

Annual Financial Report 2023





| | |
|---|----|
| Corporate bodies | 5 |
| Group structure and scope of consolidation | 6 |
| Directors' report on operations | 10 |
| Preamble | 11 |
| Situation of the group and operating performance | 12 |
| Results by lines of business | 14 |
| Financial aspects of operations | 25 |
| Industrial policy | 27 |
| Investment policy | 28 |
| Alternative performance indicators | 29 |
| Information on the environment | 32 |
| Information on personnel | 32 |
| Description of the main risks and uncertainties to which the group is exposed | 35 |
| Information pursuant to art.2428 n.6 bis | 39 |
| Research and development activities | 40 |
| Relations with associated, parent and partner companies | 40 |
| Treasury shares and shares/holdings in parent companies | 40 |
| Forseeable business outlook | 41 |
| Organisational model and code of ethics | 42 |



Corporate bodies

Board of Directors¹

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

Board of Statutory Auditors²

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

Auditing Firm³

Deloitte & Touche S.p.A.

¹ 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.

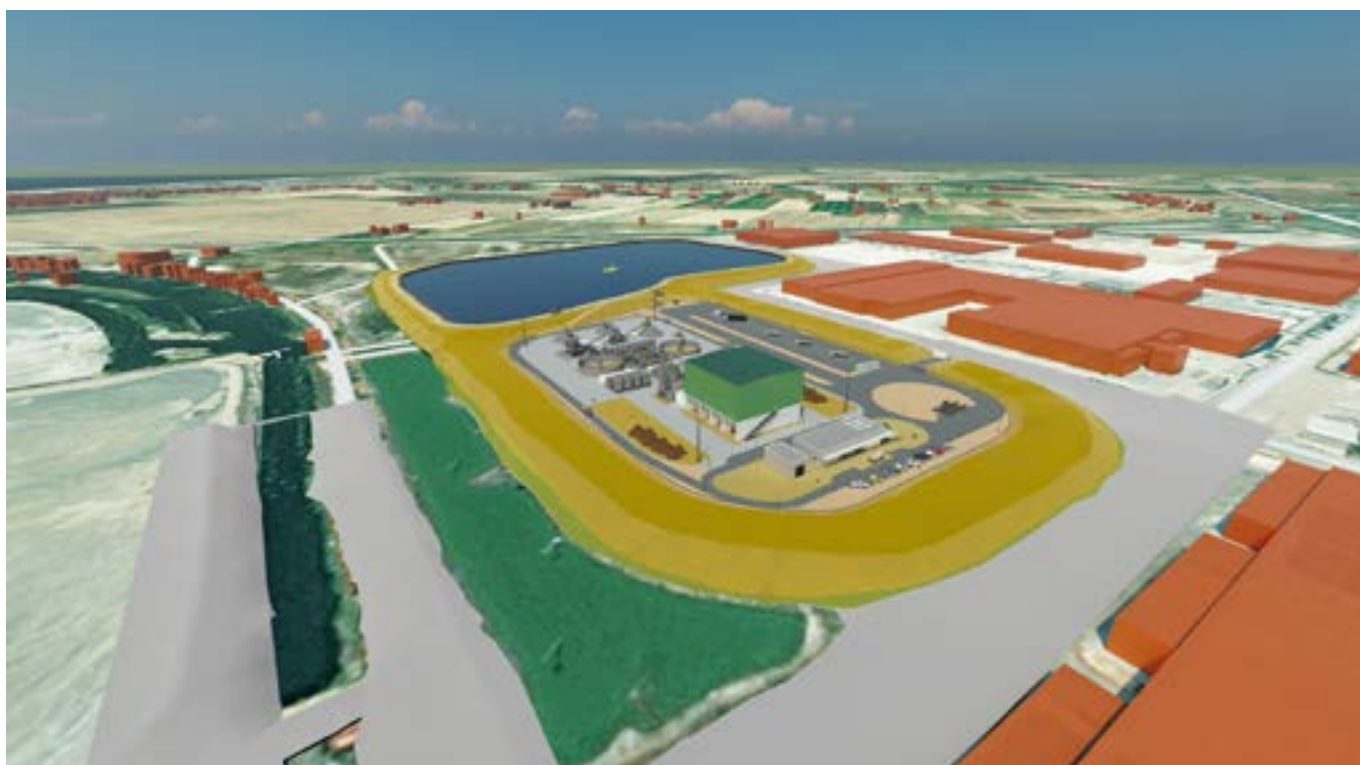
² The expiry of the term of office on the date of the Shareholders' Meeting to be called for to approve the financial statements for the year ending 31 December 2024.

³ 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 2023

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 :

⁴ 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 2023



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

- on 22 March 2023, the sale of Real Estate Management S.r.l., the owner of Palazzo Castri 1874, was completed. This four-star hotel, with 58 rooms located in Piazza dell'Indipendenza in Florence, was sold for 28 million euros, net of net working capital and net financial position, calculated at the closing date of the transaction. Real Estate Management S.r.l. was established in 2013, with a 30% stake 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 hotels in Italian art cities. Acquired by auction in 2013, Palazzo Castri 1874 was renovated and inaugurated as a hotel in May 2015.

From 2015 to 2019, the hotel's turnover increased steadily, reaching a peak of 4 million euros annually with an EBITDA margin of 40%.

The sale of real Estate Management S.r.l. marks an important step in the strategy of Renco Valore S.p.A., confirming its effectiveness in the real estate industry both in Italy and abroad and its ability to create value for shareholders.

As a result of the sale transaction, the Group made a capital gain of EUR 4,732 thousand, net of transaction costs;

- Renco Valore S.p.A. acquired control of Tolfa Care S.r.l. This was achieved through the acquisition of an additional 10% of Renco Health Care S.r.l., a company that held Tolfa Care S.r.l. for 47.5%, thus leading Renco Valore S.p.A. to hold total control over Renco Health Care. Subsequently, Renco Valore S.p.A. directly acquired an additional 20% of Tolfa Care S.r.l., moving its stake from 42.75% to 67.6%. This transaction resulted in the inclusion of Tolfa Care S.r.l. in the consolidation perimeter of Renco Group with the method of full consolidation. The excess of the acquisition cost over the group's

share of the company's net equity was charged to the property, amounting to 1,508 thousand Euro, with deferred tax liabilities on the allocated value being recorded as 584 thousand Euro.

Tolfa Care S.r.l. is a company that owns the Residence called Quinta Stella, a home for the elderly including an RSA (Health Care Residence) and a Private Retirement Home. The structure is located in the municipality of Tolfa, in the province of Rome, and is a residence with a total accommodation capacity of 97 beds, of which 58 are intended for RSA and 39 for private retirement homes;

- Renco S.p.A. acquired PASCUCCI & VANNUCCI INTERNATIONAL LIMITED, a Maltese company operating in the hospital and civil construction sectors in Libya. Based in Malta and with a branch in Libya, the company was awarded the tender contract with the Libyan public company ODAC for the next construction of "Zawyia General Hospital", with a contract value of about 62 million euros. With this transaction, Renco not only becomes a shareholder in the company, but also takes over as a subcontractor in the design and construction of the ODAC contract. The acquisition was carried out by SMS Costruzioni Generali S.p.A., a San Marino-based company. In particular, Renco acquired 51% of the share capital in full ownership and the remaining 49% in bare ownership, with a temporary usufruct right in favour of the seller until a specific condition was fulfilled, which was successfully carried out over the period, and this allowed for 100% consolidation of the acquired company. The purchase consideration consists of a fixed price amounting to Euro 3.9 million, including Euro 2 million, to be paid within ten working days of receipt of the advance payment from the customer, and an additional price amounting to Euro 0.8 million, which is foreseen on the basis of contractually defined variables, including the net financial position at the end date and other specific items. The closing date was 30 August 2023, which is why a liability amounting to Euro 4,502 thousand with goodwill offsetting item was entered in the financial statements, which was sub-

sequently classified as the contract awarding fee and included among the other intangible fixed assets.

This acquisition represents a significant strategic step for Renco S.p.A., expanding its presence in the Libyan market and in the healthcare infrastructure industry.

- On 27 November 2023, Renco S.p.A. sold the remaining 40% of the share capital of Salinella S.r.l. to the Ascopiave Group member company, Asco Renewables S.p.A. The consideration for the sale of the share amounted to 7,100 thousand Euro, which resulted in a capital gain of 3,397 thousand Euro.
- in the period, Renco Valore S.p.A. expanded its international presence by incorporating Eurobuilding ShPK, a company governed by the laws of Albania, focused on civil construction and real estate development, to exploit the opportunities of the Albanian market. At the same time, Renco S.p.A. established Renco USA Corp, with headquarters in Houston, Texas, a company governed by the laws of the United States of America aimed at seizing new business opportunities in the provision of technical and supervisory services, with a particular focus on the customer Baker Hughes. These expansions are strategic steps to strengthen the Renco Group's position in global markets and diversify its operations.
- finally, the group decided to initiate liquidation proceedings for certain companies that are no longer strategic or profitable, including Rebar SA, Renco Service OOO, Renco Ghana Branch, Renco Abu Dhabi Branch and Renco Eco Energy S.r.l. At the same time, during the period, the liquidations of Renco Canada, Greenergo S.r.l., Renco Health Care S.r.l., the latter with the sale of the stake in Tolfa to Renco Valore, Geodelta Corp and Armenia Gestioni, were completed. These actions represent a rationalization of the group's organisation chart, eliminating non-performing assets and focusing on those most in line with the company's objectives.

Directors' Report on operations 2023

1) Report on operations

Preamble

Methodological note

Situation of the Group and operating performance

Results by business lines

Financial aspects of operations

Industrial policy

Investment policy

Information on the environment

Information on personnel

Description of the main risks and uncertainties to which the Group is exposed

Information pursuant to art. 2428 no. 6 bis

Research and development activities

Relations with associated, parent and partner companies

Treasury shares and shares/holdings in parent companies

Foreseeable business outlook

Organisational model and code of ethics

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 2023.

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 2023 financial year compared to the 2022 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 Group continued to show considerable capacity for growth, with the production value increasing for the second consecutive year by more than 30%, reaching 593 million Euros in this financial year. At the same time, the EBITDA rose to 69.3 million Euro, a 46.9% increase compared to the previous year, a result that highlights the Group's ability to maintain high levels of operational efficiency and profitability. This was achieved despite the cost pressures for raw materials and services, which due to inflationary factors and changes in the supply market saw a 43% increase across 2022, with a percentage impact on the production value of 73 % compared with 68 % in the previous year.

The 2023 financial year marked the end of the energy efficiency measures, linked to the "Superbonus 110%" initiative, involving 124 condominiums, with a total contract value of the portfolio of orders of 310.8 million Euro. These projects, which have helped to improve the energy sustainability of buildings, have contributed a period production value of 169 million Euros and generated a significant margin for the Group. The effectiveness of company policies focused on organisational flexibility and technical professionalism has seized the opportunities that emerged on the Italian market from mid-2021, continuing in 2022 and 2023. The absence of advance payments for these projects had a significant impact on cash absorption, resulting in an increase in short-term financial indebtedness due to the setting up of lines dedicated to financing the projects' working capital.

In 2023, Waterline's order for the construction of the Astrakhan'-Mangyshlak water pipeline in Kazakhstan, approximately 170 km long, with a contract value amounting to Euro 200 million, made strong progress until reaching a completion rate of 96% at the end of the year.

The Superbonus 110 and Waterline projects have contributed significantly to the results of BU buildings, further strengthening the Group's position, in particular in the Italian sector.

Another important project completed in 2023 was the Everdrup gas compression plant for the customer Energinet. The initial contract value amounting to Euro 72 million increased due to modifications to the initial plan approved by the customer. However, the situation has changed drastically with the onset of the conflict in Ukraine and the sabotage of the Nord Stream gas pipeline, prompting ENERGINET to request Renco to start the plant five months earlier than planned. This goal was achieved on 30 November 2022, as evidenced by Energinet's public statement announcing the full operation of the pipeline.

Despite the fact that the plant had been running since December 2022, the Taking-Over Certificate (TOC) was not signed by Energinet until August 2023, when the plant formally came under the management of the customer. The acceleration required by Energinet for commissioning resulted in higher than expected costs for Renco, and the continuation of construction activities during the operation of the plant generated significant inefficiencies, aggravating the project costs, eroding the EBITDA of the Renco Group in both 2022 and 2023. In the light of the above, the Renco Group is in the process of negotiating with Energinet for the recognition of the additional costs incurred. Supported by its legal team, the management has reasonable confidence that at least some of the claims made will be recognised.

In the capital field, it should be observed that trade receivables increased significantly, from 96.9 million euros in 2022 to 166.7 million euros in 2023. This change is mostly due to the massive billing cycle

⁵ 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".

recorded in December for the Superbonus 110 and Waterline projects. The increase in trade receivables on the Superbonus, whose billing in December was 42.2 million Euro, was supported by the finalisation of the related works, with all the technical and fiscal orders received from the consultants, which are also necessary to guarantee the agreements undertaken with the customers for the invoice discount and the closure of the works within the period to guarantee the tax receivable.

In this context of economic growth and rising costs, the Group's financial management has shown prudence by reducing the financial debt toward banks and bond subscribers from Euro 298.2 million in 2022 to Euro 279.7 million in 2023, supporting the supply chain with an average payout day reduction of about 30 days compared to 2022.

The Group showed strong growth in turnover, marginality and net profit, together with careful financial management that successfully balanced the reduction of financial payable and increased settlement of trade payables, despite the challenges linked to rising costs and expanding trade receivables. These elements indicate a winning business strategy, and healthy and sustainable growth.

Economic analysis

| Income statement | 31/12/2023 | % | 31/12/2022 | % | Change % |
|--|------------------|----------------|------------------|----------------|----------------|
| Revenues from sales | 634,565 | 107.01% | 294,097 | 66.24% | 115.77% |
| Changes in inventories of WIP products | (66,557) | -11.22% | 116,110 | 26.15% | -157.32% |
| Own work capitalised | 22,239 | 3.75% | 17,416 | 3.92% | 27.69% |
| Other operating revenues | 2,756 | 0.46% | 16,390 | 3.69% | -83.18% |
| Value of Production | 593,003 | 100.00% | 444,013 | 100.00% | 33.56% |
| Goods and consumable materials | (188,335) | -31.76% | (104,292) | -23.49% | 80.58% |
| Costs for services | (244,629) | -41.25% | (197,467) | -44.47% | 23.88% |
| Personnel costs | (78,100) | -13.17% | (79,994) | -18.02% | -2.37% |
| Other operating costs ⁵ | (12,603) | -2.13% | (14,957) | -3.37% | -15.74% |
| Operating costs | (523,667) | -88.31% | (396,710) | -89.35% | 32.00% |
| Gross operating result (EBITDA) | 69,336 | 11.69% | 47,303 | 10.65% | 46.58% |
| Amortisation, Depreciation and write-downs | (21,772) | -3.67% | (21,822) | -4.91% | -0.23% |
| Provisions for risks and guarantees | (5,047) | -0.85% | (573) | -0.13% | 780.80% |
| Operating result (EBIT) | 42,517 | 7.17% | 24,908 | 5.61% | 70.70% |
| Income from equity investments | 8,129 | 1.37% | 85 | 0.02% | 9463.53% |
| Other financial income | 4,547 | 0.77% | 2,894 | 0.65% | 57.12% |
| Interest and other charges | (26,446) | -4.46% | (17,281) | -3.89% | 53.04% |
| Foreign exchange gains and (losses) | (3,263) | -0.55% | (61) | -0.01% | 5249.18% |
| Adjustments on financial assets | (57) | -0.01% | (2,151) | -0.48% | -97.35% |
| Profit before taxes | 25,427 | 4.29% | 8,394 | 1.89% | 202.92% |
| Income taxes | (13,291) | -2.24% | (5,170) | -1.16% | 157.08% |
| Deferred and (prepaid) taxes | 3,403 | 0.57% | 5,894 | 1.33% | -42.26% |
| Profit (loss) for the year | 15,539 | 2.62% | 9,117 | 2.05% | 70.44% |

During the year ended at 31 December 2023, the production value of the Group amounted to Euro 593 million, recording a more than 30% increase compared to the previous period for the second consecutive year. Operating revenues from third parties amounted to Euro 570.8 million (+34% compared to 2022). In 2023, Armpower contributed to the consolidated RENCO Group with a production value of 68.9 million euros compared with a value of 46 million euros in 2022.

The EBITDA amounts to Euro 69.3 million (Euro 47.3 million in 2022), with a margin on production value of 11.7%, an improvement compared to the previous period.

Amortisation and write-downs, amounting to Euro 21.8 million, substantially in line with last financial year.

The provisions for risks and guarantees amounting to Euro 5 million relate to the allocation of the Guarantee Fund on orders completed during the period, respectively for Everdrup, amounting to Euro 4.5 million, and for Salinella, amounting to Euro 0.5 million.

There was an improvement in the operating income (EBIT) which went from Euro 24.9 million in 2022 to Euro 42.9 million in 2023 with a change of Euro 18 million and an impact on the production value that rose from 5.6% to 7.2%.

The proceeds from the investments, amounting to Euro 8.1 million, contain the effects of the transfer of the minority shareholdings in Real Estate Management S.r.l. and Salinella S.r.l., which contributed respectively Euro 4.7 million and Euro 3.4 million.

The item Other financial revenue, equal to Euro 4.6 million, consists amounting to Euro 3.4 million from revenues registered in Renco Kat, resulting from an efficient management of project treasury linked to the Waterline order. The advances and deposits received during the project, prior to their use in day-to-day management, enabled the activation of remunerated deposits (overnight deposits), with local interest rates well above 10%. For opportunities this type of treasury management was extended at the end of the period to Renco property, which recorded financial revenue of Euro 0.1 million. Finally, Renco Spa recorded financial revenue of Euro 0.6 million from the sale of tax bonuses, initially monetised at a value above the nominal value of 100.

The economic components of a financial nature showed a balance of financial charges, net of foreign exchange effects, of Euro 26.5 million (Euro 17.3 million in the corresponding comparative period), an increase of Euro 9.2 million compared to 2022.

The increase is attributable to the significant growth of the Euribor rate, which was an increase of about 3 percentage points compared to 2022. This increase had an impact on the sale price of the 110% Superbonus tax payables, resulting in an additional financial burden of EUR 4.8 million, and on the cost of Renco's financial debt, particularly on short-term lines. These developments have led to an increase in the percentage weight of financial costs on production value from 3.9 % in 2022 to 4.5 % in 2023.

Net foreign exchange losses amounting to Euro 3.2 million were recognized during the financial year, this amount being entirely attributable to unrealized effects. This item includes profits amounting to Euro 5.4 million and losses amounting to 8.6 million Euro. Unrealised profits on exchange rates amounted to Euro 1 million, while unrealised losses on exchange rates amounted to Euro 4.3 million. The net exchange rate effects achieved are positive to the tune of EUR 0.1 million.

The operating dynamics indicated above generate a pre-tax result of Euro 25.4 million.

Income taxes for the period amounted to Euro 13.3 million (5.2 million Euro), up by 7.9 million Euro, with a pre-tax profit amounting to 26.1 million Euro in 2023 (8.4 million Euro in 2022). The tax rate stands at 52% (48% in 2022). In addition to current taxes, the tax burden includes Euro 0.5 million (Euro 1.1 million in the previous period) for the release of taxes allocated in previous periods and defined in the declaration. Fi-

nally, in 2023 there was a positive effect of deferred and prepaid taxes amounting to Euro 3.4 million. This item comprises an element of a temporary nature that is exclusively generated by differences between Armpower's civil financial statements, drawn up in USD (financial statements functional currency), and its tax financial statements in Armenian company 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

We present in the following table the contribution on the consolidated value of production and EBITDA of the different business lines:

| Business Lines | 2023 | | | 2022 | | |
|-------------------------------|----------------|---------------|--------------|----------------|---------------|--------------|
| (in thousands of Euro) | VdP | Ebitda | Ebitda % | VdP | Ebitda | Ebitda % |
| Services | 44,998 | 4,875 | 10.8% | 70,614 | 10,439 | 14.8% |
| Asset management | 47,988 | 9,346 | 19.5% | 44,629 | 21,409 | 48.0% |
| Buildings | 341,051 | 72,860 | 21.4% | 153,124 | 26,068 | 17.0% |
| Energy | 136,727 | 3,056 | 2.2% | 158,413 | 7,913 | 5.0% |
| General costs | | -20,801 | | | -18,526 | |
| Total vs Third Parties | 570,764 | 69,336 | 12.1% | 426,780 | 47,303 | 11.1% |
| Investments | 22,239 | | | 17,233 | | |
| Total | 593,003 | 69,336 | 11.7% | 444,013 | 47,303 | 10.7% |

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 financial year closed at 31 December 2023, the production value of the Business Line amounted to 136.7 million Euro (158.4 million Euro in 2022), the industrial margin amounted to 3.1 million Euro and its impact on the production value was 2.2% (5% in 2022). The significant contraction of EBITDA stems mainly from the negative impact of Energinet’s Everdrup order, which was closed during the period, for a deeper project reference is made to the above.

Armpower’s contribution to the production value is Euro 68.9 million (Euro 46 million in 2022) and an EBITDA amounting to Euro 17.2 million.

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 bargaining with the banks the Armenian Gov-

ernment involved the gas supplier Gazprom Armenia and the company ENA, which undertakes 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 load 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 Novem-

ber 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 Cjsj 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, with the start and beginning of the first generation of electricity, took place in December 2021.

On 30 April 2022, the steam turbine supplied by Siemens suffered damage, resulting in the temporary shut-down of the plant for repair operations. The repair costs as well as the loss of income for the period of downtime were in any case covered by dedicated insurance policies activated at the occurrence of the accident.

Following the physiological completion of the repairs, the start-up of the entire plant 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 late September 2022, the plant has continued to run duly following the requests of the national energy provider. The plant has been running regularly and fully efficiently, guaranteeing between 20% and 25% of the country's demand. The planned Minor Outage operations were also duly carried out, with the plant re-starting and networking, confirming once again the production capacity and expected performance

In 2023, Armpower produced 1,768 million kWh (1,178 million kWh in 2022), recording revenues from electricity sales amounting to USD 114,685 thousand (USD 80,644 thousand in 2022), an EBITDA of USD 30,291 thousand (USD 20,175 thousand in 2022) net profit was USD 3,412 thousand (USD 8,607 thousand in 2022). The company's net financial debt as at 31 December 2023 amounted

to USD 149,187 thousand (USD 163,877 thousand in 2022). The short-term financial debt amounted to USD 11,548 thousand (USD 19,345 thousand in 2022).

In March 2024, the company reported revenues of USD 29,574 thousand and an EBITDA of USD 3,626 thousand, with a cash generation of USD 3,030 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 of the installation, updated to 2023, including the costs of connecting to the electricity grid, amounted to USD 27.4 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.

The total investment, including vat, will amount to approximately USD 31.65 million (including development costs, maintenance and interest reserve during construction), equity-financed by USD 12.2 million, with a financial debt of USD 19.2 million and with free cash generated by the working capital of USD 0.25 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).

RENCO has involved SIMEST S.p.A. (CDP Group) in the initiative, (CDP Group) 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 corporate capital of the Mozambican special purpose company owned by Renco and Simest called Renco Moz Green Lda (incorporated in January 2022), which holds a stake in CSM.

In December 2022 Renco and Simest carried out a first capitalisation of Renco Moz Green for a total amounting to Euro 1,052 thousand (including Euro 536 thousand by Renco and Euro 516 thousand by Simest, which it subscribed and paid in early 2023).

A second capital increase of Renco Moz Green was then made for an additional Euro 3,530 thousand (Euro 2,050 thousand by Renco and Euro 1,480 thousand by Simest) in May 2023.

The construction activities of the plant started at the end of 2023 and will last approximately 12/15 months and are carried out by Renco S.p.A. (on the basis of an EPC Offshore contract) and the Mozambique-based Rencotek Group member company (on the basis of an EPC Onshore contract).

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 involves the reforestation of the two plots allocated for an extension of more than 40 thousand hectares with a total investment of more than 80 million euros, planned to be completed within the first 10 years.

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 fa-

cility 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;
- 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.

In 2023, nursery and soil preparation activities were started, marking the beginning of the reforestation project. This initial commitment led to the completion of the forestation of a first plot of land, covering an area of 150 hectares. Operations will continue during 2024, in accordance with the planting program established previously. The project envisages the sale of green certificates after a period of 2 to 3 years from planting, which is a period of time required to allow the plants to grow and actually start to collect carbon in sufficient quantities to generate transferable credits.

In addition, in November 2023, we celebrated an important milestone with the official opening ceremony. The event was honoured by the presence of the Congolese authorities and the Prime Minister, coinciding with National Tree Day. This opportunity not only underlined our commitment to reforestation, but also highlighted the government's support and recognition for our project.

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

Buildings Business Line

At the end of the 2023 financial year, which ended in December 31, the turnover of the Business Line reached 341.1 million Euro, compared to 153.1 million Euro in 2022. The industrial margin stood at 72.9 million Euro, with a significant increase compared to 26.1 million Euro in 2022, representing 21.4% of the production value, compared to 17% in the previous year. The production value has benefited significantly from the works related to the “Superbonus 110”, which contributed 168 million Euro to the VDP, in the context of projects that reached a total contract value of 310 million Euro. A further boost was the progress of the Water Line project in Kazakhstan, which contributed Euro 161 million to the VdP.

The Superbonus 110% provided for a tax deduction of 110% on the expenses incurred for the energy redevelopment of buildings, the safety upgrades, the implementation of anti-seismic interventions and the implementation of photovoltaic systems. This measure has stimulated the construction market since 2021 and has generated an increased demand for materials and services for the renovation of buildings.

In 2023, the construction industry in Italy continued to grow, albeit at a more moderate pace than the previous year. According to the National Association of Building Builders (ANCE), total investment in the construction industry has shown an increase, supported by public investment and incentives to make buildings more sustainable and digitised. However, growth has been dampened by the absence of additional incentives and long-term economic uncertainties. Specifically, the residential construction industry saw a 3% increase in investment in new housing. In the non-residential industry, private investment increased by 6.5%. Public works increased significantly by 25%, thanks also to the continuation of the measures provided for in the PNRR (National Recovery and Resilience Plan), which foresees significant investments in the construction industry until 2026.

It was noted that, as part of the activities planned for the PNRR (National Recovery and Resilience Plan), the Renco Group won 6 projects for the redevelopment of public buildings over the period.

As part of the Superbonus 110 programme, Renco S.p.A. Offered its services for the large condominium market (in Sicily, Umbria, Lazio and Marche) since 2021 for the realization of the required works and for the management of the financial aspects, through the use of the guaranteed invoice discount for the condominiums. The activities are aimed at leapfrogging two energy efficiency classes that guarantee about 30% of energy savings. Most works were not limited to the minimum necessary jump of two classes, but reached up to 5 more classes that allow you to save up to 80% of energy and significantly reduce the environmental impact. Most of the works involved the installation of renewable energy sources, such as photovoltaic systems integrated with storage systems, in line with the European Community goals of energy independence from fossil fuels and improved air quality. In 2023, the Renco Group completed the Superbonus works on more than 120 worksites, managing to achieve - within the expected time - the concessions and recording a production value of Euro 169 million (Euro 105 million in 2022 and Euro 36.6 million in 2021).

In 2022, Renco Kat was awarded a major construction contract for the second line of the Astrakhan'-Mangyshlak water pipeline in Kazakhstan, which is a project to expand the existing water pipeline carrying 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 scheduled for the first half of 2024. The progress of the project as of 31 December 2023 is 96%.

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

To better understand the activities of Buildings BL, below is a specific commentary on the evolution of the main investments in companies in the building industry.

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.

Activities related to pre-resumption operations of the Afungi development project are benefiting from PBT’s port infrastructure with an average of 6 operations per week at the fixed quay.

The expectations linked to the restoration of the development of the Mozambique LNG infrastructure foresee a resumption of project activities during 2024 with a gradual restart from July. This recovery could stimulate a significant increase in

PBT activities, in support of the mobilisation of the main contractor (CCS JV – Saipem) and the various sub-contractors involved in construction activities.

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, following the purchase of a floating pontoon and the transportation thereof 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 cleats and additional fenders, (b) piling aimed at the final installation of the pontoon, (c) purchase of a steel connecting bridge which 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 project was completed in 2023 and it has been certified by the Lloyds’ Register. After this important milestone, the infrastructure is now fully adequate and suitable to support the provision of services essential to the development of oil and gas projects in the north of the country.

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 whole multi-phase project is still ongoing as of 31 December 2023.

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 concluding an Addendum to the Agreement that provides for the revision of the time schedule 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 Ecodemolizio-

ni 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 works have been designed with a strong “green” value and therefore 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.

- 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 the financial year, Residence Viserba obtained its first results from the sale of the real estate units in plots 3 A and 3 B. After completing the construction works, Residence Viserba sold 66% of the units in plot 3 A and 95% of those in plot 3 B, obtaining a total revenue of 11,156 thousand Euros. The remaining real estate units in these plots were fully sold in the subsequent year, in 2024. These results highlight the success of the project and the effectiveness of the sales strategies implemented by the Residence.

Finally, in 2023 works began on the construction of the 4A and 4B compartments.

Services Business Line

During the financial year closed at 31 December 2023, the turnover of the Business Line amounted to 45 million Euro (70.6 million Euro in 2022), the industrial margin was 4.9 million Euro (10.4 million Euro in 2022) and its impact on the production value was 10.8% (14.8% in 2022).

The decrease of 25 million euros in the production value is mainly due to the conclusion of a significant contract in Congo at the end of 2022. In response, the division decided to further focus and become more relevant in other already existing geographical areas, such as the Middle East and, in particular, Qatar. This commitment has led to start-up costs, which are considered strategic investments to strengthen the presence and expand the Group's business in the MENAT region. As a result of these increased burdens linked to expansion and consolidation in the selected markets, the division's percentage industrial margin decreased.

Asset Management Business Line

During the period analysed, the turnover of the Business Line rose to 48 million Euro, compared to 44.6 million Euro in 2022. Although there was an increase in revenues, the industrial margin fell significantly, from 21.4 million euros in 2022 to 9.3 million euros in 2023, with the impact on the production value falling from 48% to 19.5%.

The change in the industrial margin should be seen in relation to the structures under management, which varied in 2023 compared to the previous financial year, due to the sale of Hotel Yerevan at the end of 2022. In 2022, the Hotel Yerevan contributed to the division's operating income of Euro 3 million in revenues and the capital gain from the sale amounting to Euro 9.8 million, affecting the EBITDA for a total

of Euro 11.1 million.

In addition, the Viserba real estate initiative aimed at demobilising and enhancing a land acquired by the Group back in 2003 influenced the outcome of the division. Sales for the first part of the initiative generated 11.2 million euros in revenues in 2023, with a reduction in the Group's EBITDA of 1 million euros. This change in the drivers of turnover and the change in the structures under management compared to those of the previous year explain the change in revenues and the alteration of the EBITDA of the previous period.

Group order book

The Renco Group's Order Book amounts to Euro 3,387.1 million, with a backlog amounting to Euro 2,882.5 million.



Energy

| Job | Country | Client | Contract Value (€/Mil) | Year End | To Be Produced |
|---|------------|---|------------------------|----------|----------------|
| Cassiopea | Italy | ENI | 28.1 | 2024 | 9.1 |
| Photovoltaic Mozambique EPC | Mozambique | CSM | 25.7 | 2024 | 20.8 |
| Photovoltaic Mozambique Operation | Mozambique | Mozambique National Electricity Authority | 123.9 | 2048 | 123.9 |
| Barge Albania | Albania | Excelerate - Renco JV | 26.1 | 2024 | 2.8 |
| Data Center Atho4 Microsoft | Greece | Microsoft | 39.8 | 2026 | 39.8 |
| Electric Power Station Messina | Italy | SNAM Rete Gas | 10.9 | 2026 | 7.7 |
| Electric Power Station Malborghetto | Italy | SNAM Rete Gas | 11.1 | 2026 | 7.6 |
| Electric Power Station Poggio Renatico | Italy | SNAM Rete Gas | 9.1 | 2026 | 8.1 |
| Yerevan CCGT Management | Armenia | Armenia National Electricity Authority | 1,350.0 | 2047 | 1,236.9 |
| Port of Ravenna EPC | Italy | Adriatic Sea Port Authority | 47.4 | 2025 | 46.1 |
| Photovoltaic EPC in Mogliano | Italy | Ascopiave Group | 9.7 | 2025 | 9.7 |
| 28MW photovoltaic plant + 2MW hydrogen country | Italy | Green Energy | 51.2 | 2025 | 50.9 |
| 39MW photovoltaic + 4MW hydrogen plant in Falconara | Italy | JV Renco Pol-larini | 81.0 | 2026 | 81.0 |
| Total energy | | | 1,813.9 | | 1,644.4 |

Buildings



| Job | Country | Client | Contract Value (€/Mil) | Year End | To Be Produced |
|--|--------------------------|----------------------------------|------------------------|----------|----------------|
| JV CCS Field | Mozambique | CCS | 90.1 | 2025 | 38.7 |
| CCS JV Temporary Buildings | Mozambique | CCS | 64.8 | 2025 | 42.4 |
| Waterline KZ | Kazakhstan | Waterline (Kaztransoil) | 194.6 | 2024 | 8.1 |
| Libyan Hospital - Ai Zawiya | Libya | Ministry Of Health | 62.0 | 2025 | 62.0 |
| ACBA Headquarter | Armenia | ACBA Bank | 24.6 | 2025 | 21.4 |
| Milan University Construction | Italy | UNIMI | 344.8 | 2026 | 2.0 |
| Ponenete Academy Hub | Italy | Genoa Metropolitan City | 16.3 | 2025 | 16.3 |
| New Municipal Swimming Pool | Italy | Municipality of Sesto Fiorentino | 8.9 | 2025 | 8.9 |
| Recovery and Renovation of Municipal Buildings | Italy | Capital Rome Metropolitan City | 7.8 | 2025 | 7.8 |
| Albania Hospital Camp | Albania | Navy | 5.1 | 2024 | 5.1 |
| Renovation Via Boncompagni - Rome | Italy | Savills | 88.6 | 2026 | 90.0 |
| Production and Supply of Concrete and Inert Material | Mozambique | CCS | 102.0 | 2027 | 102.0 |
| Group Buildings | Europe/Former Cis/Africa | | 219.0 | 2027 | 207.7 |
| Others | | | 3.5 | | 3.5 |
| Total Buildings | | | 1,231.9 | | 958.6 |

Services



| Job | Country | Client | Contract Value (€/Mil) | Year End | To Be Produced |
|------------------------|-------------|-------------|------------------------|----------|----------------|
| Service to Ammat Congo | Congo | ENI Congo | 16.0 | 2025 | 16.0 |
| Baker Huges | World | Baker Huges | 48.4 | 2026 | 48.4 |
| Baker Huges | Middle East | Baker Huges | 18.0 | 2026 | 18.0 |
| NCOC | Kazakhstan | NCOC | 47.2 | 2025 | 16.0 |
| Barge Albania | Albania | Kesh | 21.8 | 2026 | 21.3 |
| Total Dunga | Kazakhstan | Total | 4.6 | 2026 | 4.6 |
| Port Pemba Management | Mozambique | CCS | 54.5 | 2027 | 54.5 |
| Others | World | Others | 10.8 | 2026 | 10.8 |
| Total Services | | | 221.3 | | 189.6 |

Asset Management



| Job | Country | Client | Contract Value (€/Mil) | Year End | To Be Produced |
|---|---------|--------|---------------------------|----------|-------------------|
| Renco Properties's Holding Contracts | | | 120.0 | 2026 | 90.0 |
| Total Asset Management | | | 120.0 | | 90.0 |

| Total Portfolio | |
|------------------------|----------------|
| Contract Value (€/Mil) | To be Produced |
| 3,387.1 | 2,882.5 |

Distribution of assets by geographic area

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

| Geographic area | 31.12.2023 | % | 31.12.2022 | % | Change | Change % |
|-------------------------|----------------|---------------|----------------|---------------|----------------|--------------|
| Italy | 238,266 | 40.2% | 179,366 | 40.4% | 58,900 | 32.8% |
| European Union | 25,689 | 4.3% | 54,504 | 12.3% | -28,815 | -52.9% |
| Former CIS countries | 272,698 | 46.0% | 127,930 | 28.8% | 144,768 | 113.2% |
| Africa | 46,947 | 7.9% | 60,354 | 13.6% | -13,407 | -22.2% |
| Middle East | 6,998 | 1.2% | 18,524 | 4.2% | -11,526 | -62.2% |
| Other | 2,405 | 0.4% | 3,335 | 0.8% | -930 | -27.9% |
| Total | 593,003 | 100.0% | 444,013 | 100.0% | 109,657 | 33.6% |

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

In Italy, the production value increased solely as a result of the progress made in the Superbonus 110 orders, which were completed in 2023. In the former USSR member states, the increase is substantially due to the progress made in the project to build the water pipeline in Kazakhstan and the revenues obtained from the sale of electricity by Armpower.

In Africa, however, there has been a reduction in the production value, with a significant decrease in the Services BU in Congo.

In the European Union, the decrease was caused by the conclusion of the Everdrup project in Denmark.

In the Middle East, the reduction of operations in Oman, managed by the Services BU, has negatively affected the performance of the region.

Financial aspects of operations

| Restated balance sheet | 31/12/2023 | 31/12/2022 | Change |
|---|----------------|-----------------|----------------|
| Inventories | 376,656 | 443,727 | (67,071) |
| Current trade receivables | 166,726 | 96,904 | 69,822 |
| Current tax assets | 21,363 | 15,185 | 6,178 |
| Prepaid tax assets | 21,653 | 18,603 | 3,050 |
| Assets intended for sale | - | 1,371 | (1,371) |
| Other current assets | 12,400 | 12,991 | (591) |
| (A) Current assets | 598,798 | 588,781 | 10,017 |
| Current trade payables | 172,048 | 158,189 | 13,859 |
| Advances | 378,798 | 421,205 | (42,407) |
| Current tax liabilities | 16,120 | 6,673 | 9,447 |
| Other current liabilities | 24,494 | 14,309 | 10,185 |
| (B) Current liabilities | 591,460 | 600,376 | (8,916) |
| (A-B) Net working capital | 7,338 | (11,595) | 18,933 |
| Tangible fixed assets and usage rights | 378,487 | 374,274 | 4,213 |
| Intangible fixed assets and goodwill | 13,378 | 9,869 | 3,509 |
| Non-current tax assets | 27 | 27 | - |
| Non-current financial assets | 13,190 | 20,825 | (7,635) |
| Other non-current assets | 10,402 | 12,061 | (1,659) |
| (C) Non-current assets | 415,484 | 417,058 | (1,572) |
| Employee benefits | 1,861 | 2,015 | (154) |
| Long-term provisions | 5,124 | 2,757 | 2,367 |
| Financial liabilities to shareholders | 4,409 | 5,344 | (935) |
| Deferred tax liabilities | 16,504 | 18,013 | (1,509) |
| Liabilities for derivatives | 0 | 0 | - |
| Other non-current liabilities | 1,281 | 2,161 | (880) |
| (D) Non-current liabilities | 29,179 | 30,289 | (1,111) |
| (E) Fixed capital | 386,305 | 386,769 | (464) |
| (NWC+Fixed capital) Net invested capital | 393,644 | 375,174 | 18,470 |
| Share capital | 9,013 | 9,013 | - |
| Reserves | 73,733 | 87,690 | (13,957) |
| Treasury share held in portfolio | 0 | (3,609) | 3,609 |
| Undivided profits | 116,301 | 107,377 | 8,924 |
| Net profit for the year | 15,540 | 9,118 | 6,422 |
| (SE) Total shareholders' equity | 214,587 | 209,589 | 4,998 |
| Other non-trade receivables ⁶ | (8,902) | (9,154) | 252 |
| Cash and cash equivalents | (62,470) | (100,542) | 38,072 |
| Current financial assets ⁷ | (27,841) | (23,475) | (4,366) |
| Non-current financial assets ⁷ | (17,886) | (13,223) | (4,663) |
| Current financial liabilities | 98,118 | 90,050 | 8,068 |

| | | | |
|--|----------------|----------------|---------------|
| Non-current financial liabilities | 151,850 | 166,595 | (14,745) |
| Current liabilities to other lenders | 1,197 | 962 | 235 |
| Non-current liabilities to other lenders | 15,218 | 12,825 | 2,393 |
| Current bond loan | 2,829 | 13,257 | (10,428) |
| Non-current bond loan | 26,944 | 28,292 | (1,348) |
| (NFP) Net financial position | 179,057 | 165,587 | 13,470 |
| (SE+NFP) Total sources | 393,644 | 375,174 | 18,470 |

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

⁷ 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 framework is 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 stands at Euro 7.3 million and during the period it absorbed cash amounting to Euro 18.9 million compared to 31 December 2022.

The change is attributable to the joint effect of:

- cash absorbed for the increase in trade receivables, amounting to Euro 69.8 million, stems from the orders linked to Superbonus 110, the energy credit of Armpower and the increase in the credit registered in Renco Kat for the
- cash generated by the decrease in the Inventories item net of advance payments amounting to Euro 24.7 million, as a result of the completion of the work related to the Superbonus 110;
- the liquidity generated by higher payables to suppliers, for Euro 13.9 million, as a result of the implementation times of the Interim Payment Certificate recorded close to year-end and largely related to building bonuses;
- cash generated on net receivables/liabilities (advance taxes, other receivables, other liabilities) amounting to Euro 12.3.

The fixed capital remained almost unchanged with a slight increase. There was an increase of Euro 7.7 million as a result of investments in tangible and intangible fixed assets (including exchange rate effects), offset by a decrease in liabilities for deferred taxes and other non-current assets that encompasses the effects of positive fair values for derivatives, detailed comments are given in paragraph "Other Information" of the Notes to the financial statements.

The net invested capital stood at Euro 394 million with an increase of Euro 18.5 million and is hedged by total net equity of Euro 215 million, an increase in the period of Euro 5 million, and by the net financial position of Euro 179 million (+ 13.5 million Euro compared to 165.6 million Euro at 31 December 2022).

The equity and financial structure of the Renco Group as at 31 December 2023 confirms a solid financial debt coverage and a debt equity ratio (NFP/SE ratio) of 83%.

The increase in NFP is due to the reduction in cash and cash equivalents at the end of the year, which fell from Euro 100.5 million in 2022 to Euro 62.5 million in 2023. It should be observed that the assets of the previous period benefited from the advance on the Waterline order of approximately Euro 60 million, which was received in December 2022 and used in full in 2023 during the performance of the order.

While, in 2023, the gross financial debt which dropped from Euro 256.6 million in 31 December 2022 to Euro 249.9 million in 31 December 2023, of which Euro 98.1 million is the current share (within 12 months) and Euro 151.9 million is the non-current share (over 12 months). The financial debts of Armpower and Eat's Re's triggered by project-financing (non-recourse) logic at 31 December 2023 amounted to Euro 86.2 million (Euro 95.5 million at 31 December 2022).

The group's NFP adjusted for non-recourse net financial debt stands at Euro 92.9 million.

The cash generated by the management, attributable to an EBITDA of 69.3 million Euro after deduction of taxes paid and the movement of working capital (adjusted for exchange rate effects), is equal to 27.4 million Euro. This, together with the cash at the beginning of the period, ensured adequate hedging of the financial charges and investment activities which resulted in an absorption of Euro 21.3 million and Euro 30.4 million respectively.

The financial management absorbed Euro 19.3 million to reduce the Group's gross debt, resulting in an overall absorption of Euro 38 million in cash and cash equivalents at the end of the 2023 financial year.

The cash absorption of working capital is mainly due to the increase in customer receivables amounting to Euro 69.8 million, related to the closure of the "Superbonus 110" works, for which the Group has contracted with the main Italian financial institutions adequate funds guaranteeing its collection at a pre-determined price in the early months of 2024.

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 2023 are outlined below:

| Description | Amounts |
|--|---------------|
| Investments in intangible assets | 9,368 |
| Investments in tangible assets | 29,363 |
| Total investments in fixed assets | 38,731 |

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 acquisition of land and buildings amounting to Euro 9.3 million, relating to the acquisition of a property in Veneto, "Villa Angelica", intended for the Asset Management business unit amounting to Euro 1.4 million, on the entry into consolidated value of the property Residenza Quinta Stella, following the acquisition of control of Tolfa Care S.r.l.
- the purchase of installations, machinery, equipment and other assets for Euro 2.5 million, including Euro 1 million incurred by Renco S.p.A. in industrial equipment used for activities on construction sites.
- The realization of assets still in progress amounting to Euro 17.5 million, including Euro 12.5 million related to the expansion of the logistics base of the port of Pemba in Mozambique, Euro 2.8 million for the reforestation project in Congo and an additional Euro 1.3 million for the design and the cost of obtaining construction permits for the development of the Vecchio Velodromo land in Armenia. 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 investments in intangible fixed assets focus on recording the contract cost amounting to Euro 4.5 million resulting from the extraordinary acquisition of Pascucci & Vannucci LTD, and the remaining part on development projects and the adaptation of computer 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 2023 and 2022.

| Return On Equity | 31/12/2023 | 31/12/2022 |
|-------------------------|-------------------|-------------------|
| Group profit (loss) | 15,540 | 9,119 |
| Shareholders' equity | 214,587 | 209,589 |
| ROE | 7.24% | 4.35% |

| Return On Investments | 31/12/2023 | 31/12/2022 |
|------------------------------|-------------------|-------------------|
| Operating result | 42,517 | 24,908 |
| Net invested capital | 393,644 | 375,174 |
| ROI | 10.80% | 6.64% |

| Return On Sales | 31/12/2023 | 31/12/2022 |
|--|-------------------|-------------------|
| Operating result | 42,517 | 24,908 |
| Revenues from contracts with customers | 570,764 | 426,597 |
| ROS | 7.45% | 5.84% |

| Return On Capital Employed | 31/12/2023 | 31/12/2022 |
|------------------------------------|-------------------|-------------------|
| Operating result | 42,517 | 24,908 |
| Total assets - Current liabilities | 539,923 | 550,485 |
| ROCE | 7.87% | 4.52% |

| Debt Equity | 31/12/2023 | 31/12/2022 |
|----------------------------|-------------------|-------------------|
| Net Financial Position | 179,057 | 165,587 |
| Total shareholders' equity | 214,587 | 209,589 |
| Debt Equity | 83.44% | 79.01% |

| NFP EBITDA | 31/12/2023 | 31/12/2022 |
|------------------------|-------------------|-------------------|
| Net Financial Position | 179,057 | 165,587 |
| Gross operating result | 69,336 | 47,303 |
| NFP EBITDA | 2.58 | 3.50 |

| Debt Equity adjusted | 31/12/2023 | 31/12/2022 |
|-----------------------------------|-------------------|-------------------|
| Net Financial Position without PO | 149,284 | 124,038 |

| | | |
|----------------------------|-------------|-------------|
| Total shareholders' equity | 214,587 | 209,589 |
| Debt Equity | 0.70 | 0.59 |

| | | |
|-----------------------------------|-------------------|-------------------|
| NFP EBITDA ADJUSTED | 31/12/2023 | 31/12/2022 |
| Net Financial Position without PO | 149,284 | 124,038 |
| Gross operating result | 69,336 | 47,303 |
| NFP EBITDA | 2.15 | 2.62 |



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 the ISO 14001 certification, with renewal obtained in 2023.

During the renewal of certificate audit carried out by the certifying body in July 2023, the group successfully passed the renewal audit in accordance with the ISO 14001:2015 standard retaining the certification which is confirmed until 12 July 2026.

Sustainability

For RENCO, sustainability means:

- an integrated path into the business strategy;
- the ability to continue its activities with due regard to their impact on natural, social and human capital;
- be aware of its impacts on the environment and society;
- take into account the risks related to climate change

The cornerstones on which RENCO's sustainable commitment is built are:

- PEOPLE
- COMMUNITY
- PLANET
- COMPANY
- INNOVATION & SUPPLY CHAIN

Continuing the Group's desire to revise its business model by embracing the ecological transition and re-positioning itself competitively on the market, the year 2023 aims to be a landmark in the transition path.

A strong push for internal and external communication has been the result of a clear will on the part of society to communicate internally how outward its direction toward a sustainable transition by multiplying its efforts, initiatives, and projects in this direction, in line with the UN's 2030 goals.

With reference to the ESG criteria used today to speak the language of sustainability globally, RENCO has undertaken the following activities:

Governance

Since 2023, Renco has set up an internal body dedicated to this issue by setting up the Sustainability Committee, which brings together representatives of the main corporate divisions and meets every two months to discuss the initiatives to be taken and monitor progress against the goals set.

The year ended also saw the beginning of the process for RENCO to draw up its sustainability plan in 2024, in which the objectives, targets to be achieved and related indicators to be monitored will be clearly identified.

Environment

For the protection and protection of the environment, RENCO continues to pay attention to the various projects located in different geographical areas of the world in which it operates, through the implementation of environmental monitoring plans dedicated to each individual project together with activities to raise awareness of environmental safeguarding and protection, especially in those countries where environmental legislation is not as strict as in Italy.

RENCO also confirms its support for the Air France/KLM initiative for sustainable mobility in 2023 by investing in flights using SAF (sustainable aviation fuel).

The commitment to energy efficiency in the Building Construction sector continues for RENCO through the ever-increasing adoption of GREEN BUILDING CERTIFICATIONS, according to internationally recognised protocols such as LEED, BREEAM and WELL for all new buildings.

Next year, the aim is to implement a monitoring system that can accurately verify the consumption of the main energy carriers and then take effective measures to reduce consumption.

The Carbon Footprint Analysis will also be evaluated, with a view to raising awareness of the scope 3 carbon emissions from the company's supply chain.

Social

In 2023, RENCO was awarded Best Social Performance by Forbes as one of the Italian companies with a turnover of more than 250 million euros.

RENCO maintains the element of occupational safety as a priority, along with quality and social responsibilities. Therefore, 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 in 2023, which marked a stable number of worksites in Italy related to works evolving around the "Superbonus 110" provision, entailing significant risks such as the falling from heights, 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.

In August 2023, RENCO obtained the certification for gender equality according to Uni Pdr125 reference practices and started a close collaboration with the association Percorso Donna which has been committed to the fight against gender violence (in all its forms) for years.

Thanks to this partnership, RENCO has started, in all its worksites, inductions on issues of respect for diversity in all work environments.

In 2023, RENCO joined the Code of Self-Regulation for responsible companies promoted by the Italian Ministry of equal opportunities in favour of initiatives aimed at facilitating the implementation of home-work activities for mothers in the company.

RENCO has joined and will continue to being part of the 2121 program which is being promoted in the Lombardy Regional Government to encourage the integration of prisoners into the working world.

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 Group's Member Companies operate in all its environments in accordance with the provisions of the Legislative Decree N° 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 renewal of certificate audit carried out by the certifying body in July 2023, the group successfully passed the renewal audit in accordance with the ISO 45001:2018 standard retaining the certification which is confirmed until 12 July 2026.

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.

In 2023, 12 various health and safety training courses were provided and a total of 202 employees were trained.

Below are the main courses carried out:

- Employee training according to the National-Regional Government Agreement dated 21/12/2011;
- RLS refresher course;
- Training courses scheduled in accordance with the provisions laid down in the Italian Legislative Decree N° 81/08;
- Training for designated persons;
- First aid training;
- Fire safety training;
- Basic life Support;
- H2S with OPITO certification;
- Forklift operator;
- Crane operator.

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

- H2S training;
- Person in charge of road signs;
- Planning, controlling and affixing signage in the presence of vehicle traffic.

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:

- Health and safety surveillance of building sites was carried out in the building division, with the appointment of dedicated ASPP (Prevention and Protection Service Manager) and the performance of site inspections and periodic inspections by the site safety department;
- Initiatives to raise awareness and involve workers and local communities on health and safety issues have been implemented, in particular at the ALER worksite in Cesano Boscone, Province of Milan, where a free prevention and emergency point has been set up;

RENCO 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.

In 2023, the use of Qualiware software was implemented for the systematic collection of QHSE data from the various subsidiaries of the group and from the worksites.

Accidents

In 2023, Renco strengthened its commitment by promoting an IIF (Incident & Injury Free) Safety culture. This important commitment has always been met with a great sense of responsibility and direct participation.

This has enabled RENCO to achieve outstanding results in Italy and abroad in terms of the quality of work and the health of all its employees.

In an Italian context in which it is still problematic if not even unsolvable, the correct approach to occupational safety RENCO stood out also in 2023 in guaranteeing performances equal to zero deaths at work, zero accidents with permanent consequences, zero complaints of occupational diseases. A commitment that has allowed RENCO to grow its culture of quality and occupational safety to a considerable level, which, in addition to creating a working environment in which no minor accidents have occurred in the last 5 years, strives to ensure strong leadership in this area toward its subcontractors.

In all the worksites where RENCO has worked as General Contractor, therefore, as an entity capable of coordinating and reeducating subcontracting, often small and not well structured, excellent results have been achieved, such as in the ECOBONUS sector, renovation and civil works: throughout Italy, for a total amount of around 500 million, RENCO worksites have stood out for the quality of work, compliance with the current regulatory framework and, above all, tangible results.

Abroad, the Atyrau water pipeline project in Kazakhstan, amounting to about 200 million, stood out for the fact that it was completed without accidents.

All this has been carried out in line with the vision that RENCO has also adopted in terms of social communication focused on sustainability and energy transition, thus pursuing the net profit in accordance with social welfare and environmental protection.

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 certification on Social accountability SA8000:2014 was renewed following the renewal audit by the LSQA certification body in October 2023.

2023 marked the implementation of an internal and external communication system in line with the current revision of RENCO's business model and subsequent repositioning on the market.

In this regard, RENCO plans to integrate sustainability into all its strategic choices and to do so it needs to communicate it correctly through the appropriate channels and methodologies.

The internal communication system is organized in bulletins sent by e-mail to all users of the Group, located in the various countries of business, covering various issues of quality, safety and environment, social responsibility, inclusion, gender equality, sustainability, circular economy, international days to raise awareness among the entire RENCO population on issues considered important for the Group.

Personnel

Finally, with reference to employees, the following information is reported⁸:

- at 31.12.2023, there had been employed 475 employees, 381 men and 94 women, including: 354 with open-ended contract (283 men and 71 women), 97 with fixed-term contract (77 men and 20 women), 18 under continuous cooperation contract (17 men and 1 woman) and 6 internships (4 men and 2 women);
- the average seniority working age is 6 years, down from last year, which was 7 years;

- 185 people including employees, collaborators and interns were recruited, while 106 people terminated their employment, an increase of 79 (annual average);
- in 2023 taking into account the compulsory and non-compulsory courses, training days were 932, i.e. 7,460 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;
- 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 the geopolitical context

In 2023, the international context was deeply marked by the persistence of the conflict between Russia and Ukraine. This prolonged state of war has not only exacerbated pre-existing geopolitical tensions, but has also triggered a number of global economic and financial repercussions. In particular, the situation

⁸ Data relating only to Renco S.p.A.

has affected the volatility of energy and commodity markets, which are crucial for the European and global economy, as well as directly impacting investment and international business strategies.

To this tense scenario, in the fourth quarter of the year, a further source of instability came from the escalation of the Israeli-Palestinian conflict. This new development has introduced complex variables that have further complicated economic and geopolitical dynamics, extending the effect of instability not only at the regional but also at the global level. Faced with these ongoing challenges, the Group has closely monitored developments, taking the necessary measures to counter potential impacts, ensuring the resilience and continuity of business operations.

Given the risk mitigation strategies and actions adopted by the Group as a whole, considering the current state of the reference markets, no factors emerge that could affect and jeopardize the business continuity of the company.

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 2023, the Group has a total of bank loans granted for approximately 375 million Euro

(396 million Euro in 2022), of which 171 million Euro (171 million Euro in 2022) 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 27 September 2023.

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 2023, the Group recorded losses on foreign exchange totalling Euro 3.3 million (Euro 0.1 million in profits in 2022).

They consist mainly of realised profits on exchange rates amounting to Euro 0.1 million and unrealized exchange rate losses amounting to Euro 3.4 million resulting from the conversion of intra-group trade or financial receivables/debts 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 2023 the company has Interest Rate Swap and Interest Rate Cap transactions with financial counterparties of primary standing for a total notional amount of Euro 146.9 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 2023, at Group level, 92.5% of medium- to long-term gross debt to third parties was at a fixed rate (81.1% in 2022), while 17.5% at a variable rate (18.9% in 2022).

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 3.7 million Euro in 2023, 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 2023, Renco continued to invest significantly in its computer systems to ensure security, efficiency and operational innovation.

In the year, the company focused on implementing new technological solutions and maintaining the high safety standards already achieved.

In 2023, Renco took significant steps toward implementing a new human resource management software system provided by Teamsystem. Although the system has not yet been put into operation, the company has worked intensively with the provider to adapt it to the specific needs of the company. In addition, the company conducted an in-depth analysis of its in-house staff management processes to ensure that, once deployed, the software can effectively optimize all human resources activities. This preparatory phase is crucial to ensure a smooth transition and to maximize the effectiveness of the new system.

The company extended the use of Egencia, the travel management application. Egencia has continued to streamline and optimise corporate travel management, making the process more efficient and less costly, saving the company significant time and resources. 2023 saw a strong boost in the area of business intelligence. The company has developed and implemented advanced data analytics instruments that support real-time strategic decisions, improving its ability to dynamically respond to market needs and business opportunities. Hubble was implemented to address the needs for more detailed and accurate financial reporting.

This instrument is helping to automate and make financial reporting more reliable, providing higher quality analytics and deeper insight into business performance.

RENCO has confirmed its commitment to the security of computer systems, maintaining the ISO/IEC 27001 certification. This international standard demonstrates the effectiveness of the Corporate Information Security Management System (ISMS), strengthening the trust of our customers and partners.

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 accordance with points 3) and 4), paragraph 2, art. 2428 of the Italian Civil Code we provide an appropriate summary of the data relating to the own shares held by the parent company Renco Group S.p.A. It should be noted that during the financial year 2023, Renco Group S.p.A. cancelled 36,050 own shares. This decision was part of a business strategy to simplify the structure of the share capital by adopting shares without explicit nominal value. Despite the cancellation of these shares, the share capital remained unchanged, remaining at 9,012,500.00 euros. This transaction did not alter the total value of the share capital but reduced the number of outstanding shares to 865,200, thereby facilitating future corporate transactions and greater flexibility in managing the capital.

| 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 | | | |
| Total | 36,050 | | | |

Foreseeable business outlook

The beginning of the 2024 financial year was still full of extraordinary elements that have emerged in previous years and which continue to impact international markets and the macroeconomic situation. In this new normality, the Group continues to implement its strategy, considering a strong 2023 which set a new record both in terms of production value which stands at 593 million euros, and above all in terms of marginality, reaching 69.3 million euros with an EBITDA margin amounting to 12%.

The continued growth in production and marginality over the last three financial years shows that the Group's past choices have resulted in to a competitive advantage that goes beyond the current market situation, fuelling growth and the ability to generate value in the medium and long term.

Financial indicators also emphasise that growth is sustainable and strong. The financial management of the Group has shown prudence by reducing the financial debt to banks and bond underwriters, managing the trade receivable which decreases proportionally to the costs of raw materials and services increased by 43% compared to the previous period, reducing average payment times and supporting the supply chain. The growth in the net financial position was solely driven by the decrease in cash and cash equivalents, resulting from the cyclical nature of large orders, such as the Kazakhstan Waterline.

Looking at the Group's order book, there is a clear focus on the green energy industry and countries where the Group has significant competitive advantages, such as Mozambique and Italy. In particular, at the end of 2023, after the completion of the Superbonus 110% works, thanks to its extensive international experience in the energy industry and its high expertise in terms of quality and safety, the Group acquired important orders in the Italian market for primary international customers: the construction of five scientific pavilions for the University of Milan in the MIND area and the reconstruction of a historic building in Rome located in Via Buoncompagni.

In line with its derisking strategy, the Group has developed numerous finance projects and industrial

initiatives, where EPC's activity is integrated upstream with development activity and downstream with operation activity, ensuring greater marginality, continuity of flows and less risk during performance. Examples of this strategy are the urban development of the former Cortina D'Ampezzo station area, the photovoltaic and hydrogen production plants in Falconara and in Paese in Italy, the photovoltaic plant of CSM in Mozambique and the Port of Pemba logistics hub.

In 2024 the Group marked an order book increasing compared to the past, amounting to 2.9 billion euros, and numerous investments that will enter the management phase in the coming years. In addition, TOTAL Energies imminent resumption of work in Mozambique, resulting in the acquisition of the first major contracts for the handling of goods and materials by PBT, will contribute significantly to stabilising the Group's revenue flow, and this will significantly increase marginality in the upcoming years.

In the light of the renewed focus on the energy industry, both in Europe and in Africa, and the new technological challenges posed by climate change, the Group looks to the future, it leverages extensive international industry experience and a portfolio of initiatives aimed at implementing a successful industrial strategy that is increasingly focused on developing and implementing sustainable projects.

Organisational model and code of ethics

During 2023, 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 2024

On behalf of the Board of Directors
The Chairman
Giovanni Gasparini

Financial statements

Consolidated 2023

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) | 31/12/2023 | 31/12/2022 |
|---|----------------|----------------|
| A) Called up share capital not paid | | |
| I) Called up share capital not paid | 2 | 2 |
| II) (portion called) | - | - |
| Total called up share capital not paid | 2 | 2 |
| B) Fixed assets | | |
| I) Intangible fixed assets | | |
| 1) Start-up and expansion costs | 436 | 513 |
| 2) Development costs | 2,088 | 1,607 |
| 3) Industrial patent and intellectual property rights | 2,354 | 2,763 |
| 4) Concessions, licenses, trademarks and similar rights | 20 | 22 |
| 6) Fixed assets in progress and advances | 4,100 | 4,958 |
| 7) Other ... | 4,380 | 6 |
| Total intangible fixed assets | 13,378 | 9,869 |
| II) Tangible fixed assets | | |
| 1) Land and buildings | 314,728 | 323,063 |
| 2) Plants and machinery | 5,978 | 9,087 |
| 3) Industrial and commercial equipment | 7,732 | 8,608 |
| 4) Other assets | 5,044 | 6,013 |
| 5) Fixed assets in progress and advances | 45,005 | 27,503 |
| Total tangible fixed assets | 378,487 | 374,274 |
| III) Financial fixed assets | | |
| 1) Equity investments in: | | |
| a) Subsidiaries | 21 | 67 |
| b) Associated companies | 763 | 1,810 |
| d bis) Other companies | 5,388 | 3,599 |
| Total Equity investments | 6,172 | 5,476 |
| 2) Receivables | | |
| a) From subsidiaries | | |
| 1) Within 12 months | 10 | 20 |
| 2) Beyond 12 months | - | - |
| b) From associated companies | | |
| 1) Within 12 months | 24,661 | 23,475 |
| 2) Beyond 12 months | 11,286 | 13,223 |
| d bis) From others | | |
| 1) Within 12 months | 9,780 | - |

| | | |
|---|----------------|----------------|
| 2) Beyond 12 months | 24 | 26 |
| Total Receivables | 45,761 | 36,744 |
| 3) Other securities | - | - |
| 4) Active derivative financial instruments | 6,984 | 15,303 |
| Total Fixed Assets | 450,782 | 441,666 |
| C) Current assets | | |
| I) Inventories | | |
| 1) Raw materials, ancillary materials and consumables | 6,080 | 3,518 |
| 2) Product in progress and semi-finished products | 32,577 | 32,064 |
| 3) Contract work in progress | 327,932 | 395,497 |
| 4) Finished products and goods | 10,068 | 12,648 |
| 5) Advances | - | - |
| Total Inventories | 376,656 | 443,728 |
| II) Receivables | | |
| 1) From customers | | |
| 1) Due within 12 months | 149,674 | 85,354 |
| 2) Due beyond 12 months | - | - |
| 2) From subsidiaries | | |
| 1) Due within 12 months | 8 | - |
| 2) Due beyond 12 months | - | - |
| 3) From associated companies | | |
| 1) Due within 12 months | 17,044 | 11,550 |
| 2) Due beyond 12 months | - | - |
| 5 bis) For tax receivables | | |
| 1) Due within 12 months | 21,363 | 15,185 |
| 2) Due beyond 12 months | 27 | 27 |
| 5 ter) For prepaid taxes | | |
| 1) Due within 12 months | 21,653 | 18,603 |
| 2) Due beyond 12 months | - | - |
| 5 quater) From others | | |
| 1) Due within 12 months | 16,457 | 18,747 |
| 2) Due beyond 12 months | 10,404 | 12,061 |
| Total Receivables | 236,628 | 161,527 |
| III) Financial assets other than fixed assets | | |
| 2) Equity investments in associated companies | 0 | 1,371 |
| IV) Cash and cash equivalents | | |
| 1) Current bank accounts and post-office deposits | 61,995 | 100,186 |
| 2) Cheques | 5 | - |

| | | |
|--|------------------|------------------|
| 3) Cash in hand and other valuables | 471 | 356 |
| Total cash and cash equivalents | 62,470 | 100,542 |
| Total current assets | 675,754 | 707,167 |
| | | |
| D) Accruals and deferrals | 4,845 | 3,398 |
| | | |
| Total Assets | 1,131,384 | 1,152,232 |

Balance sheet liabilities

| (€ thousand) | 31/12/2023 | 31/12/2022 |
|--|----------------|----------------|
| A) Shareholders' equity | | |
| I) Share Capital | 9,013 | 9,013 |
| II) Share premium reserve | 25,987 | 25,987 |
| III) Revaluation reserves | 4,697 | 4,697 |
| IV) Legal reserve | 1,503 | 1,503 |
| V) Statutory reserves | - | - |
| VI) Other reserves | 30,355 | 32,900 |
| - Extraordinary reserve | 18,307 | 21,916 |
| - Capital contributions | - | - |
| - Conversion reserves from foreign consolidation | (25,613) | (20,569) |
| - Consolidation reserve | 7,195 | 6,526 |
| VII) Reserve for hedging of expected cash flows | 7,960 | 14,201 |
| VIII) Retained earnings (accumulated losses) | 116,301 | 107,377 |
| IX) Profit (Loss) for the year | (4,045) | 8,533 |
| X) Negative reserve for treasury shares in portfolio | - | (3,609) |
| Total shareholders' equity | 191,770 | 200,601 |
| | | |
| Minority interest | | |
| Share capital and reserves of minority interests | 3,232 | 8,403 |
| Profit (Loss) of minority interests | 19,586 | 585 |
| Total Minority interests | 22,818 | 8,988 |
| Total Group Shareholders' equity | 214,587 | 209,589 |
| | | |
| B) Provisions for risks and charges | | |
| 1) Pension funds and similar obligations | - | - |
| 2) Provisions for taxes, including deferred taxes | 16,504 | 18,013 |
| 3) Passive derivative financial instruments | - | - |
| 4) Others | 5,124 | 2,757 |
| Total Provisions for risks and charges | 21,628 | 20,770 |

| | | |
|--|------------------|------------------|
| C) Employee severance indemnity | 1,861 | 2,015 |
| D) Payables | | |
| 1) Bonds | | |
| 1) Within 12 months | 2,829 | 13,257 |
| 2) Beyond 12 months | 26,944 | 28,292 |
| 3) Payables to shareholders for loans | | |
| 1) Within 12 months | 4,409 | 5,344 |
| 2) Beyond 12 months | - | - |
| 4) Payables to banks | | |
| 1) Within 12 months | 98,118 | 90,050 |
| 2) Beyond 12 months | 151,850 | 166,595 |
| 5) Payables to other lenders | | |
| 1) Within 12 months | 1,197 | 962 |
| 2) Beyond 12 months | 15,218 | 12,825 |
| 6) Advances | | |
| 1) Within 12 months | 247,301 | 313,019 |
| 2) Beyond 12 months | 131,497 | 108,186 |
| 7) Payables to suppliers | | |
| 1) Within 12 months | 160,957 | 148,116 |
| 2) Beyond 12 months | - | - |
| 9) Payables due to subsidiaries | | |
| 1) Within 12 months | 91 | 86 |
| 2) Beyond 12 months | - | - |
| 10) Payables due to associated companies | | |
| 1) Within 12 months | 11,000 | 9,987 |
| 2) Beyond 12 months | - | - |
| 12) Tax payables | | |
| 1) Within 12 months | 16,120 | 6,673 |
| 2) Beyond 12 months | 808 | 1,232 |
| 13) Payables to social security and welfare institutions | | |
| 1) Within 12 months | 2,052 | 2,692 |
| 2) Beyond 12 months | - | - |
| 14) Other payables | | |
| 1) Within 12 months | 18,335 | 9,915 |
| 2) Beyond 12 months | 473 | 929 |
| Total Payables | 889,201 | 918,160 |
| E) Accruals and deferrals | 4,107 | 1,702 |
| Total Liabilities | 1,131,384 | 1,152,232 |

Income statement

| (€ thousand) | 31/12/2023 | 31/12/2022 |
|---|----------------|----------------|
| A) Value of production | | |
| 1) Revenues from sales and services | 634,565 | 294,117 |
| 2) Change in inventories of products in progress, semi-finished and finished products | (1,931) | 4,319 |
| 3) Changes in contract work in progress | (64,626) | 111,791 |
| 4) Increase on internal works capitalised | 22,239 | 17,416 |
| 5) Other revenues and income, with separate indication of grants related to income | | |
| a) Miscellaneous | 2,603 | 16,228 |
| b) Grants related to income | 593,003 | 162 |
| Total Value of production | 593,003 | 444,013 |
| B) Cost of production | | |
| 6) For raw materials, ancillary materials, consumables and goods | 188,335 | 104,292 |
| 7) For services | 244,629 | 197,484 |
| 8) For use of third-party assets | 10,221 | 10,976 |
| 9) For personnel | 78,100 | 79,994 |
| (a) Wages and salaries | 62,937 | 66,332 |
| b) Social security costs | 13,594 | 12,091 |
| c) Employee severance indemnity | 1,532 | 1,339 |
| d) Pension costs and similar | - | - |
| e) Other costs | 36 | 232 |
| 10) Amortisation, depreciation and write-downs | 21,772 | 21,822 |
| a) Amortisation of intangible fixed assets | 2,116 | 1,610 |
| b) Depreciation of tangible fixed assets | 18,875 | 19,167 |
| c) Other write-downs of fixed assets | - | 450 |
| d) Write-downs of receivables included in current assets and cash and cash equivalents | 780 | 596 |
| 11) Changes in inventories of raw materials, ancillary materials, consumables and goods | (2,497) | 28 |
| 12) Provision for risks | - | - |
| 13) Other provisions | 5,047 | 573 |
| 14) Other operating expenses | 4,879 | 3,953 |
| Total cost of production | 550,486 | 419,105 |
| Difference between value and costs of production (A-B) | 42,517 | 24,908 |
| C) Financial income and charges | | |
| 15) Income from equity investments | 8,129 | 85 |
| a) From subsidiaries | - | 85 |
| b) From associated companies | 8,129 | - |

| | | |
|---|-----------------|-----------------|
| 16) Other financial income | 4,547 | 2,894 |
| 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 | 209 | 207 |
| 5) Others | 4,338 | 2,687 |
| 17) Interest and other financial charges | 26,446 | 17,282 |
| a) From subsidiaries | 26 | - |
| e) Other | 26,420 | 17,282 |
| 17a) Foreign exchange gains and losses | (3,263) | (61) |
| Total financial income and charges | (17,033) | (14,362) |
| D) Value adjustments of financial assets and liabilities | | |
| 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 | 57 | 3,026 |
| a) Equity investments | 57 | 2,226 |
| b) Financial fixed assets | - | 800 |
| c) Short-term securities (other than equity investments) | - | - |
| d) Derivative financial instruments | - | - |
| e) Financial assets for centralised treasury management | - | - |
| Total value adjustments of financial assets | (57) | (2,151) |
| Profit/Loss before taxes (A-B+C+D) | 25,427 | 8,394 |
| 20) Current, deferred, and prepaid income taxes for the period | | |
| a) Current taxes | 13,834 | 4,070 |
| b) Taxes from previous years | (543) | 1,100 |
| c) Deferred and prepaid taxes | (3,403) | (5,894) |
| Profit (loss) for the year | 15,540 | 9,119 |
| Profit (loss) for the year attributable to the Group | (4,045) | 8,533 |
| Profit (loss) for the year attributable to minority interests | 19,586 | 585 |

Chairman of the Board of Directors
Giovanni Gasparini

Cash flow statement

| (€ thousand) | 31/12/2023 | 31/12/2022 |
|---|-----------------|-----------------|
| A. Cash flows from operating activities (indirect method) | | |
| Profit (loss) for the year | 15,540 | 9,119 |
| Income taxes | 9,888 | (975) |
| Interest expense/(interest income) | 20,555 | 14,054 |
| Value adjustments to financial assets | 107 | 43 |
| Write-downs for impairment losses | 30 | 450 |
| (Capital gains)/losses deriving from the disposal of assets | (8,982) | (11,435) |
| 1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale of assets. | 37,137 | 11,256 |
| Adjustments for non-monetary items that were not offset in net working capital | | |
| Provisions | 6,191 | 3,525 |
| Amortisation/Depreciation of fixed assets | 20,991 | 20,776 |
| Value adjustments of derivative financial instruments | (74) | 0 |
| Other upward or downward adjustments for non-monetary items | (2,510) | (9,030) |
| 2. Cash flow before changes in NWC | 24,599 | 15,271 |
| Changes in net working capital | | |
| Decrease/(increase) in inventories and advances | 32,885 | 11,314 |
| Decrease/(increase) in receivables from customers and group companies | (69,762) | (17,829) |
| Increase/(decrease) in payables to suppliers and group companies | 8,283 | 31,162 |
| Decrease/(increase) in accrued income and prepaid expenses | (1,446) | (1,340) |
| Increase/(decrease) in accrued liabilities and deferred income | 4,484 | 1,669 |
| Other changes in net working capital | 6,493 | 10,037 |
| 3. Cash flow after changes in nwc | (19,063) | 35,012 |
| Other adjustments | | |
| Interest collected/(paid) | (21,289) | (14,588) |
| (Income taxes paid) | (13,421) | (9,657) |
| (Use of provisions) | (1,808) | (4,905) |
| 4. Cash flow after other adjustments | (36,518) | (29,149) |
| Cash flow from operating activities (A) | 6,156 | 32,390 |
| B. Cash flows from investment activities | | |
| Tangible fixed assets | | |
| (Investments) | (21,603) | (18,241) |
| Disinvestments | 1,801 | 2,886 |

| | | |
|---|-----------------|-----------------|
| Intangible fixed assets | | |
| (Investments) | (3,485) | (2,396) |
| Disinvestments | 815 | 0 |
| Financial fixed assets | | |
| (Investments) | (17,970) | (8,575) |
| Disinvestments | 8,797 | 1,550 |
| Non-fixed financial assets | | |
| (Acquisition of business units net of cash and cash equivalents) | 1,233 | 0 |
| Sale of business units net of cash and cash equivalents | 0 | (208) |
| Cash flow from investment activities (B) | (30,411) | (24,985) |
| C. Cash flows from financing activities | | |
| Third-party means | | |
| Increase (decrease) in short-term payables to banks | 15,922 | (21,678) |
| New loans | 57,811 | 70,017 |
| Loan repayments | (80,141) | (32,460) |
| Repayments of loans to shareholders | (935) | (388) |
| Increase (decrease) in short-term payables to bondholders | (11,900) | 8,450 |
| Increase (decrease) in short-term payables to other lenders | (10) | 12 |
| Own resources | | |
| Own resources increase | 5,436 | 0 |
| Dividends paid | 0 | 0 |
| Cash flow from financing activities (C) | (13,816) | 23,954 |
| Increase (decrease) in cash and cash equivalents (A ± B ± C) | (38,072) | 31,358 |
| | | |
| Cash and cash equivalents at beginning of year | 100,541 | 69,183 |
| Cash and cash equivalents at end of year | 62,470 | 100,541 |

As evidenced by the cash flow statement, prepared using the indirect method, during the year there was an absorption in liquidity of Euro 38,072 thousand. Please refer to the Consolidated Report on operations for more information on the financial dynamics that affected the Group in 2023. The main changes are reported 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 contraction of Euro 19.3 million due to the taking out new loans and bond loans for Euro 57.8 million and the repayment of loans, loans from shareholders and bondholders for Euro 93 million.

Chairman of the Board of Directors
Giovanni Gasparini



RENCO

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 15,540 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.

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 31.12.2023 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.

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 22 March 2023, the sale of Real Estate Management S.r.l., the owner of Palazzo Castri 1874, was completed. This four-star hotel, with 58 rooms located in Piazza dell'Indipendenza in Florence, was sold for 28 million euros, net of net working capital and net financial position, calculated at the closing date of the transaction. Real Estate Management S.r.l. was established in 2013, with a 30% stake 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 hotels in Italian art cities. Acquired by auction in 2013, Palazzo Castri 1874 was renovated and inaugurated as a hotel in May 2015.

From 2015 to 2019, the hotel's turnover increased steadily, reaching a peak of 4 million euros annually with an EBITDA margin of 40%. The sale of real Estate Management S.r.l. marks an important step in the strategy of Renco Valore S.p.A., confirming its effectiveness in the real estate industry both in Italy and abroad and its ability to create value for shareholders. As a result of the sale transaction, the Group made a capital gain of EUR 4,732 thousand, net of transaction costs;

- Renco Valore S.p.A. acquired control of Tolfa Care S.r.l. This was achieved through the acquisition of an additional 10% of Renco Health Care S.r.l., a company that held Tolfa Care S.r.l. for 47.5%, thus leading Renco Valore S.p.A. to hold total control over Renco Health Care. Subsequently, Renco Valore S.p.A. directly acquired an additional 20% of Tolfa Care S.r.l., moving its stake from 42.75% to 67.6%. This transaction resulted in the inclusion of Tolfa Care S.r.l. in the consolidation perimeter of Renco Group with the method of full consolidation. The excess of the acquisition cost over the group's share of the company's net equity was charged to the property, amounting to 1,508 thousand Euro, with deferred tax liabilities on the allocated value being recorded as 584 thousand Euro.

Tolfa Care S.r.l. is a company that owns the Residence called Quinta Stella, a home for the elderly including an RSA (Health Care Residence) and a Private Retirement Home. The structure is located in the municipality of Tolfa, in the province of Rome, and is a residence with a total accommodation capacity of 97 beds, of which 58 are intended for RSA and 39 for private retirement homes;

- Renco S.p.A. acquired PASCUCCI & VANNUCCI INTERNATIONAL LIMITED, a Maltese company operating in the hospital and civil construction sectors in Libya. Based in Malta and with a branch in Libya, the company was awarded the tender contract with the Libyan public company ODAC for the next construction of "Zawya General Hospital", with a contract value of about 62 million euros. With this transaction, Renco not only becomes a shareholder in the company, but also takes over as a subcontractor in the design and construction of the ODAC contract. The acquisition was carried out by SMS Costruzioni Generali S.p.A., a San Marino-based company. In particular, Renco acquired 51% of the share capital in full ownership and the remaining 49% in bare ownership, with a temporary usufruct right in favour of the seller until a specific condition was fulfilled, which was successfully carried out over the period, and this allowed for 100% consolidation of the acquired company. The purchase consideration consists of a fixed price amounting to Euro 3.9 million, including Euro 2 million, to be paid within ten working days of receipt of the advance payment from the customer, and an additional price amounting to Euro 0.8 million, which is foreseen on the basis of con-

tractually defined variables, including the net financial position at the end date and other specific items. The closing date was 30 August 2023, which is why a liability amounting to Euro 4,502 thousand with goodwill offsetting item was entered in the financial statements, which was subsequently classified as the contract awarding fee and included among the other intangible fixed assets.

This acquisition represents a significant strategic step for Renco S.p.A., expanding its presence in the Libyan market and in the healthcare infrastructure industry.

- On 27 November 2023, Renco S.p.A. sold the remaining 40% of the share capital of Salinella S.r.l. to the Ascopiave Group member company, Asco Renewables S.p.A. The consideration for the sale of the share amounted to 7,100 thousand Euro, which resulted in a capital gain of 3,397 thousand Euro.
- in the period, Renco Valore S.p.A. expanded its international presence by incorporating Eurobuilding ShPK, a company governed by the laws of Albania, focused on civil construction and real estate development, to exploit the opportunities of the Albanian market. At the same time, Renco S.p.A. established Renco USA Corp, with headquarters in Houston, Texas, a company governed by the laws of the United States of America aimed at seizing new business opportunities in the provision of technical and supervisory services, with a particular focus on the customer Baker Hughes. These expansions are strategic steps to strengthen the Renco Group's position in global markets and diversify its operations.
- finally, the group decided to initiate liquidation proceedings for certain companies that are no longer strategic or profitable, including Rebar SA, Renco Service OOO, Renco Ghana Branch, Renco Abu Dhabi Branch and Renco Eco Energy S.r.l. At the same time, during the period, the liquidations of Renco Canada, Greenergo S.r.l., Renco Health Care S.r.l., the latter with the sale of the stake in Tolfa to Renco Valore, Geodelta Corp and Armenia Gestioni, were completed. These actions represent a rationalization of the group's organisation chart, eliminating non-performing assets and focusing on those most in line with the company's objectives.

More information on the major events during the financial year can be found in the first part of the Management Report.

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 31.12.2023, 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%.

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 31.12.2023 | | Exchange rate as of 31.12.2022 | |
|-----------------------------|--------------------------------|--------------|--------------------------------|--------------|
| | as of 31.12. 2023 | 2023 average | as of 31.12. 2022 | 2022 average |
| Algerian Dinar | 148.27 | 146.94 | 146.50 | 149.65 |
| Libyan dinar | 5.27 | 5.20 | 5.15 | 5.05 |
| US Dollar | 1.11 | 1.08 | 1.07 | 1.05 |
| Armenian dram | 446.86 | 424.06 | 420.06 | 460.11 |
| CFA franc | 655.96 | 655.96 | 655.96 | 655.96 |
| Lek (Albania) | 103.79 | 108.78 | 114.46 | 118.93 |
| N. Metical (Mozambique) | 70.59 | 69.14 | 68.25 | 67.37 |
| Russian Ruble | 98.60 | 92.40 | 78.91 | 73.36 |
| Tenge Kazakhstan | 502.48 | 493.67 | 492.90 | 485.59 |
| Oman Rial | 0.425 | 0.42 | 0.410 | 0.40 |

Measurement criteria

The criteria used in the preparation of the consolidated financial statements as at 31.12.2023 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.

| Description | Applied rates |
|---|---------------|
| 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 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.



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 |
|--------------------------------------|------------------------------|-------------------|--|--|---------------------------------------|-------------------------------|---------------|
| (thousand €) | | | | | | | |
| Net opening value 31.12.2022 | 513 | 1,607 | 22 | 4,958 | 3,430 | 6 | 9,869 |
| Increases | 58 | - | 21 | 3,022 | 1,710 | 4,640 | 8,287 |
| Reclassifications | - | 1,157 | - | (3,038) | (187) | - | (1,880) |
| Decreases | (1) | - | - | (815) | - | - | (816) |
| Write-downs | - | - | - | - | (58) | - | - |
| Translation differences | (16) | (53) | (1) | (28) | 63 | (2) | (159) |
| Amortisation/depreciation | (118) | (623) | (22) | - | - | (457) | (2,116) |
| Change in the scope of consolidation | - | - | - | - | - | 192 | 192 |
| Net closing value 31.12.2023 | 436 | 2,088 | 20 | 22 | 4,100 | 4,380 | 13,378 |

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 2,088 thousand (Euro 1,607 thousand). The amount also includes activities supported by Renco Power in previous financial years for carrying out the investment in Armpower, as well as various investments in Mozambique, including development costs related to the Port of Pemba.

Amortisation for the period amounted to Euro 623 thousand.

Patents and intellectual property rights

The net balance amounts to Euro 2,354 thousand (Euro 2,763 thousand) and includes the rights relating to the use and exploitation of third-party software. The increase recorded in the financial year that just ended, amounting to Euro 547 thousand relates to the costs incurred on the upgrading the JDE Oracle management system, on the implementation of a new human resources management software system provided by Teamsystem and on the implementation of Hubble, a financial reporting software.

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 897 thousand.

Fixed assets in progress and advances

Ongoing investments and advances amount to Euro 4,100 thousand (Euro 4,958 thousand) and relate to the capitalization of development costs on projects not yet completed, including development costs related to initiatives in Italy amounting to Euro 2,386 thousand, in Mozambique amounting to Euro 437 thousand and in Congo amounting to Euro 1,159 thousand, referring to the Jacambe reforestation project.

The decrease in the financial year, amounting Euro 815 thousand, refers to development costs re-invoiced to third-party customers of the Group.

Other intangible fixed assets

The net balance amounts to Euro 4,380 thousand (Euro 6 thousand) and over the period increased by Euro 4,640 thousand for the recording of goodwill resulting from the acquisition of Pascucci & Vannucci LTD, and represents the excess of the acquisition cost over the group's share of the fair value of the identifiable assets, liabilities and potential contingent liabilities of the subsidiary at the acquisition date. The initial entry value was classified as a "Contract awarding fee", considering the acquisition of the ODAC and the related hospital construction contract in Libya.

Finally, the item also includes the capitalization of ancillary charges and analysis costs considering the opening of medium-long-term loans prior to 2016 contracted by Renco S.p.A., as well as the other intangible fixed assets resulting from the first consolidation of Tolfa Care S.r.l., amounting to Euro 192 thousand.

Amortisation for the period amounted to Euro 457 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 |
|-------------------------------------|--------------------|---------------------|-------------------------------------|--------------|---------------|----------------|
| (thousand €) | | | | | | |
| Net opening value 31.12.2022 | 323,063 | 9,087 | 8,608 | 6,013 | 27,503 | 374,274 |
| Acquisitions | 9,313 | 155 | 1,229 | 1,150 | 17,515 | 29,363 |

| | | | | | | |
|--------------------------------------|----------------|--------------|--------------|--------------|---------------|-----------------|
| Reclassifications | - | - | - | - | 1,159 | 1,159 |
| Disposals | (737) | (8) | (118) | (86) | - | (948) |
| Amortisation/depreciation | (11,969) | (3,033) | (1,966) | (1,906) | - | (18,875) |
| Translation differences | (8,572) | (223) | (122) | (144) | (1,173) | (10,235) |
| Change in the scope of consolidation | 3,629 | - | 101 | 17 | - | 3,748 |
| Net closing value 31.12.2023 | 314,728 | 5,978 | 7,732 | 5,044 | 45,005 | 378,487 |

Land and buildings

They amount to Euro 314,728 thousand (Euro 323,063 thousand).

The increase resulting from the acquisitions in the financial year amounted to Euro 9.3 million and relates in particular to the acquisition of a property in Veneto - "Villa Angelica" - intended for the Asset Management business unit amounting to Euro 1.4 million, the added value allocated to Residenza Quinta Stella following the acquisition of control of Tolfa Care S.r.l. amounting to Euro 2 million, the purchase of buildings for the construction order of the University of Milan amounting to Euro 1.8 million, as well as improvement works carried out on the Group's facilities, including Euro 0.8 million in Kazakhstan, Euro 0.4 million in Congo (related to industrial bases, special maintenance of the Hilton Hotel in Pointe Noire and the management offices), Euro 0.5 million in Mozambique, Euro 1.3 million in Armenia (related to the hotel, residential and business facilities of the Group), and Euro 0.6 million Armpower still in Armenia.

The decreases in the financial year, for an overall amount of Euro 0.7 million, mainly relates to the sale of land held in Yerevan by the company Armenia Valore. The changes in the consolidation area refer to the inclusion of Residenza Quinta Stella in the consolidated level, following the acquisition of control of Tolfa Care S.r.l.

Depreciation and amortisation for the period amounted to Euro 11.9 million and the exchange effects were negative in the year for Euro 8.6 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 5,978 thousand (Euro 9,087 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 million and the exchange effects were negative in the amount of Euro 0.2 million.

Industrial and commercial equipment

They amount to Euro 7,732 thousand (Euro 8,608 thousand).

The increases, equal to Euro 1.2 million, are due to the purchase of equipment for the implementation of the operational orders of the Group. In particular, the increases refer to Renco S.p.A. amounting to Euro 0.3 million, to Renco Armestate amounting to Euro 0.4 million and are related to activities related to worksites.

Depreciation and amortisation for the period amounted to Euro 2 million and the exchange effects were negative in the amount of Euro 0.1 million.

Other assets

They amount to Euro 5,044 thousand (Euro 6,012 thousand).

The increase of Euro 1.2 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 negative for Euro 0.1 million.

Fixed assets in progress and advances

They amount to Euro 45 million (Euro 27.5 million) and refer to:

- Euro 11.5 million for the construction of the 1,500-bed camp ("Men Camp Hotel") in Palma, Mozambique, held by Real Moz;
- Euro 25.7 million to the activities of expansion of the port facility, as better described in the dedicated paragraph of the Report on operations;
- amounting to Euro 4.2 million for Renco Green Sarlu's Jacambe initiative (Carbon Credit project) for the reforestation of an area of 41,661 hectares in Congo;
- amounting to Euro 2 million to the initiative in Armenia on the building area of Nuovo Velodromo LLC;
- amounting to Euro 2.1 million to the renovation of the Hotel Garden in Pesaro, activity started in 2023.

2) Financial fixed assets

| (thousand €) | 31.12.2022 | Increases | Decreases | 31.12.2023 |
|-------------------------------|---------------|---------------|-----------------|---------------|
| Equity investments in: | | | | |
| b) Subsidiaries | 67 | 21 | (67) | 21 |
| b) Associated companies | 1,810 | 26 | (1,073) | 763 |
| d) Other companies | 3,599 | 1,789 | (1) | 5,388 |
| Receivables from: | | | | |
| a) Subsidiaries | 20 | 40 | (51) | 10 |
| b) Associated companies | 36,698 | 7,038 | (7,789) | 35,947 |
| d) From others | 26 | 9,851 | (73) | 9,804 |
| Active derivative instruments | 15,303 | - | (8,319) | 6,984 |
| Total | 57,523 | 18,765 | (17,372) | 58,916 |

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 |
|--------------------------------------|------------------------------------|--|---------------------------------------|
| Balance as of 31.12.2022 | 67 | 1,810 | 3,599 |
| Increases during the year | 21 | 26 | 1,789 |
| Translation exchange differences | - | - | (1) |
| Change in the scope of consolidation | - | (681) | - |
| Reclassifications | - | - | - |
| Decreases during the year | (10) | (392) | - |

| | | | |
|---------------------------------|-----------|------------|--------------|
| Revaluations during the year | - | - | - |
| Write-downs during the year | (57) | - | - |
| Balance as of 31.12.2023 | 21 | 763 | 5,388 |

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 €) | 31.12.2022 | Increases | Decreases | Exchange Effect | Other adjustments | 31.12.2023 |
|-------------------|------------|-----------|-------------|-----------------|-------------------|------------|
| Eurobuilding Shpk | - | 12 | - | - | - | 12 |
| Greenergo | 10 | - | (10) | - | - | - |
| Rebar S.A. | 57 | - | - | - | (57) | - |
| Renco USA | - | 9 | - | - | - | 9 |
| Total | 67 | 21 | (10) | - | (57) | 21 |

The transactions carried out during the financial year mainly concern the liquidation of Greenergo S.r.l., the liquidation of Rebar SA, the incorporation of the company governed by the laws of Albania, EURO-BUILDING SHPK, and the US company, Renco USA, established to seize the opportunities of the American market in the activities carried out by Services BU.

| (€ migliaia) | Headquarters | Share capital | Shareholders' equity at 31.12.2023 | Profit (loss) at 31.12.2023 | % Ownership | Book value |
|--------------------------------------|--------------|---------------|------------------------------------|-----------------------------|-------------|------------|
| Eurobuilding Shpk ^{(1) (2)} | Albania | 11.6 LEK | Na+ | Na+ | 100.0% | 12 |
| Greenergo ⁽³⁾ | Italy | | Na+ | Na+ | 100.0% | - |
| Rebar S.A. ^{(1) (2)} | Switzerland | 100 CHF | Na+ | Na+ | 60.0% | - |
| Renco USA ^{(1) (2)} | USA | 10 USD | Na+ | Na+ | 100.0% | 9 |
| Total | | | | | | 21 |

⁽¹⁾ Measured with the cost method

⁽²⁾ Unavailable balance sheet values

⁽³⁾ Paid

Associated companies

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

| (€ thousand) | 31.12.2022 | Increases | Decreases | Exchange Effect | Other adjustments | 31.12.2023 |
|---------------------------|--------------|--------------|-----------|-----------------|-------------------|--------------|
| Darin Construction | 642 | - | - | - | - | 642 |
| Tolfa Care | 681 | - | - | - | (681) | - |
| Nova Portum | 84 | - | - | - | - | 84 |
| Salinella Eolico | 392 | - | (392) | - | - | - |
| Renco Energy Services LTD | 10 | - | - | - | - | 10 |
| Green Factory | 1 | 26 | - | - | - | 27 |
| Total | 1,810 | 1,444 | - | - | (1,022) | 1,388 |

Movements during the period relate to:

- The Euro 26 thousand increase to the underwriting of additional share capital to meet the commitments provided for in the Company's investment plan;
- The Euro 392 thousand decrease or the sale of the shareholding in Salinella Eolico which was finalized at the end of November, as described in the previous paragraph "Area, consolidation methods and important events during the year". The sale value stood at 3,397 thousand Euro, with the recording of equal capital gains
- The other adjustments of Euro 681 thousand, recorded as a result of the inclusion of Tolfa Care in the consolidated level having reached the majority of the share capital. In the period, Renco Valore S.p.A. first acquired total control of Tolfa Care S.r.l., by acquiring a further 10% of Renco Health Care S.r.l., a company that held 47.5% of Tolfa Care S.r.l. Subsequently, Renco Valore S.p.A. directly acquired an additional 20% of Tolfa Care S.r.l., increasing its direct and indirect shareholding from 42.75% to 67.6%. This transaction resulted in the inclusion of Tolfa Care S.r.l. in the consolidation perimeter of Renco Group with the method of full consolidation. The excess of the acquisition cost over the group's share of the company's net equity was charged to the property, amounting to 1,508 thousand Euro, with deferred tax liabilities on the allocated value being recorded as 584 thousand Euro. For further information, reference shall be made to the paragraph "Area, methods of consolidation and significant events during the financial year".

| (€ thousand) | Headquarters | Share capital | Shareholders' equity at 31.12.23 | Profit (loss) at 31.12.23 | % Ownership | Book value |
|--|--------------|---------------|----------------------------------|---------------------------|-------------|------------|
| Renco Irem Costrucoes | Mozambique | 204 | (2,220) | (455) | 25.0% | - |
| Renco Nigeria ⁽¹⁾ | Nigeria | n.a. | n.a. | n.a. | 30.0% | - |
| Darin Construction ⁽¹⁾ | Kazakhstan | 44 | (8,548) | 1,048 | 49.0% | 642 |
| Trademark Italy LLP | Kazakhstan | | (4,238) | (5) | 50.0% | - |
| New Portum ^{(1) (3)} | Italy | 10 | (1,127) | (341) | 30.0% | 84 |
| Green Factory ⁽²⁾ | Italy | 10 | (29) | (39) | 10.0% | 26 |
| Niassa Sanctuary | Mozambique | 1 | (15) | (8) | 50.0% | - |
| Central Solar Mozambique | Mozambique | 1 | (79) | (2) | 25.0% | - |
| Renco Energy Services LTD ⁽¹⁾ | Nigeria | n.a. | n.a. | n.a. | 49.0% | 10 |
| Velofirma ⁽¹⁾ | Armenia | 7 | (8,782) | (128) | 53.7% | - |
| Total | | | | | | 763 |

⁽¹⁾ Measured with the cost method

⁽²⁾ Values referring to the financial statements 31.12.2022

⁽³⁾ Values referring to the financial statements 31.07.2023

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 2023.

In 2023 the company recorded revenues of Euro 6.5 million, an Ebitda of 2.4 million and repaid Euro 685 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. The company is fully operative and cash flows are expected to develop so as to rebalance its economic and financial position. However, to date, the Directors believe

the impact on the complex resulting from non-adjustment to net equity of the shareholding to be insignificant, in view of its irrelevance to the Group's current operations and the fact that the company's net equity and the performance of the period are significantly affected by the unrealized exchange rate loss recorded on the shareholder shareholders loan received in Euros.

Velofirma

Velofirma is a vehicle company for the development of an important buildable lot near the historical centre of the capital of Armenia, Yerevan. The company that owns the lot completed the first development phase in 2015 with the inauguration of the Yerevan City 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 2023, the company recorded revenues of Euro 5,272 thousand and an EBITDA of Euro 1,932 thousand, equal to 37% 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.

In 2022, 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.

Nova Portum

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. During the period, there was a strong interest in the initiative and at the date of writing of this note, compromises were recorded for 45 of the 55 building units planned. At 31 July 2023, the company recorded a loss of Euro 341,000 and a negative net equity amounting to Euro 1,127,000. The losses accumulated in the 2020-2022 fiscal years, including those up to July 2023, are managed according to the provisions of legislative Decree. 23/2020, which allows loss hedging to be postponed until the fifth year following their creation. The directors, considering that the initiative will end in the next 3-4 years, have not identified any concerns about the creditors' positions toward the company.

Other companies

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

| (€ thousand) | 31.12.2022 | Increases | Decreases | Exchange Effect | Other adjustments | 31.12.2023 |
|--------------------------|-------------------|------------------|------------------|------------------------|--------------------------|-------------------|
| Cedecorp SA-Camerun | 23 | - | - | - | - | 23 |
| Prom Invest Engin Atyrau | 0 | - | - | - | - | 0 |
| Partecipazione Conai | 0 | - | - | - | - | 0 |
| Kairos Air SPA | 100 | - | - | - | - | 100 |

| | | | | | | |
|------------------------|--------------|--------------|----------|------------|----------|--------------|
| JSC Astanaenergосervic | 26 | - | - | (1) | - | 26 |
| Excelerate Renco FPB | 3,450 | 1,789 | - | - | - | 5,239 |
| Total | 3,599 | 1,789 | - | (1) | - | 5,388 |

Excelerate Renco FPB:

The company governed by the laws of Albania, in which Renco holds 10% of shares, has invested in the purchase of two barges for the production of 110 Mw of electricity. The barges moored in the port of Vlorë, both of which have been revamped and connected to the national electricity grid by Renco, will be leased to the Albanian public utility company operating the electricity grids. The contracted revenues for the first two years will be USD 46 million for the rental fee and approximately USD 20 million for the O&M activities. The revamping work will be completed in the first half of 2024.

Receivables

| (€ thousand) | Receivables from subsidiaries | Receivables from associated companies | Receivables from others |
|---------------------------------|-------------------------------|---------------------------------------|-------------------------|
| Balance as of 31.12.2022 | 20 | 36,698 | 26 |
| Increases during the year | 40 | 7,038 | 9,851 |
| Decreases during the year | (51) | (7,789) | (73) |
| Balance as of 31.12.2023 | 10 | 36,698 | 9,804 |

The receivables from non-consolidated subsidiary companies amounting to Euro 10 thousand (Euro 20 thousand at 31 December 2022) consist of receivables from the subsidiary Eurobuilding claimed by Renco Valore S.p.A.

Receivables from subsidiaries amounting to 35,947 thousand Euro (36,698 thousand Euro at 31 December 2022) consist of:

- receivables from the associated company Velofirma from Renco Valore S.p.A. for Euro 4,483 thousand (Euro 4,769 thousand at 31 December 2022), which decreased by Euro 286 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 Darin Construction for Euro 12,085 thousand (Euro 12,770 thousand as at 31 December 2022) due from the company Renco Valore S.p.A., the change of Euro 685 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 984 thousand (Euro 955 thousand at

31 December 2022), and Niassa Sanctuary LTD, for Euro 473 thousand, provided to support the companies. During the previous period, a provision for write-down fund of Euro 800 thousand relating to the financial loan of Trade Mark Italy LLP was allocated;

- receivables from the company Renco Irem Construcões of Euro 8,268 thousand (Euro 8,212 thousand at 31 December 2022). The company is leader of the local consortium that is following important construction work for the CCS customer in Mozambique;
- receivables from Central Solar Mozambique amounting to Euro 4,738 thousand (Euro 308 thousand at 31 December 2022), granted for the development of a photovoltaic project in Mozambique (as better indicated in the Management Report), from Renco ViNigeria amounting to Euro 1,819 thousand (Euro 1,885 thousand as of 31 December 2022) and from Renco Energy Service for Euro 1,456 thousand (Euro 431 thousand at 31 December 2022);
- receivables from Nova Portum S.r.l. amounting to Euro 1,638 thousand (Euro 1,638 thousand at 31 December 2022), granted to support the real estate investment in the area of the former Agrarian Consortium located at the port of Pesaro.

The item in the period increased by Euro 7,038 thousand for new disbursements to Central Solar Mozambique, amounting to Euro 4,568 thousand, Salinella, amounting to Euro 1,200 thousand, Renco Energy Service, amounting to Euro 1,040 thousand, and other minor amounting to Euro 230 thousand. The decrease in the item is mainly due to reimbursements of the period received by Salinella, Euro 6,007 thousand, Renco Real Estate, amounting to Euro 452 thousand, Darin Construction, amounting to Euro 685 thousand, and other minors amounting to Euro 36 thousand. The exchange rate adjustment had a negative impact on the item amounting to Euro 609 thousand.

The changes in the item receivables are as follows:

| (€ thousand) | 31.12.2022 | New disbursements | Repayments | Exchange Effect | Write-downs | Other movements | 31.12.2023 |
|-------------------------------|---------------|-------------------|----------------|-----------------|-------------|-----------------|---------------|
| Due from subsidiaries | 20 | 46 | - | | (50) | (7) | 10 |
| Due from associated companies | 36,698 | 7,038 | (7,205) | (584) | - | - | 35,947 |
| Due from others | 26 | 9,851 | (2) | (71) | - | - | 9,804 |
| Total | 36,744 | 16,936 | (7,207) | (655) | (50) | (7) | 45,761 |

Receivables from others, amounting to Euro 9,084 thousand (Euro 26 thousand), consist of deposits under guarantee, amounting to Euro 24 thousand, restricted current accounts to guarantee the financing provided over the period on Renco Valore S.p.A., amounting to Euro 2.2 million, and the restricted current account, amounting to Euro 3.6 million, to guarantee the project warranty bond issued for Everdup, and from loans from third-party shareholders of Renco Kat, amounting to Euro 3,980 thousand, which will be recovered in the first half of 2024

The movement of item “write-downs” encompasses the write-down of the receivable claimed by Rebar, which was placed under liquidation during the period.

The breakdown of receivables as of 31.12.2023 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 | 10 | - | - | - | 10 |
| Due from associated companies | 1,638 | - | 21,238 | 13,070 | 35,947 |
| Due from others | 5,816 | 3,980 | 7 | - | 9,804 |
| Total | 7,464 | 3,980 | 21,246 | 13,070 | 45,761 |

Other securities and derivative instruments

| (€ thousand) | Other Securities | Active derivative instruments |
|---------------------------------|------------------|-------------------------------|
| Balance as of 31.12.2022 | - | 15,303 |
| Increases during the year | - | |
| Decreases during the year | - | (8,319) |
| Balance as of 31.12.2023 | - | 6,984 |

The item Active derivative instruments, equal to Euro 6,984 thousand, represents the temporal valuation of derivatives as at 31 December 2023. For a more in-depth description of derivative instruments, please refer to the specific section of these explanatory notes.

4) Inventories

| (thousand €) | 31.12.2022 | 31.12.2023 | Changes |
|---|----------------|----------------|-----------------|
| Inventories: | | | |
| 1) Raw materials, ancillary materials and consumables | 3,518 | 6,080 | 2,562 |
| 2) Product in progress and semi-finished products | 32,064 | 32,577 | 513 |
| 3) Contract work in progress | 395,497 | 327,932 | (67,565) |
| 4) Finished products and goods | 12,648 | 10,068 | (2,580) |
| 5) Advances | - | - | - |
| Total | 443,728 | 376,656 | (67,072) |

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

The products being processed and semi-finished products item includes the real estate development activities that the Group is carrying out on the Viserba land. Further information on the initiative are reported in the Management Report.

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 decrease in work in progress to order amounting to Euro 67,565 thousand, derives from the closure of major orders acquired during the previous financial years, specifically the projects related to Superbonus 110 and Everdrup, as specified in the Management Report to which reference shall be made. The effect of the closure of these orders is partly offset by the progress of the outstanding orders, in particular the Waterline contract, whose works record 96% advancement at the end of the year (at 31.12.2022 it amounted to 14%).

The work portfolio as of 31 December 2023 with reference to the ongoing orders of the Buildings and Energia business lines, excluding Armpower as a management activity, amounted to Euro 1,696 million, of which Euro 1,366 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 2022), 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 conflicts could have repercussions on 2024 too. The Directors are constantly monitoring developments in the situation and it is noted that the geopolitical situation has not affected 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.

| (€ thousand) | 31.12.2022 | 31.12.2023 | Changes |
|------------------------------|----------------|----------------|---------------|
| Receivables | | | |
| 1) From Customers | 85,354 | 149,674 | 64,320 |
| 2) From Subsidiaries | | 8 | 8 |
| 3) From Associated Companies | 11,550 | 17,044 | 5,494 |
| 5-bis) For tax receivables | 15,212 | 21,390 | 6,178 |
| 5-ter) For prepaid taxes | 18,603 | 21,653 | 3,050 |
| 5-quater) From Others | 30,808 | 26,861 | (3,947) |
| Total | 161,527 | 236,628 | 75,101 |

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

| (€ thousand) | Within 12 months | Beyond 12 months | Beyond 5 years | Total |
|--------------|------------------|------------------|----------------|-------|
| Receivables | | | | |

| | | | | |
|------------------------------|----------------|---------------|----------|----------------|
| 1) From Customers | 149,674 | - | - | 149,674 |
| 2) From Subsidiaries | 8 | - | - | 8 |
| 3) From Associated Companies | 17,044 | - | - | 17,044 |
| 5-bis) For tax receivables | 21,363 | 27 | - | 21,390 |
| 5-ter) For prepaid taxes | 21,653 | - | - | 21,653 |
| 5-quater) From Others | 16,457 | 10,404 | - | 26,861 |
| Total | 226,199 | 10,431 | - | 236,628 |

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

| (€ thousand) | 31.12.2022 | 31.12.2023 |
|----------------------|-------------------|-------------------|
| Italy | 68,946 | 99,201 |
| European Union | 9,828 | 32,072 |
| Former CIS countries | 43,759 | 65,906 |
| Africa | 28,040 | 35,456 |
| Middle East | 7,314 | 3,062 |
| Other | 3,641 | 931 |
| Total | 161,527 | 236,628 |

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

Receivables from customers

The item “receivables from customers” equal to Euro 149,674 thousand (Euro 85,354 thousand) is stated net of the provision for bad debts of Euro 3,243 thousand (Euro 2,545 thousand), which in 2023 increased by Euro 709 thousand compared to the previous year.

The change in receivables from customers, amounting to Euro 64,320 thousand, is attributable to the increase in the trade receivables related to Superbonus 110, which have different conditions and collection logic than the EPC or service orders, and to the credit resulting from the progress of the Waterline order. The percentage impact in trade receivables in the production value to third parties in the last 12 months rose from 20 % at 31 December 2022 to 26 % at 31 December 2023. It should be noted that in the early months of 2024, the trend of collection of receivables from third-party customers was not critical and that - at the date of writing this note - 95% of receivables from customers from Superbonus 110 had been collected. The remaining 5% is expected to be collected in the coming months or alternatively transformed into a tax receivable and used to offset tax charges, within the deadline set by the law.

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.

| (thousand €) | 31.12.2022 | Use | Provisions | Translation exchange differences | 31.12.2023 |
|---|------------|------|------------|----------------------------------|------------|
| Provision for bad debts from current assets | 2,545 | (62) | 780 | (9) | 3,243 |

The provision established at 31 December 2023 is considered adequate to cover both the specific situations, 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 17,044 thousand (Euro 11,550 thousand at 31 December 2022) consists exclusively of trade receivables and are represented by:

- receivables from the associated company Velofirma for Euro 1,535 thousand (Euro 1,453 thousand as at 31 December 2022), claimed of Euro 947 thousand (Euro 1,007 thousand as at 31.12.2022) by the subsidiary Renco Armestate, of Euro 417 thousand (Euro 251 thousand as at 31.12.2022) by the company Renco S.p.A., of Euro 52 thousand by Renco Valore S.p.A. and of Euro 120 thousand (Euro 138 thousand as at 31.12.2022) by Renco Asset Management S.r.l.;
- receivables from the subsidiary Renco Nigeria amounting to Euro 680 thousand, claimed by Renco Congo Sarlu.
- receivables from the subsidiary Darin Construction amounting to Euro 1,322 thousand (Euro 1,256 thousand last financial year at 31 December 2022) claimed by Renco Valore S.p.A. for Euro 1,167 thousand and by Renco property for Euro 154 thousand; 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 subsidiary Renco Energy Services amounting to Euro 3,931 thousand (Euro 1,058 thousand at 31 December 2022), claimed by Renco S.p.A.; 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 5,976 thousand (Euro 5,429 thousand at 31 December 2022) claimed by Renco S.p.A. for Euro 147 thousand, by Rencotek Lda for Euro 5,797 thousand and by Mozestate for Euro 32 thousand;
- receivables from the subsidiary Trademark Italy for Euro 1,598 thousand (Euro 1,239 thousand at 31 December 2022), claimed by Renco Valore S.p.A. for Euro 630 thousand, by Renco Property for Euro 556 thousand, by Renco Kat for Euro 112 thousand and by Renco S.p.A. for Euro 299 thousand; receivables from the affiliated company Niassa Sanctuary for Euro 175 thousand, claimed by Renco S.p.A.;
- receivables from the affiliated company Niassa Sanctuary for Euro 175 thousand, claimed by Renco S.p.A.;
- receivables from the subsidiary Central Solar de Mecufi amounting to Euro 1,757 thousand, claimed by Renco Energia amounting to Euro 182 thousand, by Rencotek amounting to Euro 761 thousand and by MozGreen amounting to Euro 815 thousand;
- receivables from the associated company, Nova Portum S.r.l., for Euro 69 thousand, claimed by Renco S.p.A.

Tax receivables

The item “tax receivables” equal to Euro 21,389 thousand (Euro 15,212 thousand at 31 December 2022) is thus constituted.

| (€ thousand) | 31.12.2022 | 31.12.2023 | Changes |
|---|---------------|---------------|--------------|
| Tax receivables | | | |
| Foreign tax receivable | 121 | 1,324 | 1,203 |
| Receivables for tax bonuses related to Superbonus 110 | 982 | 8,895 | 7,913 |
| Tax receivables | 4,655 | 5,025 | 370 |
| VAT receivables | 8,407 | 5,245 | (3,162) |
| Other tax receivables | 1,047 | 917 | (130) |
| Total | 15,212 | 21,389 | 6,177 |

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 8,895 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 21,653 thousand (Euro 18,603 thousand at 31 December 2022) 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 €) | 31.12.2022 | Provisions | Uses | Translation exchange differences | Other movements | 31.12.2023 |
|--|------------|------------|---------|--|--------------------|------------|
| Receivables for deferred tax assets | 18,603 | 4,445 | (1,257) | (403) | 265 | 21,653 |

The item also includes receivables for prepaid taxes relating to the Armenian company Armpower, for Euro 8,363 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.

Advance taxes relating to the excess of undeducted interest payable, which amount to Euro 5,599 thousand, are recorded on Italian companies. This amount will be recovered in subsequent periods through the consolidated tax accounts of the Italian Group member companies, based on the profitability of the projects developed in Italy, including UNIMI, the Ravenna sludge treatment station and other relevant projects.

Receivables from others

The item “receivables from others, equal to Euro 26,861 thousand (Euro 30,808 thousand at 31 December 2022) is thus constituted.

| (€ thousand) | 31.12.2022 | 31.12.2023 | Changes |
|---|---------------|---------------|----------------|
| Receivables from others | | | |
| Advances and advances to suppliers | 6,720 | 10,906 | 4,186 |
| Receivables from employees | 1,146 | 1,681 | 535 |
| Deposits | 817 | 1,238 | 421 |
| Receivables from sale of equity investments | 9,154 | 8,903 | (251) |
| Receivables for rent-to-buy | 2,545 | 1,041 | (1,504) |
| Insurance receivables | 9,137 | 2,133 | (7,004) |
| Receivables from social security institutions | 59 | 63 | 4 |
| Receivables from Terna | 22 | - | (22) |
| Other miscellaneous receivables | 1,208 | 897 | (312) |
| Total | 30,808 | 26,861 | (3,947) |

Receivables for the sale of equity investments amount to Euro 8,903 thousand (Euro 9,154 thousand at 31 December 2022) and include:

- for Euro 5,202 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 1,041 thousand (Euro 2,545 thousand at 31 December 2022) 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. 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 3.7 million was entered among the different receivables and among the different payables (amounts reduced during 2023 as a result of the payment of the loan instalments 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.

Insurance receivables represent the claims arising from insurance coverage activated and recognised by the national authorities, the change in the period is due to the receipts received from the coverage activated by Armpower and Renco S.p.A. following the downtime of the Yerevan power plant in 2022, which involved the activation of insurance to cover the cost of works and to recognize the loss of earnings resulting from the business interruption.

6) Financial assets other than fixed assets

| (€ thousand) | 31.12.2022 | 31.12.2023 | Changes |
|--|--------------|------------|--------------|
| Financial assets other than fixed assets | 1,371 | - | 1,371 |
| Other securities | | | |
| Total | 1,371 | - | 1,371 |

The item, which - at 31 December 2022 - represented the value of the shareholding in real Estate Management S.r.l., decreased during the year following the sale of the shareholding, resulting in a capital gain net of transaction costs amounting to Euro 4,732 thousand.

7) Cash and cash equivalents

| (€ thousand) | 31.12.2022 | 31.12.2023 | Changes |
|--|----------------|---------------|-----------------|
| Cash and cash equivalents | | | |
| Current bank accounts and post-office deposits | 100,186 | 61,995 | (38,191) |
| Cheques | | 5 | 5 |
| Cash in hand and other valuables | 356 | 471 | 115 |
| Total | 100,542 | 62,470 | (38,071) |

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) | 31.12.2022 | 31.12.2023 | 3Changes |
|-----------------------------|--------------|--------------|--------------|
| Accrued income | 152 | 761 | 609 |
| - Bank interest income | 22 | 16 | (6) |
| - Interest income on taxes | - | 248 | 248 |
| - Accruals on insurance | 130 | 497 | 497 |
| Prepaid expenses | 3,245 | 4,084 | 839 |
| - Rentals and leases | 301 | 281 | (20) |
| - Insurance | 879 | 1,201 | 322 |
| - Software licenses | 502 | 619 | 117 |
| - Surety charges | 785 | 842 | 57 |
| - Villa Molaroni lease fees | 12 | 15 | 3 |
| - other | 766 | 1,126 | 360 |
| Total | 3,398 | 4,845 | 1,448 |

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) | 31.12.2022 | Increases | Decreases | 31.12.2023 |
|---|----------------|---------------|-----------------|----------------|
| 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 | 32,899 | - | (2,544) | 30,355 |
| Expected cash flow hedge reserve | 14,201 | - | (6,241) | 7,960 |
| Retained earnings (accumulated losses) and other reserves | 107,376 | 8,924 | - | 116,301 |
| Reserve for purchase of treasury shares | (3,609) | - | - | - |
| Profit (loss) for the period of the group | 8,533 | - | (12,578) | (4,045) |
| Total | 200,600 | 12,533 | (21,363) | 191,770 |

The item Other Reserves is composed as follows

| (€ thousand) | 31.12.2022 | Increases | Decreases | 31.12.2023 |
|--|---------------|--------------|----------------|---------------|
| Other reserves | | | | |
| Extraordinary or optional reserve | 21,916 | - | (3,609) | 18,307 |
| Capital contributions | 25,026 | 5,436 | - | 30,462 |
| Conversion reserves from foreign consolidation | (20,569) | - | (5,040) | (25,609) |
| Consolidation reserve | 6,526 | 669 | - | 7,195 |
| Total | 32,899 | 6,105 | (8,649) | 30,355 |

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 negative effect amounting to Euro 5,040 thousand as a result of the depreciation recorded on the closing exchange rates of local currencies against the Euro, whose main changes in spot-end exchange rates were recorded in the Rouble (-20%), in the Armenian Dram (-6%), in the Kazakhstani Tenge (-2%).

At the date of closure of the financial statements, outstanding securities amounted to 865,200 ordinary shares.

Equity pertaining to minority interest

| (€ thousand) | 31.12.2022 | 31.12.2023 | Changes |
|----------------------------|--------------|---------------|---------------|
| Minority interest | | | |
| Capital and reserves | 8,403 | 3,232 | (5,171) |
| Profit (loss) for the year | 585 | 19,586 | 19,001 |
| Total | 8,988 | 22,819 | 13,831 |

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) | 31.12.2022 | Increases | Decreases | 31.12.2023 |
|---|---------------|--------------|----------------|---------------|
| Provisions for risks and charges | | | | |
| 2) Provisions for taxes, including deferred taxes | 18,013 | 2,142 | (3,651) | 16,504 |
| 3) Derivative financial instruments – financial liabilities | - | - | - | - |
| 4) Others | 2,757 | 5,047 | (2,680) | 5,124 |
| Total | 20,770 | 7,189 | (6,331) | 21,628 |

Provisions for taxes

The tax fund, amounting to Euro 16,504 thousand (Euro 18,013 thousand as at 31 December 2022), consists of the temporary differences observed in the Group companies as well as the tax effects arising from the consolidation entries, all described in an analytical manner in the appropriate paragraph “deferred/advance taxation” of these notes to the financial statements.

The movement of this provision is as follows:

| (€ thousand) | 31.12.2022 | Provisions | Uses | Translation exchange differences | Other movements | 31.12.2023 |
|---|---------------|--------------|----------------|----------------------------------|-----------------|---------------|
| Tax provisions, to be probably assessed | 550 | - | (550) | - | - | - |
| Provision for deferred taxes | 17,463 | 1,193 | (2,921) | (180) | 949 | 16,504 |
| Total | 18,013 | 1,193 | (3,471) | (180) | 949 | 16,504 |

The movements of the year were:

- from the use amounting to Euro 550 thousand in the face of the definition of the tax procedure on the 2017 financial year;
- change in the deferred tax fund for a total of Euro 959 thousand. 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 5,124 thousand (Euro 2,757 thousand at 31 December 2022) and is composed as follows:

| (€ thousand) | 31.12.2022 | Provision for the year | Use for the year | 31.12.2023 |
|--|--------------|------------------------|------------------|--------------|
| Other provisions | | | | |
| Provisions for hedging investee losses | 2,184 | 2 | (2,184) | 2 |
| Provision for warranties on plant orders | 573 | 5,046 | (497) | 5,123 |
| Total | 2,757 | 5,047 | (2,680) | 5,124 |

Provision for hedging investee losses

The fund previously allocated entirely to the Italian subsidiary Salinella Eolico S.r.l., was used in the period in response to the sale of the stake at the end of November 2023. The transaction resulted in a capital gain amounting to Euro 3,703 thousand.

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. In particular, the provision relates to the Salinella project, with an allocation amounting to Euro 544 thousand, and to the Everdrup project, with an allocation amounting to Euro 4,502 thousand. The criterion used for determining the allocation of the latter amount takes into account the duration of the collateral, which is 5 years.

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 | 2,015 | (759) | 364 | 244 | (4) | 1,861 |

The provision represents the Group's actual debt at 31 December 2023 to employees in force at that date, net of advances paid.

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) | 31.12.2022 | 31.12.2023 | Changes |
|--|----------------|----------------|-----------------|
| Payables | | | |
| 1) Bonds | 41,549 | 29,773 | (11,776) |
| 3) Payables to shareholders for loans | 5,344 | 4,409 | (935) |
| 4) Payables to banks | 256,645 | 249,968 | (6,677) |
| 5) Payables to other lenders | 13,787 | 16,415 | 2,628 |
| 6) Advances | 421,205 | 378,798 | (42,407) |
| 7) Payables to suppliers | 148,116 | 160,957 | 12,841 |
| 9) Payables to non-consolidated subsidiaries | 86 | 91 | 5 |
| 10) Payables due to associated companies | 9,987 | 11,000 | 1,013 |
| 12) Tax payables | 7,905 | 16,928 | 9,023 |
| 13) Payables to social security institutions | 2,692 | 2,052 | (640) |
| 14) Other payables | 10,844 | 18,808 | 7,964 |
| Total | 918,158 | 889,200 | (28,962) |

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.

| (€ thousand) | Within 12 months | Beyond 12 months | Beyond 5 years | Total |
|--|------------------|------------------|----------------|----------------|
| Payables | | | | |
| 1) Bonds | 2,829 | 26,944 | - | 29,773 |
| 3) Payables to shareholders for loans | 4,409 | - | - | 4,409 |
| 4) Payables to banks | 98,118 | 101,496 | 50,354 | 249,968 |
| 5) Payables to other lenders | 1,197 | 15,218 | - | 16,415 |
| 6) Advances | 247,301 | 131,497 | - | 378,798 |
| 7) Payables to suppliers | 160,957 | - | - | 160,957 |
| 9) Payables to non-consolidated subsidiaries | 91 | - | - | 91 |
| 10) Payables due to associated companies | 11,000 | - | - | 11,000 |
| 12) Tax payables | 16,120 | 808 | - | 16,928 |
| 13) Payables to social security institutions | 2,052 | - | - | 2,052 |
| 14) Other payables | 18,335 | 473 | - | 18,808 |
| Total | 562,409 | 276,436 | 50,354 | 889,200 |

| (€ thousand) | 31.12.2022 | 31.12.2023 |
|----------------------|----------------|----------------|
| Italy | 481,593 | 399,438 |
| European Union | 114,624 | 42,601 |
| Former CIS countries | 206,696 | 324,968 |
| Africa | 106,952 | 120,058 |
| Middle East | 6,846 | 1,741 |
| Other | 1,447 | 394 |
| Total | 918,158 | 889,200 |

Bonds

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

- During the period, the bond issued on 23 November 2017 by the parent company Renco Group S.p.A. with a nominal value of Euro 35 million consisting of 350 bonds of Euro 100,000 each and maturing on 23 November 2023 was repaid at the contractual maturity. The bond loan was admitted to trading on the ExtraMOT PRO professional segment at an interest rate of 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. The expected bond covenants had been met at the date of closure of the financial year.

| Financial equilibrium indices | Covenant | Consolidated result |
|--------------------------------------|--------------|---------------------|
| NFP/Equity | ≤ 1.5 | 0.5 |
| Net financial position | | |
| ----- | | |
| Shareholders' Equity | | |
| NFP/EBITDA | ≤ 3.5 | 1.8 |
| Net financial position | | |
| ----- | | |
| EBITDA | | |
| Interest Coverage Ratio (ICS) | ≥ 4.5 | 4.9 |
| 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 935 thousand were reimbursed.

Payables to banks

The balance of the payables to banks as at 31.12.2023 equal to Euro 249.7 million (Euro 256.6 million as at 31 December 2022), including mortgages payable, expresses the actual debt for capital, interest and ancillary charges accrued and due.

During the year, the Group obtained new loans amounting to Euro 75.1 million, including Euro 40 million are related to loans and Euro 30.9 million related to credit lines both contracted by Renco S.p.A., Euro 4.4 million for the loan “under construction” received by Renco Valore and made available to Arengest for the investment for the renovation of Hotel Garden, and Euro 14 million for the financing contracted by Renco property. 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, had 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.

In the year, the loan amounting to Euro 47.5 million at 31 December 2022 was fully repaid in advance. Against this reimbursement, the corresponding nominal value of the derivatives was closed, which resulted in a financial income of Euro 2,418 thousand.

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 2023 the loan amounted to Euro 2.3 million (Euro 2.6 million at 31 December 2022).

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 2023 is equal to Euro 0.2 million (Euro 0.35 million at 31 December 2022);
- 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 2023 amounts to Euro 9.3 million (Euro 10.2 million as at 31 December 2022).

Below are the details:

| (€ thousand) | Par value | Outstanding debt | Amortised cost | Due date | Rate | Hedging transactions |
|--------------|---------------|------------------|----------------|------------|------|----------------------|
| Loan 1 mln | 1,000 | 215 | 214 | 30/06/2025 | Var | |
| Loan 12 mln | 12,000 | 9,301 | 9,258 | 30/06/2032 | Var | IRS |
| Total | 13,000 | 9,516 | 9,473 | | | |

During the financial year, Residence Viserba opened a loan due to expire on 31 December 2025. The financial debt at 31 December 2023 of this loan is Euro 1.4 million.

In August 2023, Renco Property contracted a loan of Euro 14 million. The loan has a maturity of 7 years set to expire in August 2030, indexed to the ESTR interest rate plus a spread of 3.5%. At 31 December 2023, the loan amounted to a total of Euro 13.3 million.

Armpower

As of 31.12.2023 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 | 58,988 | 32,061 | 31/12/2033 | Var | IRS |
| Asian Development Bank (ADB) | 43,860 | 35,442 | 19,263 | 31/12/2033 | Var | IRS |
| OPEC Fund for International Development (OFID) | 25,300 | 20,436 | 11,107 | 31/12/2033 | Var | IRS |
| Deutsche Investitions (DEG) | 21,500 | 17,377 | 9,445 | 31/12/2033 | Var | IRS |
| Deutsche Investitions (DEG) | 15,700 | 15,349 | 8,342 | 30/06/2027 | Var | |
| Ameriabank CJSC – VAT Facilities | | 7,431 | 4,039 | 10/06/2028 | Var | |
| Total | | 155,023 | 84,257 | | | |

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.

The loan opened with DEG and due to expire on 30 June 2027 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.

Covenants Armpower

The loan contracts with the above-mentioned international banks 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. Under the agreements entered into, failure of one of the covenants to comply before the Project completion date of December 2025 may entitle creditors to request payment of additional equity from Armpower's shareholders, up to hedging a maximum limit of USD 11 million, to remedy any shortage of cash servicing the debt.

The company is in compliance with the payment of the financial debt, however, at 31 December 2023, the calculation of the Prospective DSCR (PDSCR) results in a lower value than the contractual minimum. Failure to reach the contractual limit of the PDSCR depends solely on the mechanism by which the rate contractually sterilises the exchange differences resulting from the receipts from the sale of electricity. As a matter of fact, the sales rate, although indexed to the dollar, is fixed in AMD for a period of twelve months. Changes in revenue that occur during the year as a result of the difference between the AMD/USD rate used to determine the rate and the spot rate at the time of collection are accounted for and recovered over the next 12 months, increasing or decreasing the new rate in AMD.

This contractually agreed mechanism for adjusting the rate to exchange rate differences by acting on the operating cash flow generates changes in the prospective DSCR but does not lead to a change in the cash available to service the debt.

Despite acknowledging and communicating that the covenant was not adequate to correctly represent Armpower's ability to generate debt cash and thus the lack of real risk, the lenders deemed it necessary to formalize a waiver for non-compliance with the PDSCR which is currently being approved.

The company's management considers that non-compliance with the PDSCR does not jeopardize Armpower's ability to repay the debt, nor does it lead to an acceleration of the debt. It is understood that if there is no waiver approval, Renco Power member may be called to pay an additional equity fee to cover any liquidation shortfall up to the maximum limit of USD 6.3 million.

In this respect, the directors of the Renco Group consider the risk of being called upon to pay additional capital to be remote and ensure that the Group has adequate financial resources, including sound cash availability and bank outsourcing, to meet any contribution. Furthermore, they stress that, in the event of a call for additional capital, this would not in any way jeopardise the business continuity and financial soundness of the subsidiary and the group.

Payables for loans over 12 months

The balance of payables to banks over 12 months, equal to a total of Euro 151.8 million, is composed as follows:

- as for Euro 44.7 million (Euro 29.2 million at 31 December 2022) is represented by the residual payable with maturity beyond 12 months of loans from Renco S.p.A.;
- as for Euro 8.4 million (Euro 9.5 million at 31 December 2022) is represented by the residual payable with maturity over 12 months of loans to Renco Capital S.r.l.;
- as for Euro 0.7 million (Euro 3.4 million at December 31, 2022) for outstanding debt with maturity over 12 months on loans initiated during the period by Residence Viserba S.r.l.;
- as for Euro 4.4 million (Euro 37.2 million at 31 December 2022) is represented by the residual payable with maturity beyond 12 months of loans from Renco Valore S.p.A.;
- as for Euro 2.1 million (Euro 2.3 million at 31 December 2022) is represented by the residual payable with maturity over 12 months of loans to Villa Soligo S.r.l.;
- as for Euro 1.7 million (Euro 1.9 million at 31 December 2022) it is represented by the residual payable with maturity over 12 months of loans from Eat's Re S.r.l.;
- as for Euro 78.5 million (Euro 82.6 million at 31 December 2022) it relates to the residual debt expiring beyond 12 months of financing held by Armpower CJSC.
- as for Euro 11.4 million is the outstanding debt with a maturity of more than 12 months of loans under Renco Property.

The balance of payables to banks exceeding 5 years amounts to Euro 50.3 million (Euro 53.9 million in the previous period) and it is represented by the outstanding debt of loans under Armpower amounting to Euro 34.2 million, Renco Capital S.r.l. amounts to Euro 4.4 million, Renco S.p.A. amounting to Euro 2.7 million, Renco Valore S.p.A. amounting to Euro 3.8 million, Villa Soligo S.r.l. amounting to Euro 0.8 million, Eat's Re S.r.l. amounting to Euro 1 million and Renco Property amounting to Euro 3.5 million.

⁹ 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.

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

The non-recourse debt at 31.12.2023 amounted to Euro 86,166 thousand and related to the financial debt of Eat's Re, for Euro 1,908 thousand, and to the financial debt of Armpower, for Euro 86,257 thousand.

Payables to other lenders

"Payables to other lenders" amounting to Euro 16.4 million (Euro 13.8 million at 31 December 2022) include:

- payables to lease companies for Euro 3.4 million. The debt refers to the leasing contract for Renco Capital S.r.l. regarding a property located in Pesaro, whose balance stands at Euro 0.7 million, contracts entered into by Renco S.p.A. for equipment and cranes intended for the work in progress whose residual value stands at Euro 1.1 million and the leasing contract entered into by Tolfa Care S.r.l. on the RSA property amounting to Euro 1.6 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;
- payables to Simest for Euro 2 million. During the financial year, a share capital increase in Renco Moz Green LTD was carried out by Simest S.p.A. and the Venture Capital Fund by underwriting a share amounting to 45.2% of the share capital. In compliance with the reference accounting standards and in consideration of the commitment to repurchase the shares subscribed by Simest and FVC, to be carried out by 31 May 2028, 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, advances amounted to Euro 8.8 million (Euro 11.8 million), advances on current orders amounted to Euro 364 million (Euro 401 million), advances to others relating to the rent-to-buy contract concluded in 2015 amounted to Euro 5.9 million (EUR 5.9 million). The change in advance payments is linked in particular and mainly to the closure of orders related to Superbonus 110, the Everdrup gas decompression station and the Salinella wind farm, as well as to the billing of advance payments on current orders (in particular for activities carried out in Italy, Mozambique and Albania).

The amount of advances in foreign currency is USD 137.7 million, LYD 0.8 million, KZT 97,649 million and AMD 3,811 million.

Payables to suppliers

"Payables to suppliers" amounting to Euro 160,957 thousand (Euro 148,116 thousand at 31.12.2022) 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 91 thousand (Euro 86 thousand at 31.12.2022). The balance includes debts owed by the Group member companies to Renco Ghana Wayoe amounting to Euro 71 thousand, Renco USA Corp amounting to Euro 9 thousand and Eurobuilding amounting to Euro 11.6 thousand, all relating to the capital to be paid up.

Payables to associated companies

The item payables to subsidiary companies equal to Euro 11,000 thousand (Euro 9,987 thousand at 31.12.2022) includes short-term positions that are frequently moved with Group's Member Companies. Specifically, they are represented by payables to Renco Irem Costrucoes for Euro 10,973 thousand (Euro 9,978 thousand at 31.12.2022) and various payables to other associated companies for Euro 27 thousand (Euro 7 thousand at 31.12.2022).

Tax payables

The item "Tax payables" equal to Euro 16,928 thousand (Euro 7,905 thousand at 31.12.2022) 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:

| (€ thousand) | 31.12.2022 | 31.12.2023 | Changes |
|-----------------------------------|--------------|---------------|--------------|
| Tax payables | | | |
| Payables for withholding taxes | 897 | 2,907 | 2,010 |
| Tax liabilities | 1,023 | 2,039 | 1,017 |
| Payables for taxes to be assessed | 1,933 | 1,673 | (259) |
| Payables for VAT | 2,566 | 8,275 | 5,710 |
| Other tax payables | 1,487 | 2,034 | 547 |
| Total | 7,905 | 16,928 | 9,023 |

Other payables

The balance "Other payables" includes the following items:

| (€ thousand) | 31.12.2022 | 31.12.2023 | Changes |
|---|---------------|---------------|--------------|
| Payables to others | | | |
| Payables to employees | 6,465 | 7,454 | 988 |
| Payables for rent-to-buy | 1,367 | 929 | (438) |
| Payables for purchase of equity investments | 260 | 4,842 | 4,582 |
| Payables for dividends | 202 | 202 | - |
| Payables for payment of share capital | 1,434 | - | (1,434) |
| Other sundry payables | 1,115 | 5,382 | 4,266 |
| Total | 10,844 | 18,808 | 7,964 |

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 “Debt for purchase of shareholding” shows an increase of Euro 4,582 thousand compared to the figure for 2022, for the purchase of Pascucci e Vannucci LTD, reference shall be made to the paragraph “Area, methods of consolidation and important events in the financial year”.

Accrued liabilities and deferred income

They represent the connection items for the year counted against the accrual criterion, and are com-

| (€ thousand) | 31.12.2022 | 31.12.2023 | Change |
|------------------------------------|--------------|--------------|--------------|
| Accrued liabilities | 1,522 | 3,600 | 2,078 |
| - Interest expense and commissions | 982 | 3,202 | 2,220 |
| - Bond interest | 540 | 351 | (189) |
| - Miscellaneous | 982 | 46 | 46 |
| Deferred income | 180 | 507 | 327 |
| - Revenues from asset management | - | 429 | 429 |
| - Miscellaneous | 180 | 228 | (48) |
| Total | 1,702 | 4,107 | 2,405 |

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) | 31.12.2022 | 31.12.2023 | Change | Change % |
|--|----------------|----------------|----------------|--------------|
| Revenues from sales and services | 294,097 | 634,565 | 340,468 | 115.77 |
| Changes in inventories of products in progress | 4,319 | (1,931) | (6,250) | n.a. |
| Change in contract work in progress | 111,791 | (64,626) | (176,417) | n.a. |
| Increases for in-house work | 17,416 | 22,239 | 4,823 | 27.69 |
| Other revenues and income | 16,390 | 2,756 | (13,634) | (83.18) |
| Total | 444,014 | 593,003 | 148,990 | 33.56 |

Revenues by category of activity

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

| (€ thousand) | 31.12.2022 | 31.12.2023 | Change | Change % |
|--------------------------------|----------------|----------------|----------------|--------------|
| Services Business Line | 70,614 | 44,998 | (25,616) | (36.28) |
| Buildings Business Line | 170,357 | 363,290 | 192,933 | 113.25 |
| Asset Management Business Line | 44,629 | 47,988 | 3,359 | 7.53 |
| Energy Business Line | 158,413 | 136,727 | (21,686) | (13.69) |
| Total | 444,014 | 593,003 | 148,990 | 33.56 |

In 2023, the Renco Group achieved a “Production value” of Euro 593,003 thousand (Euro 444,014 thousand in the same period of 2022), with an increase of Euro 148,990 thousand (+33.56%)

The increase in the production value was mainly supported by the contribution of Business Line Buildings, which increased by EUR 192.9 million. For a complete analysis of the business performance, more information on the development of the production value can be found in the Management Report.

Revenues by geographic area

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

| (€ thousand) | 31.12.2022 | 31.12.2023 | Change | Change % |
|----------------------|----------------|----------------|----------------|--------------|
| Italy | 179,366 | 238,266 | 58,900 | 32.84 |
| European Union | 54,504 | 25,689 | (28,815) | (52.87) |
| Former CIS countries | 127,930 | 272,698 | 144,768 | 113.16 |
| Africa | 60,354 | 46,947 | (13,407) | (22.21) |
| Middle East | 18,524 | 6,998 | (11,526) | (62.22) |
| Other | 3,335 | 2,405 | (930) | (27.89) |
| Total | 444,014 | 593,003 | 148,989 | 33.56 |

The table above shows the absolute value and percentage weight of production by geographic area. For a more in-depth analysis of the foreseeable evolution of management and industrial and commercial

strategies, more information on the evolution of the geographical distribution of the production value is provided in the Management Report.

Other revenues and income

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

| (€ thousand) | 31.12.2022 | 31.12.2023 | Change |
|-------------------------------|---------------|--------------|-----------------|
| Other revenues and income | | | |
| Gains from disposal of assets | 11,498 | 918 | (10,581) |
| Revenues from contributions | 162 | 153 | (9) |
| Other sundry revenues | 4,730 | 1,685 | (3,044) |
| Total | 16,390 | 2,756 | (13,634) |

“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 2023, they amount to Euro 2,756 thousand, down by Euro 13,634 thousand compared to 31 December 2022. The item “Capital gains from asset disposal” in 2022 contained the effect of the divestment of Hotel Yerevan, which had resulted in a capital gain of Euro 9,792 thousand, and the divestment of property land in Kazakhstan, on which a capital gain of Euro 1,012 thousand had been recorded. In 2023, the capital gain stemmed from the sale of land in Armenia.

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) | 31.12.2022 | 31.12.2023 | Changes |
|--|----------------|----------------|----------------|
| Cost of production | | | |
| Raw materials, ancillary materials and goods | 104,292 | 188,335 | 84,043 |
| Services | 197,467 | 244,629 | 47,162 |
| Use of third-party assets | 10,976 | 10,221 | (755) |
| Wages and salaries | 68,183 | 62,937 | (5,246) |
| Social security costs | 12,091 | 13,594 | 1,503 |
| Employee severance indemnity | (512) | 1,532 | 2,044 |
| Other personnel costs | 232 | 36 | (196) |
| Amortisation of intangible fixed assets | 1,610 | 2,116 | 506 |
| Depreciation of tangible fixed assets | 19,167 | 18,875 | (292) |
| Other write-downs of fixed assets | 450 | - | (450) |
| Write-down of current receivables | 596 | 780 | 184 |
| Change in inventories of raw materials | 28 | (2,497) | (2,525) |
| Other provisions | 573 | 5,047 | 4,474 |
| Other operating expenses | 3,953 | 4,879 | 926 |
| Total | 419,106 | 550,486 | 131,381 |

The “Other provisions” amount to Euro 5,047 thousand and refer to the plants guarantee fund provisions recorded following completion during the Everdrup and wind farm orders period. 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:

| (€ thousand) | 31.12.2022 | 31.12.2023 | Change |
|---|----------------|----------------|---------------|
| Raw materials, ancillary materials and goods | | | |
| Raw materials and materials | 100,455 | 184,717 | 84,261 |
| Capital goods valued less than €516 | 322 | 412 | 90 |
| Miscellaneous tools and equipment (repair parts, spare parts, etc.) | 310 | 330 | 20 |
| Fuel | 1,700 | 1,754 | 53 |
| Stationery and printed matter | 170 | 185 | 15 |
| Working clothes | 778 | 399 | (379) |
| Customs clearance materials | 557 | 538 | (18) |
| Total | 104,292 | 188,335 | 84,043 |

The item “Costs for subsidiary raw materials and goods”, equal to Euro 184,717 thousand, consists mainly of Euro 48,588 thousand of the costs incurred by Renco S.p.A., Euro 82,919 thousand from the costs incurred by Renco Kat and Euro 44,234 thousand from the costs incurred by Armpower for the purchase of utilities, including the gas required to run the power plant.

Costs for services

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

| (€ thousand) | 31.12.2022 | 31.12.2023 | Change |
|--|------------|------------|---------|
| Services | | | |
| Work performed by third parties and general services | 157,194 | 204,523 | 47,329 |
| Project Collaborators | 5,434 | 2,862 | (2,572) |
| Transportation costs | 3,432 | 1,979 | (1,452) |
| Property maintenance and repairs | 90 | 299 | 209 |
| Motor vehicle maintenance and repairs | 262 | 259 | (3) |
| Cleaning costs | 850 | 848 | (3) |
| Lighting | 2,187 | 1,757 | (430) |
| Other utilities | 599 | 778 | 179 |
| Postal and telephone charges | 802 | 787 | (15) |
| Security expenditure | 760 | 847 | 87 |
| Technical and commercial consulting | 975 | 840 | (135) |
| Legal, administrative and tax consulting | 3,471 | 6,010 | 2,539 |
| Insurance | 4,220 | 5,830 | 1,611 |

| | | | |
|---|----------------|----------------|---------------|
| Travel expenses | 6,322 | 5,548 | (774) |
| Expense Reimbursements | 10 | 11 | 1 |
| Other maintenance and repairs | 679 | 614 | (65) |
| Advertising and promotional expenses | 279 | 537 | 258 |
| Personal refresher courses | 485 | 428 | (56) |
| Software licenses and production licenses | 1,105 | 1,428 | 323 |
| Remuneration of corporate bodies | 374 | 418 | 43 |
| Company canteen | 675 | 1,057 | 382 |
| Health services | 1,342 | 814 | (528) |
| Bank commissions | 2,757 | 3,779 | 1,022 |
| Other costs for services | 3,164 | 2,375 | (789) |
| Total | 197,467 | 244,629 | 47,161 |

The amount for the year includes Euro 167,961 thousand relating to contract costs for Renco S.p.A., Euro 19,300 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:

| (€ thousand) | 31.12.2022 | 31.12.2023 | Change |
|----------------------------------|---------------|---------------|--------------|
| Use of third-party assets | | | |
| Rental of premises and offices | 5,276 | 6,432 | 1,155 |
| Rental of vehicles and equipment | 5,605 | 3,521 | (2,084) |
| Other lease and rental expenses | 95 | 269 | 174 |
| Total | 10,976 | 10,221 | (755) |

The amount mainly includes rents for offices and warehouses and rental costs of which Euro 7,746 thousand for Renco S.p.A. (Euro 10,260 thousand in 2022).

Personnel costs

The item “Personnel costs” totalling Euro 79,994 thousand (Euro 73,333 thousand at 31 December 2022), mainly includes the personnel costs of Renco S.p.A. for Euro 29,520 thousand (Euro 26,264 thousand in 2022) and Renco Congo Sarlu for Euro 17,273 thousand (Euro 19,017 thousand in 2022). 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

| (€ thousand) | 31.12.2022 | 31.12.2023 | Change |
|------------------------------|------------|------------|---------|
| Personnel costs | | | |
| Wages and Salaries | 66,332 | 62,937 | (3,395) |
| Social security costs | 12,091 | 13,594 | 1,503 |
| Employee severance indemnity | 1,339 | 1,532 | 193 |

| | | | |
|--------------|---------------|---------------|----------------|
| Other costs | 232 | 36 | (196) |
| Total | 79,994 | 78,100 | (1,894) |

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.

| | 31.12.2022 | 31.12.2023 | Change | Average number |
|-------------------------|-------------------|-------------------|---------------|-----------------------|
| Executives and Managers | 44 | 55 | 11 | 50 |
| Office workers | 927 | 1,197 | 270 | 1,062 |
| Blue-collar workers | 1,376 | 1,814 | 438 | 1,595 |
| Others | 160 | 281 | 121 | 221 |
| Total | 2,508 | 3,347 | 840 | 2,927 |

Other operating expenses

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

| (€ thousand) | 31.12.2022 | 31.12.2023 | Change |
|--|-------------------|-------------------|---------------|
| Other operating expenses | | | |
| Miscellaneous taxes | 1,828 | 1,886 | 58 |
| Membership fee | 102 | 144 | 41 |
| Administrative sanctions | 263 | 775 | 512 |
| Losses on receivables, not covered by a specific provision | 680 | 236 | (444) |
| Losses from disposal of assets | 63 | 64 | 1 |
| Other miscellaneous expenses | 1,017 | 1,775 | 758 |
| Total | 3,953 | 4,879 | 926 |

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:

| (€ thousand) | 31.12.2022 | 31.12.2023 | Changes |
|--|-------------------|-------------------|----------------|
| Financial income and charges | | | |
| Income from equity investments in subsidiaries | 85 | 8,129 | 8,044 |
| Income other than the above | 2,894 | 4,547 | 1,653 |
| (Interest and other financial charges) | (17,281) | (26,446) | (9,165) |
| Foreign exchange gains (losses) | (61) | (3,263) | (3,202) |
| Total | (14,362) | (17,033) | (2,671) |

The item Revenue from shareholding, amounting to Euro 8,129 thousand, includes the effects of the disposal operations carried out in the year by Real Estate Management S.r.l. and Salinella S.r.l. subsidiary companies, whose capital gains contributed respectively to Euro 4,732 thousand and Euro 3,397 thousand.

The balance of the item Revenue other than previous one shows a balance of Euro 4,547 thousand consisting of financial revenue recorded in Renco Kat, amounting to Euro 3,412 thousand, derived from an efficient management of project treasury linked to the Waterline order. The advances and deposits received during the project, prior to their use in day-to-day management, enabled the activation of remunerated deposits (overnight deposits), with local interest rates well above 10%. The outstanding balance relates to proceeds from the disposal of tax bonuses, initially monetised at a value above the nominal value of 100.

The item interest and other financial charges, amounting to Euro 26,446 thousand, includes interest payable on the non-recourse financial debt of Euro 8,014 thousand, charges resulting from the transfer of tax bonuses, monetised at a value below the nominal value 100.

The net profit relating to realized and unrealized exchange rate differences arising from the valuation of foreign exchange assets and liabilities at year-end reflects the foreign exchange market performance in 2023. As a matter of fact, the local currencies used by the Group were consolidated against the Euro over the period, which had a negative impact on the exposure in these currencies.

It should be noted that the exchange rate differences achieved in the period are equal to Euro 102 thousand.

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

| (€ thousand) | 31.12.2022 | 31.12.2023 | Changes |
|----------------------------|-------------------|-------------------|----------------|
| Exchange gains | 20,719 | 4,482 | 16,237 |
| Exchange losses | (22,131) | (4,380) | (17,751) |
| Unrealised exchange gains | 4,764 | 952 | 3,812 |
| Unrealised exchange losses | (3,413) | (4,317) | 904 |
| Total | (61) | (3,263) | 3,202 |

16) Value adjustments to financial assets and liabilities

The composition of the item is as follows:

| (€ thousand) | 31.12.2022 | 31.12.2023 | Changes |
|---------------------------------------|----------------|-------------|--------------|
| Revaluations | 875 | - | 875 |
| Of equity investments | | | |
| Of financial fixed assets | 875 | - | |
| Write-downs | (3,026) | (57) | 2,969 |
| Of equity investments | (2,226) | | 2,169 |
| Of financial fixed assets | (800) | | 800 |
| Securities recorded in current assets | | | |
| Of derivative financial instruments | | | |
| Total | (2,151) | (57) | 2,094 |

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) | 31.12.2022 | 31.12.2023 | Changes |
|----------------------------------|--------------|--------------|---------------|
| Income taxes for the year | | | |
| Current taxes | 4,070 | 13,834 | 9,764 |
| Taxes relating to previous years | 1,100 | (543) | (1,643) |
| Deferred/(prepaid) taxes | (5,894) | (3,403) | 2,491 |
| Total | (725) | 9,888 | 10,612 |

Income taxes for the period amounted to Euro 13,834 thousand (Euro 4,070 thousand), up by Euro 9,754 thousand, with a pre-tax profit of Euro 25,792 thousand in 2023 (Euro 8,394 thousand in 2022). The tax rate stands at 54%. Besides the current taxes, the tax burden includes Euro 543 thousand (negative Euro 1,100 thousand in the previous period) of taxes referring to previously recorded periods which were issued because they were higher than what was established in the declaration.

It should be noted that the item Deferred/Advanced Taxes contains the effects of the temporary differences arising from Armpower, in which the civil financial statements drawn up in USD ("functional Currency") is 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 31.12.2023 amounted to Euro 17,463 thousand (Euro 17,463 as at 31 December 2022). 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

| | financial year 31/12/2022 | | financial year 31/12/2023 | |
|---|---------------------------------|----------------|---------------------------------|---------------|
| (€ thousand) | Amount of temporary differences | Tax effect | Amount of temporary differences | Tax effect |
| Prepaid taxes: | | | | |
| Unrealised exchange losses | 808 | 194 | 1,112 | 267 |
| Non-deductible interest expense | 9,809 | 2,354 | 23,332 | 5,600 |
| Real estate lease instalments referring to land | 145 | 42 | 991 | 284 |
| Real estate depreciation referring to land | 106 | 30 | 33 | 9 |
| Maintenance costs | 3 | 1 | 83 | 20 |
| Provisions for risks and charges | 720 | 195 | 5,270 | 1,464 |
| Prepaid taxes on foreign financial statements | 2,123 | 425 | 2,405 | 481 |
| Armpower financial statement prepaid taxes | 52,645 | 10,529 | 45,533 | 9,107 |
| Ace | 1,282 | 308 | 381 | 91 |
| Tax losses that can be carried forward | 5,230 | 1,255 | 3,918 | 940 |
| Provision for bad debts | 1,039 | 249 | 1,049 | 252 |
| Other | 1,283 | 308 | 1,448 | 347 |
| Elimination of intra-group margins (*) | 9,275 | 2,713 | 9,999 | 2,790 |
| Total deferred tax assets | 84,468 | 18,603 | 95,552 | 21,653 |
| Deferred taxes: | | | | |
| Unrealised exchange gains | 4,246 | 1,019 | 3,438 | 825 |
| Cash flow hedge reserve | 7,256 | 1,741 | 1,794 | 431 |
| PO issue costs | 41 | 10 | 0 | 0 |
| Villa Soligo property greater value | 538 | 151 | 538 | 150 |
| Lease accounting (equity method) (*) | 1,126 | 314 | 3,171 | 885 |
| Deferred taxes foreign financial statements | 10,697 | 2,139 | 12,686 | 2,537 |
| Armpower Deferred Financial Statement Taxes | 15,685 | 3,137 | 14,748 | 2,950 |
| Intra-group profit eliminations | 3,927 | 943 | 3,657 | 878 |
| Recognition of greater values | 30,895 | 8,009 | 30,129 | 7,849 |
| Recognition of Renco Kat (*) greater value | 6,182 | 1,237 | 5,640 | 1,128 |
| Recognition of Residence (*) greater value | 22,043 | 6,150 | 19,966 | 5,570 |
| Recognition of AK value (*) greater values | 1,545 | 309 | 1,408 | 282 |
| Recognition of Villa Soligo (*) greater values | 1,122 | 313 | 1,083 | 302 |
| Total deferred taxes | 74,411 | 17,463 | 2,032 | 567 |
| Total deferred taxes | 74,411 | 17,463 | 70,162 | 16,504 |
| Net deferred (prepaid) taxes | (10,057) | (1,140) | 25,390 | 5,148 |

(*) 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.

(138)

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

| Description | Fair value 31/12/2022 | 2022 Tax effect | Fair value 31/12/2023 | 2023 tax effect | Change IS | Change in SE | Nature | Notional in thousands |
|--|--------------------------|--------------------|--------------------------|--------------------|-----------|-----------------|--------|--------------------------|
| Interest rate SWAP | 631 | (151) | 303 | (73) | | (249) | (A) | 10,000 |
| Interest rate SWAP | 354 | (85) | 164 | (39) | | (144) | (A) | 8,000 |
| Interest rate SWAP | 306 | (74) | 102 | (24) | | (156) | (A) | 10,000 |
| Interest rate SWAP | 273 | (65) | 91 | (22) | | (138) | (A) | 10,000 |
| Flexible forward contract | 1,473 | (354) | 290 | (69) | | (900) | (B) | 21,060 USD |
| Interest rate SWAP | 1,100 | (264) | 845 | (203) | | (194) | (A) | 12,000 |
| Interest rate SWAP | 3,117 | (748) | 74 | | 74 | (2,369) | (A) | 63,000 |
| Interest rate SWAP | 8,047 | (1,448) | 5,116 | (921) | | (2,403) | (A) | 163,660 USD |
| Total | 15,302 | (3,190) | 6,984 | (1,352) | 74 | (6,553) | | |
| Active derivative financial instruments | 15,302 | | 6,984 | | | | | |

(A) Hedging derivative on interest rate fluctuation risk

(B) Hedging derivative on exchange rates for future transactions

As of 31.12.2023, 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 303 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 164 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 102 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 91 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”;

sand 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 21,060 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 290 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 845 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”;
- IRS with an initial notion of Euro 63,000 thousand and maturity on 17/06/2027 to hedge the loan underwritten in June 2020 by Renco Valore S.p.A. During the period this instrument was closed following the early and total repayment of the underlying loan. The effect of the disposal of derivatives was positive for Euro 2,418 thousand. At the end of the year, there remained marginally open a single derivative whose Euro 74 thousand fair value, classified as a Non Hedging Accounting instrument, was recorded under item B III) 4) “Asset Financial Derivative Instruments” with a direct offsetting item to the profit and loss statement;
- Notional IRS USD 163,600 thousand with maturity on 31/12/2033 to hedge the financing subscribed by Armpower CJSC for the construction of the power plant. The fair value of the derivative of Euro 5,116 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 |
|------------------------------------|---------------|-----------|-----------------------------|-------------------|----------------|---------------|-----------------------|--------------------|
| Unconsolidated subsidiaries | 8 | | | 8 | 91 | | 10 | |
| Renco Ghana Wayoe | - | - | - | - | 71 | - | - | - |
| Rebar | 8 | - | - | 8 | 9 | - | 20 | - |
| Greenergo | - | - | - | - | 12 | - | 10 | - |
| | | | | | | | | |
| Associated companies | 43,594 | 70 | 209 | 17,044 | 11,000 | 46,322 | 35,947 | |
| Darin Construction | 911 | 6 | 150 | 1,322 | 7 | - | 12,086 | - |

| | | | | | | | | |
|------------------------------|---------------|------------|------------|---------------|---------------|---------------|---------------|--------------|
| Velofirma | 513 | 4 | - | 1,535 | 1 | - | 4,483 | - |
| Trademark | 228 | 35 | 33 | 1,598 | 0 | - | 984 | - |
| Niassa Sanctuary | 0 | - | - | 176 | - | - | 473 | - |
| Renco Irem Costrucoes | - | 6 | - | 5,976 | 10,973 | 16,668 | 8,268 | - |
| Renco Nigeria | - | - | - | 680 | 3 | - | 1,819 | - |
| Nova Portum | - | - | 26 | 69 | - | 492 | 1,638 | - |
| Central Solar Mozambique | 777 | - | - | 1,757 | 0 | 4,181 | 4,738 | - |
| Salinella Eolico | 36,643 | - | - | - | - | - | - | - |
| Greenfactory | - | - | - | - | 15 | 1,424 | - | - |
| Excelerate Renco | - | - | - | - | - | 23,556 | - | - |
| Renco Energy Services | 4,522 | 19 | - | 3,931 | 0 | - | 1,456 | - |
| Other related parties | 1,080 | 783 | | | 640 | | | 4,409 |
| Isco S.R.L. | - | 753 | - | - | 640 | - | - | - |
| Shareholders | 1,080 | 30 | - | - | - | - | - | 4,409 |
| Total | 44,682 | 853 | 209 | 17,052 | 11,731 | 46,322 | 35,957 | 4,409 |

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:

In April, the group received from CCS JV s.c.a.r.l, the consortium led by Saipem, in joint venture with Us-based McDermott International and Japan-based Chiyoda Corporation, the “Notice to Proceed” for the worksites in Mozambique. This authorization marked the beginning of the mobilization and re-sumption of activities on our projects that had previously been suspended in the Afungi peninsula, interrupted at the end of 2021 to implement the required security measures.

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) | 31.12.2022 | 31.12.2023 | Changes |
|---|----------------|----------------|-----------------|
| Memorandum accounts of third-party risks | 172,953 | 127,938 | (45,015) |
| Memorandum accounts of commitments undertaken | | - | |
| Total | 172,953 | 127,938 | (45,015) |

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 2023 amounted to Euro 128 million (Euro 173 million in 2022), below is the detail of the sureties:

- Euro 106.7 million (Euro 154.5 million in 2022), 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 38.9 million (Euro 60.7 million in 2022), advance payment bonds, for Euro 49.3 million (Euro 54 million in 2022), retention/bid bonds and stand by letter for Euro 6 million (Euro 6.7 million in 2022) and other guarantees, for Euro 12.5 million (Euro 31.4 million in 2022);
- 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 5.4 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.
- Euro 1.4 million relate to the guarantees issued by Renco Capital S.r.l. in favour of buyers to hedge the deposits and advances paid for the purchase of real estate units;
- EUR 1.45 million relates to the guarantees issued by Renco Group S.p.A. to third parties within the scope of the Group's operations.

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.;
- 114 thousand Euro for the statutory audit of the consolidated financial statements of the Renco Group;
- 23 thousand euros for the voluntary review of the consolidated financial statements of Renco S.p.A.;
- 16 thousand Euro for expenses;
- 162 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 | 146 | 79 | | 225 |
| Board of Statutory Auditors | 17 | 52 | 67 | 136 |
| Supervisory body | 33 | 42 | 14 | 89 |
| Total | 196 | 173 | 81 | 449 |

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, 6 May 2024

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 31/12/2023

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

| 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 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% |
| Tolfa Care S,R,L. | Italy | Eur | 825,000 | Renco Valor S.P.A. | 67.60% | 67.27% |
| 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% |
| 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% |
| 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. | 56.40% | 56.12% |
| | | | | Mozestate L.D.A. | 1.00% | 0.99% |
| 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. | 75.00% | 74.63% |
| Renco Algeria | Algeria | Dzd | 1,000,000 | Renco S.P.A. | 100.00% | 99.51% |
| Pascucci & Vannucci LTD | Malta | Eur | 7,750,000 | 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 31/12/2023

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

| 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 31/12/2023

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

| Company name | Headquarters | Currency | Share capital | Shareholders | Share Prop. | Share Cons. |
|--|--------------|----------|---------------|---------------------|-------------|-------------|
| Velofirma ⁽¹⁾ | Armenia | Amd | 4,100,000 | Renco Valor S.P.A. | 53.70% | 53.44% |
| Renco Onlus Foundation ⁽²⁾ | Italy | Eur | 104,537 | 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 ⁽²⁾ | 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 Construcões 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. ⁽²⁾ | Switzerland | Chf | 100,000 | Renco S.P.A. | 60.00% | 59.71% |
| Renco USA Corp ⁽³⁾ | USA | Dollar | 10,000 | Renco S.P.A. | 100.00% | 99.51% |
| Eurobuilding SHPK ⁽³⁾ | Albania | Lek | 11,600 | Renco Valor S.P.A. | 100.00% | 99.51% |

Grounds for exclusion

⁽¹⁾ Company exempt from consolidation because it is not controlled under contractual agreements

⁽²⁾ Company excluded as irrelevant

⁽³⁾ Company excluded as irrelevant on the grounds of a newly incorporated or inoperative company and put into liquidation

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 31/12/2023

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 31/12/2023 are reconciled with those of the parent company as follows:

| | Shareholders' equity | Result |
|---|----------------------|----------------|
| Shareholders' equity and profit/loss for the year as reported in the financial statements of the parent company | 74,865 | (2,520) |
| Effect of adjustments made in application of the accounting standards | 2,331 | 531 |
| (a) Adoption of IAS 17 | 2,337 | 531 |
| b) Valuation of non-consolidated subsidiaries and associated companies using the equity method | (6) | 0 |
| Elimination of the carrying value of consolidated equity investments: | 149,368 | 27,299 |
| a) Net effect on the carrying value of consolidated equity investments with related net assets and results | 92,439 | 57,980 |
| b) Reversal of write-downs/revaluations of equity investments | 31,436 | 1,890 |
| c) Reversal of intra-group dividends of investee companies | - | (30,445) |
| d) Net value of capital gains attributed at the date of acquisition of the investee companies net of the related tax effect | 25,494 | (2,125) |
| Other consolidation entries net of the related tax effect | (11,613) | (9,407) |
| a) Elimination of intra-group profits net of the related tax effect | (11,003) | (4) |
| b) Other consolidation entries net of the related tax effect | (610) | (9,403) |
| Consolidated shareholders' equity and profit/loss for the year | 214,951 | 15,904 |

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 |
|---|---------------|-----------------------|---------------------|---------------|-----------------------|-----------------------|---|-------------------------|-----------------------|-------------------------|-------------------------------|--------------------------|----------------|--------------------|----------------------------|
| Balance as of 31.12.2021 | 9,013 | 25,987 | 4,696 | 1,502 | 24,283 | 25,026 | (3,609) | (2,151) | 8,132 | (38,038) | 101,440 | 8,239 | 164,522 | 3,276 | 167,799 |
| Allocation of profit/loss for the year | | | | | (2,367) | | | | | | 10,606 | (8,239) | | | |
| Distribution of dividends | | | | | | | | | | | | | | | |
| Valuation at fair value of the expected cash flow hedge reserve | | | | | | | | 16,352 | | | | | 16,352 | | 16,352 |
| Other changes | | | | | | | | | (1,605) | 17,469 | (4,670) | | 11,194 | 5,126 | 16,319 |
| Profit/loss for the current year | | | | | | | | | | | | 8,533 | 8,533 | 585 | 9,119 |
| Balance as of 31.12.2022 | 9,013 | 25,987 | 4,696 | 1,502 | 21,916 | 25,026 | (3,609) | 14,201 | 6,527 | (20,569) | 107,377 | 8,533 | | 8,988 | 209,588 |
| Allocation of profit/loss for the year | | | | | | | | | | | 8,533 | (8,533) | | | |
| Distribution of dividends | | | | | | | | | | | | | | | |
| Valuation at fair value of the expected cash flow hedge reserve | | | | | | | | (6,242) | | | | | (6,242) | | (6,242) |
| Other changes | | | | | (3,609) | 5,436 | 3,609 | | 669 | (5,040) | 391 | | 1,457 | (5,755) | (4,299) |
| Profit/loss for the current year | | | | | | | | | | | | (3,683) | (3,683) | 19,586 | 15,904 |
| Balance as of 31.12.2023 | 9,013 | 25,987 | 4,697 | 1,502 | 18,307 | 30,462 | - | 7,960 | 7,195 | (25,609) | 116,301 | (3,683) | 192,132 | 22,819 | 214,951 |

Chairman of the Board of Directors
Giovanni Gasparini

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

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Renco Group S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2023, 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, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

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

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

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

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

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

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

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

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

© Deloitte & Touche S.p.A.

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, 2023, 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, 2023 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, 2023 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 13, 2024

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

