%	48.76%
Renco Wayoe Engineering Ghana LTD <sup>(2)</sup>	Ghana	Ghs	1,040,000	Renco S.P.A.	90.00%	89.56%
Niassa Sanctuary LTD	Mozambique	Mzn	100,000	Mozestate Lda	50.00%	49.76%
Renco Irem Construcoes LDA	Mozambique	Mzn	10,000,000	Renco S.P.A.	31.25%	31.10%
Central Solar De Mecufi SA	Mozambique	Mzn	100,000	Renco Moz Green LTD	25.00%	24.88%
Rebar S.A. <sup>(2)</sup>	Switzerland	Chf	100,000	Renco S.P.A.	60.00%	59.71%

#### Grounds for exclusion

<sup>(1)</sup> Company exempt from consolidation because it is not controlled under contractual agreements

<sup>(2)</sup> Company excluded as irrelevant

Chairman of the Board of Directors  
Giovanni Gasparini

## RENCO GROUP S.P.A.

Headquarters in Strada del Montefeltro, 51 - 61122 PESARO (PU) - Share capital Euro 9,012,500.00 fully paid up

Annex no. 4 to the consolidated financial statements as of 31/12/2022

These amounts are expressed in thousands of Euro

### Statement of reconciliation between the net income and the equity shareholders' of the consolidating company with the respective values resulting from the consolidated financial statements

The group consolidated shareholders' equity and consolidated economic results as of 31/12/2022 are reconciled with those of the parent company as follows:

	Shareholders' equity	Result
<b>Shareholders' equity and profit/loss for the year as reported in the financial statements of the parent company</b>	77,384	(2,452)
<b>Effect of adjustments made in application of the accounting standards</b>	<b>1,015</b>	<b>650</b>
(a) Adoption of IAS 17	812	684
b) Valuation of non-consolidated subsidiaries and associated companies using the equity method	203	(35)
<b>Elimination of the carrying value of consolidated equity investments:</b>	<b>135,661</b>	<b>24,743</b>
a) Net effect on the carrying value of consolidated equity investments with related net assets and results	84,289	22,011
b) Reversal of write-downs/revaluations of equity investments	29,766	8,479
c) Reversal of intra-group dividends of investee companies	-	(4,957)
d) Net value of capital gains attributed at the date of acquisition of the investee companies net of the related tax effect	21,607	(790)
<b>Other consolidation entries net of the related tax effect</b>	<b>(4,472)</b>	<b>(13,822)</b>
a) Elimination of intra-group profits net of the related tax effect	(11,502)	(12,461)
b) Other consolidation entries net of the related tax effect	7,030	(1,361)
<b>Consolidated shareholders' equity and profit/loss for the year</b>	<b>209,588</b>	<b>9,119</b>

Chairman of the Board of Directors  
Giovanni Gasparini

## RENCO GROUP S.P.A.

Headquarters in Strada del Montefeltro, 51 - 61122 PESARO (PU) - Share capital Euro 9,012,500.00 fully paid up  
Annex no. 5 to the consolidated financial statements as of 31/12/2022

The amounts present are expressed in Euro.

### Consolidated group statement of changes in shareholders' equity

	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Extraordinary reserve	Capital contributions	Negative reserve for treasury shares in portfolio	Cash flow hedge reserve	Consolidation reserve	Translation differences	Profit losses carried forward	Profit/loss for the year	Total	Minority interests	Total Shareholders' Equity
<b>Balance as of 31.12.2020</b>	<b>9,013</b>	<b>25,987</b>	<b>4,697</b>	<b>1,438</b>	<b>23,049</b>	<b>25,026</b>	<b>(3,609)</b>	<b>(3,562)</b>	<b>5,952</b>	<b>(50,150)</b>	<b>98,687</b>	<b>4,051</b>	<b>140,581</b>	<b>495</b>	<b>141,076</b>
Allocation of profit/loss for the year				64	1,234						2,753	(4,051)			
Distribution of dividends															
Valuation at faire value of the expected cash flow hedge reserve															
Other changes								1,411	2,180	12,112			15,702	3,338	19,039
Profit/loss for the current year												8,239	8,239	(556)	7,682
<b>Balance as of 31.12.2021</b>	<b>9,013</b>	<b>25,987</b>	<b>4,696</b>	<b>1,503</b>	<b>24,283</b>	<b>25,026</b>	<b>(3,609)</b>	<b>(2,151)</b>	<b>8,132</b>	<b>(38,038)</b>	<b>101,440</b>	<b>8,239</b>	<b>164,522</b>	<b>3,276</b>	<b>167,799</b>
Allocation of profit/loss for the year					(2,367)						10,606	(8,239)			
Distribution of dividends															
Valuation at faire value of the expected cash flow hedge reserve								16,352					16,352		16,352
Other changes									(1,605)	17,469	(4,670)		11,193	5,126	16,318
Profit/loss for the current year												8,533	8,533	585	9,119
<b>Balance as of 31.12.2022</b>	<b>9,013</b>	<b>25,987</b>	<b>4,696</b>	<b>1,503</b>	<b>21,916</b>	<b>25,026</b>	<b>(3,609)</b>	<b>14,201</b>	<b>6,527</b>	<b>(20,569)</b>	<b>107,377</b>	<b>8,533</b>	<b>200,600</b>	<b>8,988</b>	<b>209,588</b>

Chairman of the Board of Directors  
Giovanni Gasparini



## GRUPPO RENCO

Capogruppo: RENCO GROUP S.p.A.

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

### RELAZIONE DEL COLLEGIO SINDACALE SUL BILANCIO CONSOLIDATO CHIUSO AL 31/12/2022

Signori Azionisti,

Abbiamo esaminato il Bilancio Consolidato, costituito dallo stato patrimoniale, dal conto economico, dal rendiconto finanziario e dalla nota integrativa, corredato dalla relazione dell'Organo Amministrativo sulla gestione del Gruppo RENCO relativi all'esercizio chiuso al 31 Dicembre 2022, messi a nostra disposizione dall'Organo Amministrativo, unitamente al progetto di Bilancio al 31/12/2022 della Società Capogruppo.

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

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

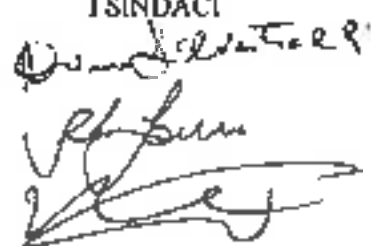
Dal nostro esame, Vi attestiamo che il Bilancio Consolidato e la relazione sulla gestione, illustrano, in modo adeguato ed esauriente, l'andamento del Gruppo ed espongono le notizie e le informazioni richieste dalla legge.

Ancona il, 15/05/2023

Sig.ra Oriana Silvestrelli - Presidente

Sig. Roberto Lauri - Sindaco Effettivo

Sig. Daniele Capecci - Sindaco Effettivo

I SINDACI  




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

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

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

**Opinion**

We have audited the consolidated financial statements of Renco Group S.p.A. and its subsidiaries (the "Group" or "Renco Group"), which comprise the consolidated balance sheet as at December 31, 2022, the consolidated statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Renco Group S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Renco Group S.p.A. are responsible for the preparation of the report on operations of Renco Group as at December 31, 2022, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Renco Group as at December 31, 2022 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of Renco Group as at December 31, 2022 and is prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

*Signed by*  
**Jessica Lanari**  
Partner

Ancona, Italy  
May 15, 2023

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

