(Translation from the Italian original which remains the definitive version)

Trevi Finanziaria Industriale S.p.A.

Separate and consolidated financial statements as at and for the year ended 31 December 2019

(with independent auditors' report thereof)

KPMG S.p.A.

8 June 2020

TREVI - Finanziaria Industriale S.p.A.

Annual Report and Accounts at 31 Dicember 2019

TREVIGroup

TREVI – Finanziaria Industriale S.p.A.

2019 annual report

TREVI – Finanziaria Industriale S.p.A.
Registered Office in Cesena (FC) – Via Larga 201 – Italy
Share capital of Euro 82,391,632.50 fully paid-up
R.E.A. No. (Administrative and Economic Reg. No.) C.C.I.A.A. (Chamber of Commerce for Industry, SMEs and Agriculture) of Forlì – Cesena No. 201.271
Tax Code, VAT Reg. and Reg. No. with the Companies Register of Forlì – Cesena: 01547370401
Internet site: www.trevifin.com

SUMMARY

MEMBERS OF THE CORPORATE BODIES

CHAIRMAN
Luca d'Agnese

DEPUTY CHAIRMAN
Cesare Trevisani

CEOs
Giuseppe Caselli
Sergio Iasi

DIRECTORS
Marta Dassù (non-executive and independent)
Elisabetta Oliveri (non-executive and independent)
Cristina Finocchi Mahne (non-executive and independent)
Alessandro Piccioni (non-executive and independent)
Luca Caviglia (non-executive)
Rita Rolli (non-executive and independent)
Stefano Trevisani (executive)

BOARD OF STATUTORY AUDITORS

Standing statutory auditors
Milena Motta (Chairperson)
Raffaele Ferrara
Marco Vicini

Alternate auditors
Mara Pierini
Massimo Giondi

OTHER CORPORATE BODIES

Director in charge of the internal audit and risk management system
Sergio Iasi

Committee for the appointment and remuneration of Directors
Elisabetta Oliveri (Chairperson)
Alessandro Piccioni
Cristina Finocchi Mahne

Related Parties Committee
Marta Dassù (Chairperson)
Elisabetta Oliveri
Rita Rolli

Control, Risks and Sustainability Committee
Rita Rolli (Chairperson)
Cristina Finocchi Mahne
Luca Caviglia

Director of Administration, Finance and Control
Massimo Sala, appointed by resolution of the Board of Directors on 30 September 2019.
Massimo Sala took over from Massimiliano Battistelli who had been appointed by resolution of the Board of Directors on 8 May 2019.

Audit firm
KPMG S.p.A.
Appointed on 15 May 2017 and until the Shareholders' Meeting to approve the Financial Statements at 31 December 2025.

Organisational Model Supervisory Body [1]
Enzo Spisni (Chairman)
Floriana Francesconi
Matteo Tradii [2]

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[1] *the Supervisory Body was appointed by resolution of the Board of Directors on 31 January 2018 for a three-year term starting from 1 January 2018 and until 31 December 2020.*

[2] *Matteo Tradii became a member of the Supervisory Body by resolution of 24 February 2019 following the resignation of Gerardo Diamanti.*

DIRECTORS' REPORT

Dear shareholders,

the 2019 financial year, whose financial statements are submitted for your approval, saw Trevi Group engaged in major and profound changes. During the first nine months of the year, the Parent saw the approval of its capital strengthening and financial restructuring project approved by the Board of Directors on 17 July 2019, for which approval was obtained from the Court of Bologna on 10 January 2020.

The continuation of the capital strengthening and financial restructuring operation beyond 2019, together with the occurrence of other non-repetitive phenomena, slowed down in 2019 the implementation of the Business Plan as well as the performance of commercial activities. Despite the above difficulties, the Group withstood, reacted and was able to complete its financial restructuring in the first half of 2020 by selling the Oil & Gas division to the Indian Group MEIL on 31 March 2020 and launching the capital increase on the stock exchange at the end of April.

Throughout this long process, which lasted more than two and a half years, the Group has shown great resilience, not only financially, but above all commercially and industrially, succeeding, even in a situation of difficulties and uncertainty, to continue to carry out operating activities, manufacturing machinery for foundations and land consolidation, obtaining new orders operating in the various geographical areas with continuity by selecting countries and markets for future activities.

We remind you that the Shareholders' Meeting of 30 September 2019 appointed a new Board of Directors and the new Management immediately took action to ensure the control of the Group and the effective implementation of the Business Plan. In addition to the continuous monitoring of the Group's financial performance, since November 2019 a new organisational structure has been implemented, which provides for the hierarchical reporting to the Group CEO of operating and staff activities, both of the parent and - through management and coordination activities - of the subsidiaries Trevi S.p.A. and Soilmec S.p.A.

Staff functions were also centralised and governance within the various subsidiaries was reviewed, with the direct involvement of the Group CEO and the heads of the central Staff departments. The geography of operations was reviewed, management control of job orders was improved, a plan for optimising Group costs was launched and working capital control was improved. Initiatives were launched to implement the new IT platform in line with the Group's Business Plan. It must also be noted that in addition to the implementation and completion of the activities described above, work has begun on the Group's prospective management and industrial organisation.

Today, Trevi Group, following the sale of the Oil & Gas division, is a multinational group focused on all-round underground engineering solutions (special foundations, soil consolidation, recovery of polluted sites, design and marketing of specialist technologies in the sector such as pile machinery, diaphragms and consolidations). Trevi Finanziaria Industriale S.p.A. operates through two main subsidiaries: Trevi S.p.A. and Soilmec S.p.A. All the Group's activities benefit from the synergies and collaboration between these two entities, guaranteeing Trevi Group the possibility to act as an innovative and highly specialised operator capable of providing high value-added underground engineering products and services.

During the first months of 2020, in addition to the implementation of the Business Plan and the overall Financial Manoeuvre, the Group had to face the challenges arising from the spread of the Covid-19 emergency in Italy and in other European and non-European countries. The relevant functions have ensured the effective implementation of the requirements of the various governments, as well as the continuity of business activities in the various countries where the Group operates. Although the possible consequences of the pandemic are not fully outlined, we believe that the Group is ready to face this new complex challenge both in terms of the implementation of the Financial Manoeuvre to strengthen its capital base and in terms of initiatives to make its operating activities financially secure and its engineering, technological and implementation skills.

The Group's resilience demonstrated in previous years was not acquired by chance: it derives from the trust that shareholders, banks, customers and suppliers have placed in the people of our organisation.

I would like to express my personal gratitude and that of the entire Board of Directors to all the stakeholders of Trevi Group and to the people in our organisation, who are now ready for the new challenges we will face.

Giuseppe Caselli
CEO of Trevi Group

Main data and financial results of the Group

(Euro '000)

	2019	2018	*Changes*	*% of changes*
Works portfolio (1)	374,470	497,134	(122,664)	-25%
Orders acquired (1)	503,530	696,153	(192,623)	-28%
Total revenue	623,204	618,080	5,125	1%
Recurring EBITDA (gross operating profit)	59,436	56,687	2,749	5%
EBITDA (gross operating profit)	42,454	50,152	(7,698)	-15%
Operating profit (loss) (EBIT)	(36,896)	14,210	(51,106)	-360%
Loss from discontinued operations	(11,440)	(119,550)	108,110	-90%
Group loss for the year	(75,802)	(143,427)	67,625	-47%
Basic earnings (Loss) per share (Euro) (2)	(46.058)	(87.148)		
Diluted earnings (Loss) per share (Euro) (2)	(45.972)	(86.984)		

(1) *It is specified that data relating to the works portfolio and orders acquired refer, both for 2018 and 2019,, exclusively to the Foundations segment, the Group's core business. (Oil & Gas figures have been excluded as the divestment has been finalised and are therefore no longer representative).*
(2) *It must be noted that the calculations took into account the regrouping of shares during the 2019 financial year*

(Euro '000)

	31/12/2019	31/12/2018	*Changes*	*% of changes*
Employees (no.)	5,903	6,378	(475)	-7%
Gross investments	51,839	39,104	12,735	33%
Net invested capital	514,210	545,304	(31,094)	-6%
Net financial debt	(736,375)	(692,640)	(43,735)	6%

Methodology note: the data shown above, as well as all the data in this document except where specifically stated, reflect the reclassification pursuant to IFRS 5 following the divestment of the Oil & Gas division as better specified in the following paragraph "*Business plan, main risks and uncertainties to which Trevi Group is exposed and going concern assessments*".

It must be noted that the orders Portfolio for the Oil & Gas division, as at 31 December 2019, amounted to Euro 374.5 million, showing a decrease in respect of the figure of Euro 497.1 million for the previous year (a difference of Euro - 122.7 million, or equal to - 25%). Orders obtained by the Foundations Division amounted to Euro 503.5 million (Euro 696.2 million as at 31 December 2018); the decrease of Euro 192.6 million compared to 31 December 2018 is also due to the fact that in 2018 the order for stage 2 of the Mosul dam safety works was received for approximately Euro 90 million.

Total revenue amounted to around Euro 623 million in 2019, compared to Euro 618 million in 2018, slightly increasing by about Euro 5 million. Please note that these amounts refer exclusively to the Foundations Division (the Group's core business) in accordance with the application of IFRS 5.

The recurring EBITDA and EBITDA indicators in 2019 amounted to approximately Euro 59.4 million and Euro

42.5 million, respectively. The difference between them is related to non-recurring charges which in 2019 amounted to approximately Euro 17 million (Euro 6.5 million in 2018). The above charges are mainly attributable to the fees of the various advisers who have worked with the Group in various capacities to ensure the successful outcome of the restructuring process, and to other charges of an extraordinary and/or non-recurring nature.

The EBIT for 2019 was equal to Euro -36.9 million. In particular, the 2019 figures are affected by impairment losses on non-current assets and receivables and write-downs of inventories, deriving also from valuations resulting from the strategy of whether or not to remain in certain markets and the focus on certain countries as envisaged in the Business Plan.

Loss for the year attributable to the Group amounts to €75.8 million in 2018, improving by Euro 67.6 million compared to 2018, when it stood at Euro 143.4 million.

The reclassified consolidated Statement of Profit or Loss, Statement of Financial Position and Net Financial Debt are shown below.

TREVI GROUP

Consolidated Statement of Profit or Loss

(Euro '000)	**2019**	**2018**	**Changes**
TOTAL REVENUE	**623,204**	**618,080**	**5,124**
Change in inventories of finished goods and work in progress	(11,646)	11,380	(23,026)
Increase in non-current assets for internal work	12,241	12,580	(339)
PRODUCTION VALUE [3]	**623,799**	**642,040**	**(18,241)**
Consumption of raw materials and external services[4]	384,963	410,872	(25,909)
Other operating costs[5]	13,067	9,635	3,432
ADDED VALUE[6]	**225,769**	**221,533**	**4,236**
Personnel expense	166,333	164,846	1,487
GROSS OPERATING PROFIT (EBITDA) Recurring[7]	**59,436**	**56,687**	**2,750**
Non-recurring expenses	16,982	6,535	10,447
GROSS OPERATING PROFIT (EBITDA)[7]	**42,453**	**50,152**	**(7,699)**
Depreciation and amortisation	47,014	31,501	15,513
Provisions, impairment losses and write-downs	32,336	4,440	27,896
Operating profit (loss) (EBIT)[8]	**(36,897)**	**14,211**	**(51,106)**
Net financial expense[9]	(16,447)	(15,664)	(784)
Net exchange losses	(5,100)	(16,002)	10,901
Adjustments to financial assets	(1,608)	(123)	(1,485)
LOSS BEFORE TAX	**(60,051)**	**(17,578)**	**(42,473)**
Losses from assets held for disposal	(11,440)	(119,550)	108,110
Income tax	6,472	7,036	(564)
Loss attributable to non-controlling interests	(2,162)	(737)	(1,425)
GROUP LOSS FOR THE YEAR	**(75,802)**	**(143,427)**	**67,626**

The Statement of Profit or Loss shown above, reclassified under IFRS 5 and subject of the comments, is a reclassified summarised version of the Consolidated Statement of Profit or Loss.

With regard to the breakdown of total revenue by geographic segment, approximately 9.3% of Group revenue was generated in Italy; this was a decrease of 28.1% compared to the previous year. Revenue generated in Europe

[3]The production value includes the following Statement of Financial Position items: revenue from sales and services, increase in non-current assets for internal work, other operating revenue and change in inventories of finished goods and works in progress.

[4]The item "Consumption of raw materials and external services" includes the following Statement of Financial Position items: raw materials and consumables, change in inventories of raw materials, ancillary materials, consumables and goods, and other operating expenses not including other operating costs (note 28). This item is shown net of non-recurring charges.

[5]For the balance of the item "Other operating costs," see information provided in note 28 of the consolidated Statement of Profit or Loss

[6]The added value is the sum of the production value, consumption of raw materials and external services and other operating costs.

[7] Gross Operating Profit (EBITDA) is a financial indicator not defined in the IFRS, adopted by Trevi Group starting from the consolidated Financial Statements at 31 December 2005. EBITDA is a measure used by TREVI's Management to monitor and evaluate the operating performance of the Group. Management believes that EBITDA is an important measurement of Group performance insofar as it is not influenced by the volatility generated by the various factors used in determining taxable income, by the amount and nature of capital employed and by depreciation and amortisation policies. To date (subject to a subsequent in-depth analysis connected with the development of alternative corporate performance measurement criteria), EBITDA (Earnings before interest, taxes, depreciation and amortisation) is defined by Trevi as Profit/Loss for the year, gross of depreciation and amortisation, provisions, impairment losses and write-downs, financial income and expense and income taxes.

Recurring EBITDA represents the normalised EBITDA by eliminating extraordinary and/or non-recurring operating income and expenses from the EBITDA calculation.

[8] EBIT (Earnings before interest and taxes) is a financial indicator not defined in the IFRS, adopted by Trevi Group starting from the consolidated Financial Statements at 31 December 2005. EBIT is a measure used by TREVI's Management to monitor and evaluate the operating performance of the Group. Management believes that EBIT is an important measurement of Group performance insofar as it is not influenced by the volatility generated by the various factors used in determining taxable income, by the amount and nature of capital employed and by depreciation and amortisation policies. EBIT (earnings before interest and taxes) is defined by TREVI Group as profit/losses for the year gross of financial income and expense and income taxes.

[9] The item "Net financial income/(expense)" is the sum of the following Statement of Financial Position items: financial income (note 30) and (financial expense) (note 31).

rose 49.4% compared to the previous year to Euro 110.2 million. The incidence of revenue achieved in the Middle East and Asia decreased by 32%, decreasing from Euro 203.5 million in 2018 to Euro 138.3 million in the current year. Therefore, the weighting of total revenue in this area is approximately 22.2%. There was also a 14.7% decrease compared to the previous year in revenue from Africa, which accounted for approximately 7% of total revenue. Additionally, in South America there was a decrease of 7.6 %. North America recorded an increase in volumes compared to the previous year, settling at Euro 135.2 million (21.7% of Total Revenue). In the Far East and Oceania, on the other hand, there was an increase of approximately 10.9% compared to the previous year.

TREVI GROUP

REVENUE BY GEOGRAPHICAL SEGMENT AND BY BUSINESS SEGMENT

(Euro '000)

Geographic segment	2019	%	2018	%	Changes	%
Italy	58,091	9.3%	45,346	7.3%	12,745	28.1%
Europe (excluding Italy)	110,172	17.7%	73,751	11.9%	36,421	49.4%
USA and Canada	135,180	21.7%	113,847	18.4%	21,333	18.7%
Latin America	34,154	5.5%	36,953	6.0%	-2,799	-7.6%
Africa	43,746	7.0%	51,302	8.3%	-7,556	-14.7%
Middle East & Asia	138,303	22.2%	203,469	32.9%	-65,166	-32.0%
Far East and Rest of the World	103,558	16.6%	93,412	15.1%	10,146	10.9%
TOTAL REVENUE	**623,204**	**100%**	**618,080**	**100%**	**5,125**	**1.0%**

The breakdown of total revenue by business segment is as follows:

	2019	%	2018	%	Changes	% change
Special foundation works	417,227	67%	418,574	68%	(1,347)	-0.3%
Manufacture of special machinery for foundations	209,089	34%	204,748	33%	4,341	2.1%
Interdivisional eliminations and adjustments	(11,847)		(7,363)		(4,484)	
Sub-total Special Foundations Segment (Core Business)	**614,469**	**99%**	**615,959**	**100%**	**(1,490)**	**-0.2%**
Holding company	32,446		27,481		4,965	
Interdivisional and Parent eliminations	(23,710)		(25,359)		1,649	
TREVI GROUP	**623,205**	**100%**	**618,081**	**100%**	**5,124**	**0.8%**

The table below provides an analysis of the consolidated Statement of Financial Position, while inventories take account of contract work in progress:

TREVI GROUP

Consolidated Statement of financial position

(Euro '000)

		31/12/2019	31/12/2018	Changes
A)	**Non-current Assets**			
	- Property, plant and equipment [10]	231,545	224,972	6,574
	- Intangible assets	6,793	6,397	396
	- Financial assets [11]	7,283	4,611	2,672
		245,621	**235,980**	**9,641**
B)	**Net working capital**			
	- Inventories	160,227	187,794	(27,567)
	- Trade receivables [12]	244,297	274,952	(30,654)
	- Trade payables (-) [13]	(170,096)	(193,803)	23,707
	- Advance payments (-) [14]	(24,753)	(29,928)	5,175
	- Other assets (liabilities) [15]	(27,372)	(26,697)	(674)
		182,304	**212,317**	**(30,013)**
C)	**Discontinued assets and liabilities**	**99,965**	**111,000**	**(11,035)**
D)	**Invested capital with operating liabilities deducted (A+B+C)**	**527,891**	**559,298**	**(20,372)**
E)	**Post-employment benefits (-)**	(13,682)	(13,994)	311
F)	**NET INVESTED CAPITAL (D+E)**	**514,208**	**545,304**	**(31,095)**
	Financed by:			
G)	**Equity attributable to the owners of the parent**	**(219,090)**	**(148,075)**	**(71,015)**
H)	Equity attributable to non-controlling interests	(3,076)	740	(3,816)
I)	**Net financial debt** [16]	**736,375**	**692,640**	**43,735**
L)	**TOTAL SOURCES OF FINANCING (G+H+I)**	**514,208**	**545,304**	**(31,095)**

The Statement of financial position shown above, referred to in the notes, is a reclassified summary of the Consolidated Statement of financial position. The figures as at 31 December 2018 reflect the reclassification according to the provisions of IFRS 5

(10) The entry for property, plant and equipment also includes investment property (Note 3).

(11) The entry for financial assets includes equity investments (Note 4) and other long-term financial receivables (Note 7).

(12) The balance of trade receivables includes: non-current receivables from customers (note 9) and current receivables from customers (note 11), receivables from current associates (note 11).

(13) Trade payables include: current short-term payables to suppliers (note 20), current short-term payables to associates (note 20).

(14) Advance payments include both non-current advance payments (Note 20) and current advance payments (Note 20).

(15) Other assets/ (liabilities) includes: other payables/ (receivables), prepayments and accrued income (deferred income and accrued expenses), tax assets/ (liabilities), both non-current and current provisions for risks (Notes 5-9-11-11a-16-19-20-21-25).

(16) The net financial debt, used as an indicator of financial indebtedness, is the sum of the following asset and liabilities items in the Statement of financial position:

- current and non-current asset items: cash and cash equivalents (cash, cheques and bank accounts); readily realisable investments in working capital, financial receivables;
- current and non-current liability items: bank loans and borrowings, loans and borrowings with other financial backers (leasing and factoring companies) and shareholder loans. Further details on this item are given in the relevant table in the Notes to the Financial Statements.

Reconciliation statement of the reclassified Statement of financial position with the consolidated Financial Statements relating to the reclassification of contract work in progress:

The scope of application of IFRS 15 relates to accounting for contract work in progress in the Financial Statements of contractors. The standard requires that the value of contract work in progress be expressed net of the relevant advances received from customers and that this net balance be represented by trade receivables or other liabilities, respectively depending on whether the progress of the work is greater than the advance received or less.

Reconciliation is reported below between the data shown in the reclassified Statement of Financial Position, shown above, that does not take into account the exposure required by IFRS 15 compared to the consolidated Financial Statements in which this effect is taken into consideration.

(Euro '000)

Net working capital	31/12/2018	Reclassification	31/12/2018 Restated	31/12/2019	Reclassification	31/12/2019 Restated
- Inventories	187,794	(42,525)	145,269	160,227	(41,330)	118,897
- Trade receivables	274,952	5,022	279,974	244,297	4,048	248,345
- Trade payables (-)	(193,803)	0	(193,803)	(170,096)	0	(170,096)
- Advance payments (-)	(29,928)	5,481	(24,447)	(24,753)	8,222	(16,531)
- Other assets (liabilities)	(26,697)	32,022	5,325	(27,372)	29,060	1,688
Total	**212,318**	**0**	**212,318**	**182,304**	**0**	**182,304**

Consolidated net invested capital amounted to Euro 514.2 million as at 31 December 2019 compared to Euro 545.3 million recorded as at 31 December 2018: the decrease of Euro 31 million is due to write-downs in 2019, as further detailed below in the rest of this document.

The Net Financial debt as at 31 December 2019, compared with data as at 31 December 2018 is shown in the following table:

TREVI GROUP

Consolidated Net Financial debt

(Euro '000)

	31/12/2019	31/12/2018	Changes
Short-term bank loans and borrowings	(553,193)	(658,348)	105,155
Short-term loans and borrowings from financial backers	(238,316)	(88,846)	(149,470)
Short-term financial derivative instruments	(132)	(359)	226
Current financial assets	10,977	-	10,977
Short-term cash and cash equivalents	77,709	88,912	(11,203)
Total short-term	**(702,955)**	**(658,641)**	**(44,314)**
Long-term bank loans and borrowings	(7,656)	(331)	(7,325)
Medium-long-term loans and borrowings from financial backers	(25,764)	(33,668)	7,904
Medium-long-term financial derivative instruments	-	-	-
Total medium- to long-term	**(33,420)**	**(33,999)**	**578**

Net financial debt	**(736,375)**	**(692,640)**	**(43,735)**

As at 31 December 2019, the Net Financial debt amounted to Euro 736.4 million, compared to the amount as at 31 December 2018, equal to Euro 692.6 million, worsening by Euro 43.7 million; the increase is mainly due to capitalised financial expense and the new interim finance provided by the banks in October 2019; in addition, during the year, the collection of the first escrow account relating to the Oil&Gas sale transaction (classified under current financial assets) was recorded, which finds its balancing entry under the item "short-term bank loans and borrowings" as it is subject to availability restrictions as per agreements with the buyer.
It must be noted that as at 31 December 2019, in continuity with what had been done as at 31 December 2018, most of the bank loans and borrowings had been reclassified as short-term, since at the end of the year the restructuring agreements signed with the banks in 2019 had not yet become effective, as described in more detail in the following section *"Business plan, main risks and uncertainties to which Trevi Group is exposed and assessments of its ability to continue as a going concern"*

Operating performance for the year 2019

The Market Context

Prior to the coronavirus outbreak (COVID-19), IHS Market's Global Construction Outlook predicted that there would be an acceleration in the pace of growth in the global construction industry in 2020 to 3.1% from 2.6% in 2019. However, given the severe disruption in China and other major economies around the world since the outbreak, growth forecasts for 2020 have been revised to 0.5%. Current forecasts assume that the epidemic will be contained in all major markets by the end of the second quarter, after which conditions would allow a return to normal in terms of economic activity and freedom of movement during the second half of the year. However, there will be a persistent and potentially heavy impact on private investment due to the financial budget that has affected companies and investors in a wide range of sectors.

Governments and public authorities are likely to aim to advance spending on infrastructure projects as soon as normality returns so as to revitalise the sector. This will be widespread in all areas of transport, energy and public services infrastructure. With interest rates dropping to historic lows, lending costs will be at an all-time low, but the success of the government's efforts to spend heavily on infrastructure will depend in part on their current financial situation. Moreover, with most governments favouring liquidity distributions, particularly for the economically weaker segment, their ability to invest in the infrastructure segment is likely to be limited, especially in countries with high debts.

Purchases and the portfolio

It must be noted that the consolidated orders Portfolio, as at 31 December 2019, amounted to Euro 374.5 million, with a decrease in respect of the figure of Euro 497.1 million for the previous year (a difference of Euro -122.7 million, or -25%). The decrease is due to the completion of stage 2 of the Mosul dam safety works, the Galataport project in Turkey and the completion of 80% of the Frankfurt 4 project, partly offset by new orders signed in

France, as part of the development of the Gran Paris Express metro network in Paris and various orders in the United States. Orders received during the 2019 financial year at the consolidated level amounted to Euro 503.5 million, with a decrease in respect of the figure of Euro 696.2 million for the previous year (a difference of Euro -192.6 million, or -28%).

Investments

The gross investments in the property, plant and equipment of Trevi Group for 2019 amount to Euro 27.2 million, due to the acquisition of plant, machinery and equipment, most of which will be set aside to support the activities of the foundations segment and the rental business provided by the Soilmec division. The largest amounts refer to investments made in Latin America, the United States, Europe as well as the Middle East and Asia. The net value of property, plant and equipment as at 31 December 2019, amounting to Euro 231.5 million, was affected by positive translation differences of approximately Euro 1.9 million, generated by the difference between historical exchange rates and those in force as at 31 December 2019.

It must be noted that from 1 January 2019 IFRS 16 - Leases came into force, whose gross impact on non-current assets amounted to approximately Euro 37.5 million; please refer to the notes to the financial statements for further information.

The main information is provided below by Segment:

SEGMENT-BASED ANALYSIS

Parent performance

The services provided by the Parent in relation to the subsidiaries include management and administration, management of the human resources service, management of the IT service, management of the group's communications service, management of equity investments and granting of loans to subsidiaries, in addition to rental of equipment.

The parent's 2019 separate financial statements, drawn up in accordance with IFRS-EU, closed with revenue from sales and services of Euro 27.2 million (Euro 20.4 million last year, resulting in an increase of Euro 6.8 million), other revenue was equal to Euro 5.3 million (Euro 7.1 million last year, showing a decrease of Euro 1.9 million).

The operating loss (EBIT) was approximately Euro 0.1 million in 2019, compared with a profit of approximately Euro 2.6 million in 2018.

With regard to financial management, it must be noted that in 2019 no income was received from equity investments (similar to the previous year), financial income amounted to approximately Euro 10.1 million (Euro 13.9 million in the previous year with a decrease of Euro 3.8 million), of which interest income related to loans granted by the Parent to its subsidiaries was for Euro 9.9 million in 2019 compared to Euro 13.6 million in 2018; loans granted to subsidiaries have interest rates in line with those of the market. Net financial expense was also characterised by interest expense of approximately Euro 18 million (a slight improvement on the Euro 19.8 million recorded in 2018) and net exchange losses of Euro 56 thousand compared to net exchange gains

of Euro 1.4 million in the previous year. Adjustments to financial assets amount to approx Euro 11.7 million.
The Parent therefore reported a loss before tax of Euro 19.7 million in 2019, worsening by Euro 16.2 million compared to 2018, when it had a loss of Euro 3.6 million.
There was a decrease in the tax burden in respect of the Parent in the amount of taxes.
The loss for the year amounted to Euro 47.8 million in 2019 (Euro 90.3 million was the loss in the previous year, showing an improvement of Euro 42.4 million).
With regards to non-current assets, investments of Euro 0.4 million were made, due to the purchase of plant, machinery and drilling equipment for Euro 0.1 million and licences and software for Euro 0.3 million.
The Parent, also following the results of the Impairment Test as at 31 December 2019, recorded the following impairment losses:

- Euro 4.3 million on the investments in the subsidiaries Pilotes Trevi S.a.c.i.m.s. and Trevi Drilling Services Saudi Arabia Co., bringing them to zero.
- Euro 1.6 million on the investment in Immobiliare SIAB S.r.l., aligning it with the subsidiary's equity.
- Euro 4.9 million on the financial receivables from the subsidiaries RCT S.r.l. and PSM S.p.A., bringing them to zero.

On 8 November 2019, the Board of Directors approved the reverse stock split of ordinary shares at a ratio of 1 new ordinary share, coupon no. 1 for every 100 (one hundred) existing ordinary shares, subject to the cancellation of 65 (sixty-five) treasury shares in order to allow the overall reconciliation of the reverse split and without reducing the share capital. The amount of the share capital remains unchanged at Euro 82,391,632.50 now divided into 1,647,832 shares, all with no information on the nominal value.

The Notes to the Separate Financial Statements of TREVI - Finanziaria Industriale S.p.A. provide detailed information on individual items of the Separate Financial Statements.
The table at the end of this section provides a reconciliation of the loss for the year and the equity of the Group with the figures of the Parent (DEM/6064293 of 28 July 2006).
Further details regarding the composition of the Board of Directors and the Board of Statutory Auditors is given in other sections of this Annual Report and in the Report on Corporate Governance.

The table below gives the reconciliation of Parent’s equity and loss for the year with the Group’s consolidated equity and loss for the year:

Reconciliation of the Deficit and Loss for the year from the Parent’s Separate Financial Statements with

(Amounts expressed in Euro'000)

Description	Deficit as at 31/12/2019	Loss for the year
TREVI-Finanziaria Industriale S.p.A.	**(268,633)**	**(47,831)**
Difference in equity of consolidated equity investments and their carrying amount in the separate financial statements of the Parent	151,957	(92,868)
Effect of elimination of write-backs/(write-downs) of consolidated investments, loans and dividends		21,864
Elimination of intra-group profits and capital gains	(42,616)	(2,433)
Tax adjustment on consolidation and other adjustments	(3,038)	4,387
Effect of applying IFRS 5	(59,836)	38,918
Deficit and loss for the year	**(222,167)**	**(77,964)**
Deficit and loss for the year attributable to non-controlling interests	**(3,076)**	**(2,162)**
Deficit and loss for the year attributable to the owners of the parent	**(219,090)**	**(75,802)**

Foundations Segment

ORDERS PORTFOLIO

The Orders portfolio, as at 31 December 2019, amounts to Euro 374.5 million, compared to Euro 497 million as at 31 December 2018 (Euro -123 million).

The main orders received since the beginning of the year are listed below, broken down by geographical segment:

Europe

In Europe, the Trevi division was awarded 15 new contracts, for a total amount, including contractual changes to existing contracts, of about Euro 80.20 million. Major projects were:

- Order in France with Demathieu Bard for Euro 24 million, related to the construction of diaphragms with hydropower in the context of the new Grand Paris Express underground line - Line 17 (Lot 1);
- Order in France with NGC-Salini, for Euro 19 million, related to the construction of diaphragms with hydropower in the context of the new Grand Paris Express underground line - Line 16 (Lot 2);
- Contract in Monte Carlo with Bouygues Travaux Publics MC, worth Euro 15.4 million, project to expand to the sea, with consolidation works using elliptical jet grouting, for the construction of a large residential complex called Anse du Portier;
- Contract with Mirage Spa in Pavullo sul Frignano (MO), Italy, worth approx. Euro 2 million for the consolidation of a landslide with Trelicon piles and tie rods technology;Contract with D'Agostino Costruzioni Generali, worth Euro 1.1 million, for the construction of a railway ring within the city of Palermo using CFT pillars, CAP and bulkheads technology.

Middle East

In the Middle East, the Trevi division received 94 new contracts, for a total amount, including contractual changes to existing contracts, of about Euro 46.6 million. The major contracts were:

- Order in Oman for the Duqm Refinery EPC -3 project with customer Saipem Spa worth Euro 8.6 million for the construction of poles in a reclamation area of an industrial area as part of the development of the Duqm refinery located about 550 km south of Muscat, near the coast in the country's north east;
- Contract in Abu Dhabi for the IGD-E project - Stage 2 with customer Target. The project is part of the integrated gas development programme to increase offshore gas production. The new facilities will be used to send low pressure gas from offshore gas fields near the island of Das to Habshan, located in the continental part of the United Arab Emirates;
- Contract in Saudi Arabia with Al-Ameen Distinctive Co. for Urban Development worth Euro 4.1 million for building secant piles and dewatering activities as part of the construction of the new Al-Ameen shopping centre in Jeddah;
- Order in Saudi Arabia - Dynamic Compaction sector - King Abdullah International airport- Jizan project for the customer Safari Co. for an amount of approx. Euro 2.3 million;
- Contract in Saudi Arabia - Dynamic Compaction Sector, Hawiyah & Unaizah Gas Reservoir Storage project, with Khodari & Sons, worth Euro 1.5 million;
- Contract in Kuwait - New Palace of Justice, customer Kharafi for an amount of approx. Euro 2 million for the installation and testing of foundation piles with 2 anchor lines, for the construction of the New Palace of Justice located in Kuwait City. The project involves the construction of a multi-storey building on an area of about 100,000 square metres, including a car park and related facilities;
- Contract in UAE - The Island Development with Besix - amount of approximately Euro 1.4 million. Swissboring participates as a sub-contractor in the maritime project called the Island Development.
  The project involves the construction of luxury buildings along the Dubai coast, including luxury hotels, retail stores, family entertainment facilities.
  Swissboring is responsible for the installation of secant poles and anchors along the entire perimeter of the construction area;
- Contract in Oman -RES-3173- Piling to Apartment Block Juman 2 with Al Mouj Muscat SAOC – amount of approx. Euro 1.8 million.

Far east and Oceania

In the Far East and Oceania, the Trevi division received 8 new contracts in Hong Kong and the Philippines for a total amount, including contractual changes to existing contracts, of about Euro 35.60 million.
The largest contracts obtained during Q4 are:

- HK Int'l Airport Contract 3206 with customer Penstone Hong Kong Limited in Hong Kong – amount of approx. Euro 4.5 million. The project concerns the expansion of the existing airport into a three runway system (3RS) with key components of the project including the forming of plots of approximately 650 hectares of land and all associated facilities and infrastructure including taxiways, aprons, aircraft aprons, a passenger corridor, an extended terminal 2, all relevant ground side works and auxiliary and support facilities;

- NL/2017/03 Tung Chun New Town Ext. Trial, customer Build King SCT Joint Venture, in Hong Kong where we recorded a contract change of approx. + Euro 6.5 million. The works consist of the extension and construction of Tung Chung New Town, which includes civil reclamation works, the construction of underground canals associated with maritime and eco-coastal dams and canal drainage;
- LRT-1 Cavite Extension with customer Bouygues TP, amount of approx. Euro 4.3 million in the Philippines. The Cavite extension project of Manila Light Rail Transit Line 1 (LRT-1) will extend the first metro line, currently 20.7 km, serving the Manila Metro region by approximately 11.7 km.
  The Cavite extension will include another 8 stations from Baclaran, of which the first 5 will be built during the first stage, while the remaining 3 stations must be completed in 2022. The project also includes the development of three inter-modal facilities, a satellite depot and upgrades to the existing depot.

<u>North America</u>

In North America, the Trevi division received 22 new contracts for a total amount, including contractual changes to existing contracts, of about Euro 78.3 million.
Below is a list of the major contracts:

- Order in Florida with USACE, for Euro 57 million, relating to the project referred to as Herbert Hoover Dike 2 (MATOC). The project is part of the rehabilitation programme for the banks of Lake Okeechobee;
- Contract in Boston with J. Moriarty & Associates for Euro 11 million for the One Congress project for the construction of a new office tower. The technology used is a bentonite slurry diaphragm made with hydro-milling;
- Contract in Boston called South Station for the customer Suffolk Construction, residential building and car parks, for an amount of Euro 7 million using bentonite slurry diaphragm technology with hydro-milling;
- Contract in Canada Atwater Caissons, with EMD Construction, for the construction of a large excavation support by means of adjacent piles of a residential building worth Euro 2 million.

<u>South America</u>

In South America, the Trevi division received 36 new contracts for a total amount, including contractual changes to existing contracts, of about Euro 24.6 million.
The largest order was received from Uruguay, the PUERTO CAPURRO Project, a port, with the customer Teyma - Chediack, worth approx. Euro 6 million.
Another order was received from Argentina from the customer Vitco, for Euro 2.3 million, for the expansion of storage sites owned by the company.
In the Puente Chacao Project, customer Consorcio Puente Chacao SA in Chile, changes were made for

approx. Euro 5.3 million.

Africa

In Africa, the Trevi division received 42 new contracts and received contractual changes to existing contracts for a total of about Euro 35.7 million. The major contracts were:

- Various contracts in Nigeria for foundation works prior to the expansion of port and industrial sites and works linked to the Oil & Gas industrial segment;
- Contractual extensions of the Algiers Metro with Cosider for approximately Euro 24 million.

BUSINESS PERFORMANCE

The total production value of the special Foundation Services segment achieved in 2019 is approximately Euro 419 million (Euro 421 million in 2018, Euro -3 million).

The substantial consistency in volumes is mainly due to the opening of initiatives in the new European reference market, mainly in France and Germany, and the growth in volumes in the United States, Chile and the Philippines, which offset the end of the Mosul order in Iraq and the general decline in the markets in Dubai and Nigeria.

Below is information on the main orders/contracts, managed during 2019, broken down by geographical segment:

Europe

Germany: Frankfurt Four - GP CON GMBH

Construction of special foundations for the Four Frankfurt project in Frankfurt's town centre, which includes the construction of 4 towers and 4 floors of underground car parks.

France:

Eiffage Genie Civil – Metro Grand Paris

Construction of diaphragms with hydro-mill and Jet Grouting in the context of the new Grand Paris Express metro line - Line 16, lot 02 and lot 03; and line 17 lot 01 - Groupment AVENIR with DEMATHIEU BARD

Italy: La Spezia Port Authority - Molo Pagliari

Executive design for the redevelopment of the use of the Pagliari Pier, with the construction of new buildings, the recovery of existing docks and the installation of floating piers.

Italy: Italcave - Taranto

Construction of a landfill in an old quarry adjacent to Taranto's ILVA

Austria: GKI project

Special foundations for the construction of a power generation plant on the border between Austria and Switzerland.

Middle East

Iraq: Mosul Dam

The project calls for the safety of the Mosul dam, in northern Iraq. At the end of 2018, phase 1 of the project, which involved the construction of the residential area, the construction of the new office buildings and the new warehouse at the dam, the modernisation of the infrastructure inside the tunnel, the installation of the telecommunications system, the underwater works for the Bottom Outlet and Drilling and Grouting operations was completed. In the meantime, the extension of the Drilling and Grouting works has been signed activities ended in July 2019, with the exit of the Italian and American military contingent from the country.

Turkey: Salipazari Cruise Port

The project, to be carried out in the Karakoy area of Istanbul, involves the construction of a modern berth for cruise ships and the creation of a "shorefront" area complete with commercial, real estate and hotel premises. The works were completed during the third quarter of 2019.

Saudi Arabia: King Salaman Project

Order for Dynamic Compaction in Saudi Arabia with the customer Huta Hegerfeld, relating to the construction of the largest shipyard in the world, in Ras Al-Khair. The project will be finished during the first quarter of 2019.

Saudi Arabia: Marjan Field development

Order for Dynamic Compaction in Saudi Arabia with Al-Shalawi, for the expansion of the industrial area linked to the Marjan Field Oil & Gas development.

Saudi Arabia: Shuaiba Phase 3 Desalination Plant

This project is part of the expansion of the existing desalination plant in Shuaiba, which is expected to add 250,000 m^3/day to the current production capacity.

Oman: Botanical Garden

Project carried out for the customer Larsen & Toubro for the expansion of Muscat's botanical garden.

Oman: Al Mina Residences at Barr Al Jissah

Project for the construction of poles for the foundations of a new luxury resort south of Muscat.

<u>Far east and Oceania</u>

Philippines: Cebu Link

The contract, signed with Accions-CCCLEX, provides for the construction of a link between the islands of Cebu and Mactan.

Philippines: Segment 10

The project, signed with Leighton, involves the construction of a dual carriageway called North Luzon Expressway (NLEX) Harbour Link Segment 10 - R10 Exit Ramp.

Hong Kong: CLP Power Station Black Point

The project was assigned to us by Leighton Asia and consists of the execution of special foundations (pipe pile wall and jet grouting) prior to the construction of a major extension of the power plant.

<u>North America</u>

Washington: North East Boundary Tunnel

The project was assigned to us by Salini Impregilo JV in September 2017 but the works started at the beginning of 2018. The works consist of the execution of the foundation works (concrete diaphragms, plastic diaphragms, secant piles and jet grouting), relating to the construction of the Washington DC NEBT Tunnel. The main function of the works is to increase the capacity of the city's current sewer system and to reduce the frequency, strength and impact of floods, as well as improving the quality of water in the Anacostia River.

Florida: Herbert Hoover Dike Reach 1 COW - Gap Closure

The project, signed with USACE at the end of 2017, is part of the rehabilitation programme for the banks of Lake Okeechobee. TreviIcos South had already worked on this project in the previously assigned lots and the new site highlights the technical capacity and the high esteem with which it is assessed in line with other "Dam Rehabilitation" projects in the US and around the world.

Boston: West End Garage

Contract with J. Derenzo Inc. for the construction of an underground garage for a new residential complex in the city centre. The technology used is a diaphragm with bentonite slurry, positioned with pillars during the excavation stage.

Florida: SELA 26 - Florida Avenue Canal

Contract with Cajun Contractors for the widening of Florida Avenue in New Orleans.

South America

Chile: Puente Chacao

The project consists of the construction of a bridge measuring approximately 2,750 metres long, that will connect Chiloe island with the mainland. Trevi Chile has signed the contract for the execution of the drilled piles relating to the Central Pile and the North Pile at a maximum depth of 90 metres. Although the project presented many technical and logistical difficulties, it started at the beginning of 2018 and is proceeding on schedule.

Africa

Algeria: Algiers Metro

Order relating to foundation works of the MC1 and MC2 underground lines in Algiers. In the MC1 section, the contract involves the construction of 1 station, 1 ventilation shaft, 1 open-air tunnel, 1 viaduct and the consolidation of the Algiers Underground tunnel sections in its extension to Baraki of line C for about 2.7 kilometres. While for the Metro MC2 the construction of 9 stations and 10 ventilation shafts of the Algiers Underground is planned in its extension towards the airport for a construction of more than 8.0 kilometres. The technologies involved are: bored piles, hydropower diaphragms, tie rods, micropiles and jet grouting.

Soilmec Division

During the 2019 financial year, the Soilmec Division recorded revenue which showed a slight increase of about 2% compared to the previous year.

From a geographical point of view, revenue is concentrated in the Far East (around 31%) and North America (30%). The Latin America area is at a lower level (6%), while Europe (22% including Italy) is in sharp decline. With reference to sales by type of product, it must be noted that there has been an increase in the sector of large diameter, high tonnage and hydro-milling machines.

In 2019 the management of working capital, and in particular the management of relations with suppliers, was affected by the financial stress linked to the completion of the Restructuring Agreement. Soilmec has been working on special plans to reschedule its positions with major suppliers in order to mitigate the effects of the above mentioned stress.

As far as the Net Financial debt is concerned, there was a worsening at the end of the year, essentially due to the

increase in intercompany financial liabilities with the Trevi division.
Despite the difficulties linked to the Group's situation, Soilmec has nevertheless consolidated its presence in some markets that will guarantee good sales volumes in the future.

Oil & Gas Division

Following the slump recorded during the last months of 2018, with a minimum close to $50/barrel at the end of the year, the price of oil (Brent) gradually strengthened during 2019 to almost reach $70/barrel at the end of the year. The recovery was supported by a strong demand trend, OPEC and Russian production discipline and US sanctions against Venezuela and Iran.
However, in January 2020 the price of crude oil experienced a sharp adjustment and fell close to $50/barrel, due to the sudden and unexpected decrease in Chinese demand linked to the extraordinary measures put in place to limit the spread of the new 2019-nCov virus, more commonly known as Coronavirus, and subsequently fell further.
Chinese demand for crude oil has initiated a downward trend, due to the slowdown in consumption, falling by 2-3 million barrels a day. It is feared that during 2020, not only will there not be any growth in Chinese demand, but that this demand could fall further.
OPEC says it is ready for new measures to support the oil market. Saudi Arabia, Kuwait and the United Arab Emirates, which account for more than half of OPEC's production capacity, held talks to discuss a possible joint cut. Russia does not initially intend to endorse this position but is waiting for more specific signs of a decline in its demand for oil, dictated by coronavirus even though Saudi Arabia and other OPEC members are trying to convince Russia to join the initiative to further cut production to support prices, which have collapsed due to the epidemic.
The shift of the health emergency from China to Europe has caused a further drop of oil prices to $20/barrel.
Major investment banks have revised their estimates of Brent prices to $40 a barrel for the first half of the year, but expect a gradual recovery to $60 by the end of the year. However, the worsening of the COVID-19 emergency, fragile economic growth and weakening global demand for crude oil will still represent downward risks to the oil price and a level of investment that is still contained by oil companies is likely to characterise 2020.

DRILLMEC

2019 was a particularly complex year for the Division whose main commitment was to generate the cash flows deemed necessary to manage the prolonged financial stress. The management has constantly worked in a balanced cash flow environment with negative consequences on performance and efficiency of operations. In this context, all R&D activities have been reduced to a minimum, bringing the number of resources dedicated to the development of new technologies and product lines to zero.
The market context, together with the group’s financial situation, did not allow the Company to consolidate its turnover at the expected levels.

The Division’s 2019 financial year closed with total revenue of approximately Euro 97.2 million, decreasing from Euro 98.1 million in the previous financial year (-1%). The main emerging market was Europe and the CIS area followed by the Americas and the Middle East. The “Onshore” segment contributed over 49% of revenue, followed by the Spare and Services and Components segment. However, these results are offset by the strong growth in the orders portfolio (+299%), which rose from 93.8 million in 2018 to 374.5 million in 2019. New orders amounted to approximately Euro 377.9 million and mainly concerned subcontracting contracts signed with MEIL Group for the construction and sale of 27 drilling rigs and 20 workovers.

The contracts signed to date allow total coverage of estimated revenue for 2020 and continuity of production commitments for at least two years.

The company has also worked hard to complete two important projects for future development. The first is the delivery in Argentina for YPF of a new drilling rig package, Striker 800, related to the innovative technology dedicated to shale gas, a fundamental step to place Drillmec in the best competitive position for the development of Shale Gas fields considered strategic in the coming years. The second delivery in Russia of the new design for full electric mobile/work over rigs at low temperature.

The commitments undertaken by the new majority shareholder for the strengthening of the company's capital also found a timely completion with the sale of the Oil & Gas division following the approval of the Debt Restructuring Agreement pursuant to Article 182-bis of the Italian Finance Act, which gave effect to the Debt Restructuring Agreement with the banks. The agreements signed for the purchase of companies operating in the Oil&Gas segment, which involve the transfer of 100% of the shareholdings held by Trevifin, Trevi and Soilmec in the companies Drillmec and Petreven and of certain assets, contracts and intellectual property rights relating to the Oil&Gas business, provide for the transfer of Drillmec, Petreven and the companies controlled by the latter without financial liabilities.

Below are the main dynamics of the business lines into which the company is divided:

Onshore

In Onshore the Company confirms its technological leadership through the completion of several supply contracts in India (27 rigs and 20 workover units for the state-owned oil company ONGC) in Russia (5 rigs for the oil company Rosneft and 3 rigs for Gazpromneft) and Europe (3 rigs for the 59 Polish national companies). This allows the Company to have a time horizon to cover production capacity for the next two years.

Offshore

In the Offshore segment, the continuous financial stress that affected the entire Trevi Group during the year and in particular the O&G division limited the Company's ability to obtain new contracts, mainly due to the lack of banking support for the supply of bonds which are necessary for this type of contract.

Spares and services

The Spare & Services segment continues to be the division's main target, given that with the decline in investment in new equipment, many plants require support in order to be restored, updated and recertified; this is an interesting opportunity to be seized to increase the level of business through new ongoing maintenance contracts with major customers managing important fleets. The organisation dedicated to this type of activity is constantly evolving to adapt flexibly to requests and it remains important for the quality of the service to maintain the necessary level of know-how and experience. Training and management of on-line fleets, through the use of digital tools such as the DMS on an icloud platform, take more and more space among the ongoing activities of the division and will become a permanent fixture in the near future.

PETREVEN

The Division is currently operating in South America on behalf of key Major and National Oil Companies.

The operating facilities amount to 20, located in the following countries: 13 in Argentina, 2 in Venezuela, 4 in Peru and 1 in India. Operating activities required an average capacity usage of rigs of 62% (60% in 2018) and 317 wells were drilled.

Operating revenue in South America increased significantly compared to the previous year (Euro 83 million) to Euro 98 million. Argentina confirms its leading role in terms of turnover with Euro 68 million (69% of revenue), followed by Peru and India.

The division's order backlog as at 31 December 2019 decreased to Euro 74 million, compared to Euro 147 million as at 31 December 2018, due to the cancellation of the contract with YPF relating to the Striker 800 (Euro 48 million) and the contract with Pampa Energia relating to the H-202 (Euro 13 million). Argentina increases its weighting in Petreven's total orders portfolio with 79% of orders, followed by Peru, Chile and Venezuela.

Argentina

Since July 2019 there has been a strong devaluation of the Argentine peso and the government has been forced to turn to the International Monetary Fund to try to stabilise the serious economic crisis that has hit the country. The Argentine government has imposed important currency restrictions to regulate transactions in the foreign exchange market.

The Company carried out activities in the country on behalf of the YPF oil company with the use of 6 drilling units in the Neuquen region, of the CGC oil company with the use of 1 drilling unit in the Rio Gallegos region, the CAPSA oil company with the use of 1 drilling unit, the PAE oil company with the use of 2 drilling units in the province of Santa Cruz, the Vista Oil oil company with the use of 1 drilling unit and the Pampa Energia oil company (formerly Petrobras) with the use of 1 additional unit in the Neuquen region. As at 31 December 2019 contracts for 8 units are active. Overall, the operating activities involved an average use of the plants of 66% (68% in 2018) and the construction of 167 wells.

Peru

There were 4 operating units in 2019, in line with 2018. As at 31 December 2019, only 2 drilling units were active. Operating activities required an average capacity usage of rigs of 85% (83% in 2018) and 150 wells were drilled.

India

From October 2019 Petreven began operating in India on behalf of the customer Schlumberger using a rig model HH220 rented from Drillmec S.p.A. The contract with the customer, which provides for the possibility of renewal for 24 months, has a duration of nine months and will end in June 2020. During the year 2019, 2 wells were drilled.

Venezuela

Significant events in recent months have seen the political, economic and social situation in Venezuela deteriorate further. In particular:

• The United States has imposed a total embargo on Venezuela. The measure provides for all Venezuelan property in the United States to be blocked, and for all economic transactions to be prohibited. The embargo puts Venezuela on the same level as North Korea, Iran, Syria and Cuba

• If, during the first part of the year, the opposition's initiatives had led to believe that the end of the government was imminent, the current president, with the support of China and Russia and the military's loyalty, has not only been able to resist but intends to consolidate his power by regaining control of the National Assembly with the next legislative elections.

• The economic and humanitarian crisis is increasingly dramatic: according to the International Monetary Fund, in 2019 the Venezuelan GDP decreased by 35% and by the end of 2020 the number of Venezuelan emigrants could reach six million (there are now 4.6 million Venezuelans who have left the country), almost 20% of the population.

In view of the country's economic situation, operational activities have been substantially suspended.

Chile

The serious political and social crisis that overwhelmed Chile during the last months of 2019 took many by surprise. The dramatic events that followed from 18 October, when unknown people set fire to a dozen subway stations and plunged Santiago into chaos, led to months of street protests, with a dramatic result of more than 20 dead and hundreds injured.

Revolts and social tensions, not completely calmed down, have slowed down the Chilean economy. The Chilean Central Bank announced a sharp decline in economic activity, the worst performance since 2009, when the great recession hit the South American economy hard. The Central Bank has also cut its economic growth forecast for 2020 to 0.5% from the previously assumed 3.75%. The impact of the protests could also push the Chilean economy into a technical recession. Chaos has frightened foreign investors and there is a high level of pessimism among economic agents.

TREVI Energy S.p.A.

The company, dedicated to the renewable energy sector, was set up with the aim of adapting some of the technologies already developed and tested in the core business and drilling to this sector.

During 2019 the company was substantially inactive.

Group relations with unconsolidated subsidiaries, associates, parents, subsidiaries of parents

and with other related entities

Trevi Group has limited relationships with SOFITRE S.r.l., (see note 35 of the Notes to the Financial Statements), a wholly-owned subsidiary of Trevi Holding S.E. and the companies headed by it that are mostly involved in the construction and management of car parks. In 2019, for Trevi Group this relationship gave rise to revenue of Euro 6 million, costs of Euro 28 million and, as at 31 December 2019, receivables of Euro 7.3 million net of the related loss allowance and payables of Euro 0 million.

The sales conditions applied by related companies are in line with normal market conditions. There are no receivables, payables, revenues or costs with the ultimate parent Trevi Holding SE or its parent I.F.I.T. S.r.l. and relationships with non-consolidated subsidiaries and associates described in note (35) of the consolidated financial statements are marginal.

Business plan, main risks and uncertainties to which Trevi Group is exposed and assessments on business continuity

Introduction

As is well known, the Parent as well as the main companies of Trevi Group, namely Trevi S.p.A., Soilmec S.p.A., Drillmec S.p.A. and Petreven S.p.A., have found themselves, starting from 2017, in a situation of financial and equity tension, which has led to significant uncertainties in relation to the going concern of the Group and for each of these companies. The above uncertainties are being overcome due to the measures that have been and will be implemented in execution of the Restructuring Agreement and the relevant Plan (as defined below), in progress on the date of drafting this report. The purpose of this section is, on the one hand, to identify these uncertainties also in light of the Parent’s and the Group’s financial position, financial performance and cash flows, and, on the other, to describe the measures that have been identified and shared by the directors at order to remedy the situation, and lastly, to provide an account on their state of implementation and the reasonable likelihood that such measures will be adopted and implemented within the time allowed. In light of the above, considerations regarding the going concern requirement used to draw up these financial statements must be made, taking into account the specific uncertainties characterising the Parent's ability to continue as a going concern and the relevant assessments made. It must be noted that, despite the uncertainties mentioned above, the path approved by the directors is basically described in detail below: the Restructuring Agreement signed with the creditor banks of the Parent (and of Trevi Group) and approved by the Bologna Court of Appeal on 10 January 2020, the Agreement for the sale of the Oil & Gas division's business with MEIL Group (as defined below) and the capital increase against consideration concluded on 29 May 2020. The above path appears suitable to enable the Parent and the Group as a whole to overcome the current crisis situation.

Short overview of the most relevant events up to the date of this report

It seems useful to go back over the most important events that led to the current situation in brief.

- During the months of March and April 2017, in light of the progressive deterioration in the Group's financial results and prospective cash flows (and in particular in the Oil & Gas division), Trevifin requested and obtained waivers from the lending banks (as well as bondholders) due to the failure to comply with the financial parameters (so-called covenants) provided for in some of the medium and long-term loan agreements (and by the bond issue).
- In this context, Trevifin, also on behalf of the other Group companies, expressed to the Group's main lending banks, during some plenary meetings and/or through bilateral talks, the need to (a) adopt a financial manoeuvre aimed at reshaping consolidated financial debt in line with the Group's situation and expected cash flows; and (b) request from the financing banks a standstill until 31 December 2017, in order to allow the Group to continue to benefit from the financial support deemed necessary to focus its attention on the development of the business plan and the management of the Oil & Gas division divestment process.
- During the same year, the further decrease of orders, specifically in the Oil & Gas segment (which was associated with the cancellation of a very significant order with the customer YPFB in Bolivia), led to the persistence and aggravation of critical issues related to the financial situation. In the context described above, the Group had to take immediate action, also at the request of the banks, such as, in addition to the standstill request mentioned above, the drawing up of a forecast for 2017 and the updating of the 2017-2021 business plan.
- In addition during 2017, the Parent also granted:

  i) an assignment to a "*financial advisor*" to assist the Group in requesting financial support from banks by maintaining credit lines and a moratorium on loan repayments;

  ii) an assignment to a "*business adviso*r" to assist the Group in drafting a new business plan;

  iii) an assignment to a “*legal advisor*” to assist the Group in negotiating contractual terms with the banks aimed at reshaping the financial debt.
- The discussions that began on 19 May 2017 with the lending banks (which, in turn, have appointed a "legal advisor" and a "financial advisor”) for the signing of a standstill agreement were aimed at allowing the Parent and the Group (pending the updating of the business plan and the definition of a proposal for a financial manoeuvre to submit to the lending banks), to continue to operate normally, preventing any individual initiatives by the latter and continuing to receive from the lending banks the necessary support to cover their financial requirements for the required period.
- During the meetings aimed at discussing the contents of the standstill proposal, the lending banks asked Trevifin for an Independent Business Review (IBR) which was carried out by a leading company. The IBR did not initially highlight critical issues such as to prejudice the aforementioned definition path with lending banks of an agreement aimed at reshaping financial debt in line with the business plan.

- The Board of Directors of Trevifin therefore approved, on 31 August 2017, the forecast for the 2017 financial year and the update of the Group business plan for the 2017-2021 period. In addition, on 29 September 2017, the Board of Directors approved Trevi Group's condensed interim consolidated financial statements at 30 June 2017, on which KPMG S.p.A., the statutory auditor, issued a report containing an emphasis of matter relating to events and circumstances that indicate the existence of certain significant uncertainties that may cast significant doubt on Trevi Group's ability to continue as a going concern.

- Negotiations with lending banks, both in relation to the standstill agreement and in relation to the definition of the financial manoeuvre, continued in the following months, during which however some significant deviations emerged with respect to the 2017-2021 business plan and the relevant forecasts of financial data, with repercussions on the stability / viability of the latter. This evidently also influenced the possibility of quickly concluding agreements with lending banks, which required, before considering adherence to a possible manoeuvre, to have greater visibility on the financial data and on the industrial and management prospects of the Parent and the Group.

- In view of these latter circumstances, which had made the path for the solution of the Group crisis more uncertain, on 13 November 2017, therefore, Trevifin’s Board of Directors postponed the approval of the financial data relating to the third quarter of the current year in light of the uncertainties about the outcome of negotiations with lending banks to establish and sign the standstill agreement, and therefore of the consequent impossibility to verify the assumption of the Group’s ability to continue as a going concern. In light of the above, Trevifin’s Board of Directors also highlighted the need to implement, in the context of the financial manoeuvre being discussed with lending banks, and together with it, a more complex operation, which in addition to a more incisive re-adjustment of the debt also entailed a capital reinforcement, in order to allow to restore the financial balance of the Parent and Trevi Group.
- On 18 December 2017, Trevifin’s Board of Directors approved the appointment of Mr. Sergio Iasi, who was assigned the office of Chief Restructuring Officer (“CRO”), as well as the operating powers for (i) the analysis, structuring and negotiation of the aforementioned debt restructuring and capital strengthening operation, (ii) the review of Trevifin’s and the Group's business and financial plan, and (iii) the management of negotiations underway with lending banks and the relevant financial manoeuvre.

- Subsequently, in consideration of some sensitivity analyses carried out in the meantime on the 2017-2021 business plan, as well as in light of the preliminary data for the year ended 31 December 2017 and the first data for the 2018 financial year, the Parent deemed it appropriate to carry out a further and definitive in-depth study at industrial level, with the contribution of an external and independent consultant, specialised in the sector and appreciated by the lending banks.

- During the first few months of 2018, the management, under the supervision and under the coordination of the CRO, also initiated discussions with various potential investors interested in acquiring all or part of the companies operating in Trevi Group's Oil & Gas division.

- During April, the CRO, with the management’s support as well as of the legal and financial advisers in charge, initiated a number of discussions regarding the possible capital reinforcement operation. These interventions concerned, in addition to the lending banks, both potential third parties interested in making an investment intervention to rescue the Group, and Trevifin's main shareholders. As a result of the above discussions, two binding offers were submitted, one by Bain Capital Credit ('BCC') and the other by Sound Point Capital, and an expression of interest by the Quattro R fund. All offers submitted included - in the case of companies operating in the Oil & Gas segment - the relevant divestiture and the allocation of the proceeds to the repayment of the existing financial debt.

- On 17 May 2018, the Parent's Board of Directors, after having thoroughly assessed the proposals received from potential third-party investors from the point of view of their adequacy to the Group's capital and financial needs as well as their feasibility with the lending banks, considered that, among the proposals received from third-party investors, the preferable one was that submitted by BCC, and therefore focused its activities in negotiations with the latter.
- Despite the positive continuation of the negotiations with BCC, taking into consideration the uncertainties that were in any case connected to the hypothesis of the operation presented by the latter and the possibility of it being approved by the banks, Trevifin's Board of Directors also considered it prudent to examine, at the same time, assumptions with regard to the so-called "stand-alone" alternative operations, as this did not foresee the need to involve third parties, but was addressed exclusively to Trevifin's current stakeholders (the banks and shareholders). These operations would logically and functionally be closely linked to a capital increase. Therefore, at the same meeting, Trevinfin's Board of Directors also resolved to submit to the approval of a convened Extraordinary Shareholders' Meeting the proposal to grant directors - pursuant to Article 2443 of the Italian Civil Code - the right to increase the share capital against payment, one or more times, even in divisible form, of up to Euro 400 million (of which, in cash, not exceeding the maximum amount of Euro 150 million).
- On 30 July 2018, Trevifin's Shareholders' Meeting, convened in second call, therefore adopted a resolution on the proposal of shareholder Trevi Holding S.E. (subsequently adjusted due to the correction of a material error on 7 August 2018 through notarial document of Marcello Porfiri, Notary Public in Cesena, record 11.358 folder no. 5.227 - on the proposal of the Chairman of the Board of Directors approved by the Company's Board of Directors with its resolution of acknowledgement of 3 August 2018) with which it was decided - as per the last text registered in the relevant Register of Companies - to "*grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the right to increase the share capital against consideration, in one or more times, even in divisible form, for a maximum period of 24 months from the date of the resolution and for a maximum amount of Euro 400 million (of which, in cash, not exceeding the maximum amount of Euro 150 million), an increase to be made by issuing ordinary shares without the nominal value having the same characteristics as the outstanding, subject to verification by the Board of the existence and compliance with the conditions established by law, with powers for the Board to decide on the issue price and the possible share premium, the methods for the relevant subscription, also by converting receivables from the Company, and the number of new shares*

from time to time issued, provided that the increase is made with the right of first refusal and, if the banks use receivables to free up financial instruments, they are participatory financial instruments and not shares, unless the circumstance where banks use receivables to free up shares constitutes a necessary element for the success of the part of the increase to be released with payment in cash, it being understood that the powers conferred to the Board of Directors may be exercised only in connection with a debt restructuring agreement pursuant to Article 182-bis of Royal Decree no. 267 of 16 March 1942 ".

- Also by virtue of the approved resolution of the Shareholders' Meeting, in the month of August 2018, and in particular on the 10th, Trevifin and the Trevi Group companies concerned established a standstill agreement with the lending banks and initiated the procedure for collecting subscriptions for adherence of the numerous financing banks of Trevi Group which are parties to the agreement. The effectiveness of the Standstill Agreement was subject to its acceptance by a number of lending banks representing 93% of the financial debt.

- Despite the complex negotiations aimed at reaching an agreement with BCC upon expiry of the deadline for accepting the binding offer (14 September 2018, following progressive extensions of the term for acceptance of the latter) Trevifin notified BCC of its decision not to adhere to the aforementioned offer. In fact, also in the light of some negative changes that had been last proposed by BCC with respect to the terms originally assumed, the transaction outlined following the discussions with the above mentioned possible third investor was considered, on the one hand, less favourable from the point of view of the Parent's interest and comparatively less protective than the so-called "stand-alone" theory and, on the other hand, implies a lesser liability from the lending banks' point of view. In particular, in the offer revisited by BCC the amount of the super senior loan was reduced and divided into tranches, the second of which can be disbursed only upon the occurrence of certain situations, while providing for a complete guarantee package from the beginning. Furthermore, this loan could no longer be used, not even in part, to offer partial reimbursement to banks, making the offer itself less attractive to the latter (whose approval was clearly a condition for the operation's success). Finally, the offer was subject to numerous condition precedents whose occurrence was uncertain. Therefore, this offer proved to be inadequate and did not match the goals identified by the Parent's Board of Directors, making the achievement of financial and equity targets identified by Trevifin and aimed at allowing the financial rebalancing of the latter and of the Group uncertain, both in terms of the foreseeable difficulty of having lending banks approve the offer finally made by the third-party investor. The Board finally considered that the financial support proposed by BCC, also due to the penalising conditions proposed, would have done nothing else than postpone the difficulties experienced by the Group without being able to solve them. Trevifin has therefore decided to continue only in the process aimed at defining an alternative manoeuvre, according to the so-called "stand-alone" (or in other words, without the intervention of third parties but addressed only to its current stakeholders).

- On 17 September 2018, Trevifin received formal confirmation of the effectiveness of the Standstill Agreement, due to the fact that a number of financial creditors adhered to it in the above-mentioned percentage. The standstill agreement, which is functional to enable Trevifin to carry on the ongoing discussions with its stakeholders in order to define the capital reinforcement manoeuvre and restructuring of the total debt according to the "stand alone" assumption, provided for among other things and in summary:

i) the granting of a moratorium on the obligations to pay the principal of the medium-long term loans granted to Trevi Group, up to 31 December 2018 and, with reference only to Trevifin, a moratorium on the interest that will accrue on medium-long term loans;

ii) the maintenance of existing short-term lines of credit within the limit of the amounts on that date currently used for Trevi S.p.A., Soilmec S.p.A. and other Trevi Group companies operating in the foundation segment; and

iii) the possibility of making new cash and unsecured uses valid on existing credit lines confirmed under the agreement in order to meet liquidity needs and to support business development in national and international markets where the Group operates.

On the assumption and in the delays of defining the capital strengthening manoeuvre, on whose full effectiveness the lending banks have reasonably relied, the lending banks themselves have therefore consented not only to the above moratoriums but also new cash and unsecured financings deemed essential to the needs of the Group for a total amount of approximately Euro 17 million for the new cash financing and Euro 59 million for the new unsecured financing.

- On 8 October 2018, Trevifin's Board of Directors, taking into account the preliminary instructions received from its own main shareholders and from the lending banks, unanimously approved the guidelines of the alternative equity and debt restructuring reinforcement manoeuvre, which included inter alia:

  i) a capital increase of Euro 130 million, against consideration to be offered as an option to the shareholders, availing of the powers granted by the Extraordinary Shareholders' Meeting of 30 July 2018 pursuant to Article 2443 of the Italian Civil Code; and

  ii) the conversion of receivables of the lending banks from Trevifin and from other Trevi Group companies for Euro 250 million in shares (or possibly, if accepted, in financial instruments) and the rescheduling of residual receivables,

  iii) all to be implemented within the framework of and in execution of a debt restructuring agreement pursuant to Article 182-bis of the Bankruptcy Law (the "Restructuring Agreement").

- With regard to the divestment of Group companies operating in the Oil & Gas segment (the Oil & Gas division), on 4 December 2018 Trevifin's Board of Directors resolved to accept the binding offer submitted by Megha Engineering & Infrastructures Ltd. ("MEIL Group" or "MEIL") for the purchase of Group companies operating in the Oil & Gas segment and, specifically, Drillmec S.p.A. and Petreven S.p.A. More specifically, following an extensive and prolonged search for potential buyers of the Oil & Gas Division carried out by the CRO with the help of specialised advisers of primary international standing, Trevifin's Board of Directors considered that, taking into account the manifestations of interest and offers received from financial or industrial operators potentially interested in the purchase of the Oil & Gas Division or part of it, the offer submitted by MEIL Group was the best and most consistent with the goals of the Parent and Group. For an explanation of the offer received from MEIL and the agreements subsequently reached with the latter, please refer to what is described in the following sections of this report.

- The Parent's Board of Directors also acknowledged that acceptance of the offer - based on an equity value of Euro 140 million and subject to some pre-closing price adjustments - has led to a significant impairment loss on the carrying amount of the investments and of the financial receivables from companies belonging to the Oil & Gas Division, as well as the necessary impairment losses on other intangible assets consequent to the foreseeable results of the impairment test based on the new business plan, and that these impairment losses are reflected in a decrease of Trevifin's equity below the limits set by Article 2447 of the Italian Civil Code.

- On 19 December 2018, the Parent's Board of Directors resolved to approve the 2018-2022 consolidated Business Plan updated on the basis of data as at 30 September 2018 available to the management (the "Plan") and the relevant equity reinforcement transaction and restructuring of Trevi Group's debt (the "Transaction").

- Following further discussions with the lending banks, on the one hand, and the Parent's main shareholders, Trevi Holding S.E., FSI Investimenti S.p.A. ("FSI"), a company belonging to the Cassa Depositi e Prestiti Group, and Polaris Capital Management LLC, a leading management company specialising in construction investments, on behalf of the funds it manages which are Trevifin's shareholders ("Polaris" and, together with FSI, the "Institutional Shareholders"), on the other, the Board of Directors has defined the terms essential to the capital reinforcement transaction, which can be summarised briefly as:

  i) a capital increase against consideration of Euro 130 million, to be offered with right of first refusal to shareholders pursuant to Article 2441, paragraph 1 of the Italian Civil Code; and

  ii) a capital increase reserved for lending banks to be released by converting part of the receivables due from Trevifin and its subsidiaries for an amount which, on that date, also based on the aforementioned communications received from bank advisers, had been identified at around Euro 310 million in newly issued ordinary shares of Trevifin admitted to trading on the MTA.

- To this end, the Institutional Shareholders formally confirmed to Trevifin's Board of Directors that they will undertake, subject to certain conditions, to subscribe the portion of the capital increase attributable to them by virtue of the respective rights of first refusal, as well as guaranteeing the subscription of an additional portion on which rights were not exercised up to a maximum amount of Euro 38.7 million each, i.e. for a total of Euro 77.5 million of the total Euro 130 million. The subscription of the remaining portion of the capital increase against consideration amounting to Euro 52.5 million is guaranteed, in the event of a portion on which rights were not exercised, by a subscription consortium organised by the lending banks, through the use of receivables as part of the capital increase reserved for them and to be released by converting receivables. The commitments assumed by the Institutional Shareholders with reference to the implementation, subscription and payment of the capital increase against consideration are currently governed by the investment agreement that was signed on 5 August 2019 by the latter and Trevifin, which also governs the principles relating to the Parent's governance (the "Investment Agreement"), while the banks' underwriting commitments to guarantee the portion on which rights were not exercised are governed by the Restructuring Agreement.

- Said reserved capital increase, as mentioned above, to be subscribed through the converting of the banks' receivables (for a total amount which, as will be said, was agreed at Euro 284.1 million) - possibly partly intended for the subscription of the residual portion of the capital increase against consideration - would be carried out according to a ratio of 4.5:1, in other words through the attribution to lending banks of newly issued ordinary shares (or fractions thereof, due to the terms of the transaction that will be subsequently identified) for an amount of Euro 1 (at the relevant subscription price) for every Euro 4.5 of converted receivables.
- Within the framework outlined above, taking into account the occurrence of the conditions set out in Article 2447 of the Italian Civil Code due to the acceptance of the offer submitted on behalf of MEIL Group for the purchase of Group companies operating in the Oil & Gas segment, Trevifin's Board of Directors had also granted an authorisation to the Chairman and the CRO to arrange, within the terms of the law, the convening of the Shareholders' Meeting for the relevant measures and to set the date of the meeting taking into account the time deemed necessary for negotiations concerning the Restructuring Agreement, in any case not exceeding the deadline for the approval of the financial statements, meant by the month of April 2019.
- During the first few months of 2019, negotiations continued with lending banks and all stakeholders in order to define and agree on the terms of individual agreements and all the transactions envisaged in the context of Trevi Group's restructuring and re-capitalisation process. Although substantial progress had been made and the lending banks had in fact extended the conditions of the standstill agreement, also allowing some new uses for cash as well as the issuance of some new guarantees deemed necessary for the financial support of the Group, as to date there are still certain elements to be defined, Trevifin's Board on 1 April 2019 resolved to postpone the Extraordinary Shareholders' Meeting already called for 24 and 30 April 2019 (in first and second call respectively) for the adoption of the provisions pursuant to Article 2447 of the Italian Civil Code, in order to make it coincide with the date of the Shareholders' Meeting called to approve the 2017 and 2018 financial statements under the terms provided for in Article 2364, paragraph 2, last sentence, of the Italian Civil Code. On that date, the Board also approved the approval of the Plan in its consolidated and updated version based on the data as at 31 December 2018.
- On 8 May 2019, the Parent informed the market that the Board of Directors, after acknowledging the advanced state of negotiations and drafting the agreements relating to the Transaction, resolved to

approve the proposal for an inclusive financial manoeuvre of the financial plans, which was sent to the lending banks to allow them to complete the preliminary investigation on the Transaction and the relevant decision-making processes.

- On 15 July 2019, Trevifin's Board of Directors approved the draft separate financial statements and consolidated financial statements as at and for the years ended 31 December 2017 and 31 December 2018. The above financial statements have been drafted and approved on a going concern basis, as the Board believes that the uncertainties surrounding the Group could reasonably be overcome by implementing the financial measures provided for in the agreements in progress at that date.
- On 17 July 2019, Trevifin's Board of Directors, having taken note of the advanced state of negotiations with the banks and the relevant resolution processes, resolved to approve the final proposal for the financial manoeuvre and authorised the signing of the Restructuring Agreement, as well as the additional agreements that will govern the debt restructuring and capital strengthening operation, including the Investment Agreement.
- The manoeuvre proposal approved by the Board, which is now reflected in the Plan, the Restructuring Agreement, the Investment Agreement and the other agreements that have been signed in the context of the manoeuvre itself, provides for in a nutshell:

    i) a capital increase to be offered with right of first refusal for an amount of Euro 130 million, at a subscription price per share of Euro 0.01 (taking into account the reverse split carried out on 18 November 2019), in relation to which the Institutional Shareholders have confirmed their willingness to take on a subscription commitment for a total of Euro 77,456,654 million, while the remaining part, if not optionally subscribed by the market, will be subscribed by the lending banks by converting the relevant receivables according to the conversion ratio stated in the following point (ii);

    ii) the conversion into newly issued ordinary shares admitted to trading in the MTA of the receivables of the lending banks, according to a ratio of 4.5: 1, for a maximum amount of Euro 284,117,589, partly, where necessary, to guarantee the portion on which rights were not exercised and, for the remaining part, to subscribe and release a reserved capital increase;

    iii) a further capital increase, up to a maximum of approximately Euro 20 million, reserved for the current shareholders of Trevifin, with a corresponding total issue of 164,783,265 listed European "loyalty warrants", each valid to underwrite 934 converted shares, to be subscribed in cash, at an exercise price per warrant equal to Euro 0.013 (taking into account the reverse split carried out on 18 November 2019);

    iv) the Oil&Gas Divestment (as defined and better described below) and the use of the net proceeds deriving from it to repay the debt owed to the companies of the Oil & Gas division, subject to the assumption of these exposures by Trevifin, and the rescheduling of the residual exposure to the restructured debt referred to in point (vi) below;

v) in the event of failure to fully subscribe the portion of the capital increase against consideration reserved under option to the existing shareholders, the granting and payment in favour of Trevi S.p.A and Soilmec S.p.A. of a medium-long term syndicated loan for a total maximum amount equal to the lower of (a) Euro 41 million, and (b) the difference between Euro 130 million and the amount of the capital increase against consideration actually subscribed by the market and by the shareholders (including Institutional Shareholders), from which the net gain on the sale of the Petreven Division in excess of Euro 11.6 million must be further deducted. Of the above loan, Euro 12 million have already been paid during the period between the filing of the appeal and the date on which the decree approving the Restructuring Agreement was finalised (and, therefore, following the authorisation by the relevant Court pursuant to of Article 182 *quinquies*, paragraph 1, of the Italian Finance Act).

vi) the consolidation and rescheduling of the bank debt which will have final maturity date and relevant repayment balloon on 31 December 2024, except in cases of mandatory early repayment, and the amendment of the relevant terms and conditions;

vii) the confirmation of existing lines of credit and the granting of new unsecured lines of credit, aimed at enabling the Group to issue the guarantees required as part of its ordinary operations, for a total of approximately Euro 200 million, a portion of which - totalling Euro 39.3 million - to be disbursed also during the period between the date of filing and the date of approval of the Restructuring Agreement pursuant to Article 182-quinquies of the Italian Finance Act, subject to authorisation by the relevant court;

viii) the payment, by Trevifin, of an amount of Euro 8.3 million in favour of SC Lowy - a financial creditor that refused to accept the proposal to convert into ordinary shares referred to in point (ii) above - in full and final settlement of the receivable of Euro 27.8 million (with an implicit elimination of the original receivable equal to 70%); and

ix) the rescheduling until 31 December 2024, and the amendment of the relevant terms and conditions of the debenture loan named "Trevi-Finanziaria Industriale S.p.A. 5.25% 2014 - 2019" issued by Trevifin for Euro 50 million, already approved by the bondholders' meeting on 2 May 2019.

- On 5 August 2019, agreements were signed for the implementation of the overall recapitalisation of Trevifin and restructuring of Trevi Group's debt and more in detail:

i) Trevifin and its subsidiaries Trevi S.p.A. Soilmec S.p.A. and Trevi Holding USA Corporation have signed binding agreements with MEIL Global Holdings B.V., a Dutch company directly controlled by MEIL, for the sale to the latter of Trevi Group's Oil & Gas division, as better described later in this report;

ii) the Agreement for the Restructuring of Trevi Group's debts between Trevifin and some of its main subsidiaries, on the one hand, and the Group's main lending banks, on the other, which governs the restructuring of the financial debt of Trevifin and Trevi Group, including the banks' commitment to subscribe to Trevifin ordinary shares as part of the capital increase by converting receivables for an amount of Euro 284.1 million at a conversion ratio of 4.5:1;

iii) the Investment Agreement, by which the Institutional Shareholders made subscription commitments to Trevifin for a total of approximately Euro 77.5 million in relation to the capital increase under option for a total of Euro 130 million, approved by Trevifin's Board of Directors on 17 July 2019; and

iv) the new financing contract, under which a number of lending banks have undertaken to grant a new loan to Trevi S.p.A. and Soilmec S.p.A. to meet the liquidity needs of Trevi Group in the implementation of the Restructuring Agreement and the relevant business plan, for a maximum amount of Euro 41 million, of which Euro 12 million are to be disbursed prior to the approval of the Restructuring Agreement, subject to the granting by the Court of authorisation pursuant to Article 182- quinquies of the Bankruptcy Law.

- On 8 August 2019, the Restructuring Agreement was filed with the Court of Forlì, which has jurisdiction to request the approval pursuant to Article 182-bis of the Bankruptcy Law.
- On 30 September 2019, the Board of Directors met before the ordinary/extraordinary shareholders' meeting and approved the Interim Financial Report at 30 June 2019. KPMG S.p.A., the statutory auditor, has issued a disclaimed of opinion concerning the compliance of Trevi Group's condensed interim consolidated financial statements at 30 June 2019 with the International Financial Reporting Standard applicable to interim financial reporting.
- The shareholders' meeting, both in ordinary and extraordinary sessions, which met in second call on 30 September 2019, proceeded, inter alia, with:

  a) the approval of the separate financial statements and examination of the consolidated financial statements at 31 December 2017;

  b) the approval of the separate financial statements and examination of the consolidated financial statements at 31 December 2018; and

  c) the appointment of Trevifin's Board of Directors and Board of Statutory Auditors.

  KPMG S.p.A., the statutory auditor, has issued an audit report including a disclaimed of opinion on the above financial statements due to the effects of the uncertainties described above.
- The Extraordinary Shareholders' Meeting, also convened to take measures pursuant to Article 2447 of the Italian Civil Code, approved Trevifin's Statement of Financial Position as at 30 June 2019 drawn up for the purposes of Articles 2446 and 2447 of the Italian Civil Code, noting Trevifin's access to the procedure pursuant to Article 182-bis of the Bankruptcy Law and, consequently, the application of Article 182-sexies of the Bankruptcy Law with consequent suspension of the effects of Articles 2446, second and third paragraphs, and 2447 of the Italian Civil Code. However, the Shareholders' Meeting took note

of the suitability of the measures provided for in the Restructuring Agreement signed between Trevifin and the main lending banks and, in particular, of the recapitalisation measures provided for therein, to cover Trevifin's losses, thereby remedying the situation provided for in Article 2447 of the Italian Civil Code.

- On 2 October 2019, the Court of Forlì granted authorisation pursuant to Article 182-quinquies of the Italian Finance Act, for the disbursement by some of the Group's lending banks of new cash financing for a total of Euro 12 million in favour of the subsidiaries Trevi S.p.A.. (for Euro 8.4 million) and Soilmec S.p.A. (for Euro 3.6 million). The new financing, as envisaged following the signing of a specific contract with a number of lending banks, was designed to support the Group's cash requirements until the completion of the overall capital strengthening and debt restructuring operation. The Court of Forlì on the same date also authorised the granting to Trevifin, pursuant to Article 182-quinquies of the Bankruptcy Law, of new interim financing in the form of the issue of bank guarantees for a total amount of Euro 39.3 million.
- By order of 7 November 2019, received by Trevifin on 15 November, the Court of Forlì rejected the request for the approval of the Restructuring Agreements. Trevifin, and its subsidiaries Trevi S.p.A. and Soilmec S.p.A., not agreeing with the reasons and content of the decision made by the Court of Forlì, promptly filed an appeal with the Court of Appeal of Bologna on 29 November 2019, so that, through a review of the rejection order, the request for approval of the Restructuring Agreement could be accepted.
- Moreover, in order not to jeopardise the successful outcome of the restructuring manoeuvre, while awaiting the outcome of the aforementioned appeal, Trevifin initiated discussions for the adoption of all appropriate conservative measures of the restructuring manoeuvre, both with the Institutional Shareholders who have undertaken commitments to subscribe to the capital increase, and with the banks and financial institutions participating in the Restructuring Agreement, as well as with MEIL in relation to the agreements for the transfer of Trevi Group’s Oil & Gas division to the latter.
- On 28 November 2019, Trevifin’s Board of Directors approved the consolidated results at 30 September 2019 on a going concern basis in relation to the following elements:

  i) the submission, to the Court of Appeal of Bologna, of the appeal against the rejection measure adopted by the Court of Forlì in order to obtain the approval of the Restructuring Agreement;

  ii) confirmation in writing received from the Institutional Shareholders that the commitments undertaken by them in relation to the subscription of the planned capital increase were to be considered fully in force, under the same terms and conditions provided for in the Investment Agreement signed on 5 August 2019;

  iii) the written confirmation received from MEIL in relation to the commitments undertaken by it under the Sale and Purchase Agreement (as defined below) already signed on 5 August, also confirming its willingness to come to the closing of the transaction at the end of the approval process; and

iv) the absence, also on the basis of ongoing discussions, by some of the banks party to the Restructuring Agreement, of any element that might suggest that any of the banks party to the Restructuring Agreement had no intention of declaring it terminated and/or withdrawing from it.

- With decrees dated 10 January 2020, notified to Trevifin, Trevi S.p.A. and Soilmec S.p.A. on 21 January 2020, the Court of Appeal of Bologna upheld the appeals against the decisions of the Court of Forlì rejecting the approval of the Restructuring Agreement, deeming the reasons put forward by the claimants to be well founded, and therefore approved the Restructuring Agreement itself.

- Trevifin has therefore taken prompt action to complete all the operations provided for in the Restructuring Agreement as soon as possible, including the sale of the Oil & Gas division to the Indian group MEIL and the execution of the capital increase. More in detail:

  i) Trevifin, by letters dated 6 February 2020, asked the banks party to the Restructuring Agreement to extend from 28 February 2020 to 31 March 2020 the deadline for the fulfilment of the conditions precedent to the effectiveness of this Agreement, which formally confirmed this extension on 28 February; and

  ii) on 18 February 2020, Trevifin and the Institutional Shareholders formalised the extension of the deadline for the fulfilment of the conditions precedent provided by the Investment Agreement until 31 March 2020.

- With reference to the execution of the capital increase and the relevant application for approval of the publication of the IPO prospectus, submitted to the relevant authority, i.e. CONSOB, on 18 October 2019 and in respect of which the relevant investigation was in progress, Trevifin proceeded to withdraw the application itself on 18 November following the rejection measures taken by the Court of Forlì.

- On 27 January 2020, following approval by the Bologna Court of Appeal, a new formal filing of the application for approval to the publication of the prospectus was carried out, filing a new version of the document including the necessary annexes. On 19 March 2020 a new filing was carried out in order to comply with requests for additional information received from CONSOB in the meantime.

  - On 24 February 2020, Trevifin’s Board of Directors approved, among other, the approval of certain technical amendments to the resolution of 17 July 2019 concerning the capital increase. In particular, reference is made to:

  i) the extension of the deadline for executing the capital increase and issuing the warrants from 31 March to 31 May 2020; and

  ii) in order to achieve an option ratio between whole numbers (avoiding decimals), the increase in the amount of the capital increase under option to a total amount of Euro 130,001,189.07 (therefore Euro 1,189.07 higher than that already approved), through the issue (taking into account the reverse split carried out on 18 November 2019) of a total of 13,000,118,907 ordinary shares (118,907 more shares).

- On 28 February 2020, the first stage of the closing of the sale of Trevi Group companies operating in the Oil & Gas division to Megha Global Holdings BV, a company belonging to the group of companies directly and/or indirectly controlled by Megha Engineering & Infrastructures Ltd ("MEIL Group" or "MEIL"), of a first non-controlling interest in Petreven S.p.A. ("Petreven") was completed, following payment by MEIL Group of a portion of the consideration amounting to approximately Euro 20 million. This portion of the sale price was used by Trevifin to redeem in advance certain assets held under lease and used within the Oil & Gas division to transfer them to the Oil & Gas division.
- On 31 March 2020, the second part of the Closing was successfully completed for the sale of the Oil & Gas division of Trevi Group to MEIL Global Holdings BV. In particular, pursuant to the purchase and sale agreement signed on 5 August 2019, as subsequently amended ("SPA"), the entire share capital of Drillmec S.p.A., Drillmec Inc. and Petreven S.p.A. (net of a non-controlling interest already sold to MEIL Group on 28 February) was sold to MEIL Group for a total amount of approximately Euro 116.4 million (see also the "Oil&Gas Divestment" section). Part of the price paid by MEIL Group was used by Trevifin, prior to the launch of the capital increase, to repay Euro 48.5 million of the bank debt related to the Oil & Gas division, which had already been taken over by the Parent for approximately Euro 107.2 million, in compliance with the restructuring agreement signed on 5 August 2019 and approved by the Bologna Court of Appeal on 10 January 2020 (the "Restructuring Agreement").
- On 23 April 2020, Trevifin's Board of Directors confirmed the final conditions of the capital increase approved by the Board of Directors on 17 July 2019 and 24 February 2020, based on the powers granted by the Extraordinary Shareholders' Meeting of 30 July 2018. The Board of Directors also approved the calendar of the Notice of rights issue and the structure of Warrants. More in detail,

  I. With reference to the Capital Increase

  in execution of the aforesaid powers, on 17 July 2019 and 24 February 2020, the Board of Directors approved an increase in the Issuer's share capital for a total amount of Euro 213 million, broken down as follows: (i) an indivisible capital increase against consideration, for a total amount of Euro 130,001,189.07 including share premium, through the issue of a total of 13,000,118,907 shares, with no nominal value, having the same characteristics as the outstanding shares, at an issue price per share of Euro 0.01 (the "Issue Price"), of which Euro 0.001 to be attributed to capital and Euro 0.009 to be attributed to the share premium, to be offered with right of first refusal to the shareholders pursuant to Art. 2441, paragraph 1, of the Italian Civil Code, by 31 May 2020 (the "Right of First Refusal Increase"); (ii) a capital increase against consideration for a total amount of Euro 63,137,242.00, to be paid in one instalment up to the amount of Euro 10,593,896.00, by issuing a total of 6,313,724.200 ordinary shares, with no nominal value, having the same characteristics as the outstanding shares, at an issue price per share of Euro 0.01, of which Euro 0.001 is to be attributed to the share capital and Euro 0.009 to be attributed to the share premium (the "Conversion Shares"), to be offered, with the exclusion of the right of first refusal pursuant to Art. 2441, paragraph 5, of the Italian Civil Code, to banks, to be paid by voluntarily converting certain, liquid and collectable receivables, by 31 May 2020, at a conversion ratio of 4.5 to 1 (the "Conversion Capital Increase" and together with the Right of First Refusal Increase, the "Capital Increase"); and (iii) a divisible capital increase against consideration, for a maximum total amount of Euro 19.986.562.21 inclusive of the share premium, which will be implemented through the future issue of a maximum of 1.537,170,662 ordinary shares (the "Conversion Shares") to service the exercise of up to a maximum of 1,647,832 warrants (the "Warrants") which will be assigned free of charge to those who are shareholders prior to the detachment of the right of first refusal relating to the Right of First Refusal Increase (i.e. on 4 May 2020) (the "Capital Increase for the Conversion of Warrants"), Warrants which may be exercised on the Warrants' expiry date, which will fall on the fifth anniversary of the issue date, i.e. 5 May 2025.

It must also be noted that, as part of the Financial Manoeuvre, the Institutional Shareholders FSI Investimenti S.p.A. and Polaris Capital Management, LLC have undertaken to subscribe the Capital Increase for a total amount of approximately Euro 77.5 million. In particular:

a) FSII has entered into an irrevocable commitment to subscribe up to a maximum amount of Euro 38,728,327.00, of which: (a) for an amount equal to Euro 21,907,237 (of which Euro 2,190,724 as capital and Euro 19,716,513 as share premium) for the subscription of all the newly issued shares to which it is entitled on the basis of the right of first refusal; and (b) for a maximum amount equal to Euro 16,821,090 (of which Euro 1,682,109 as capital and Euro 15,138,981 as share premium) for the subscription of any unexercised rights of first refusal; and

b) Polaris, in its capacity as asset management company, has made an irrevocable subscription commitment up to a maximum subscription amount of Euro 38,728,327.00, of which: (a) for an amount of Euro 13,879,745 (of which Euro 1,387,974 as capital and Euro 12,491,770 as share premium) for the subscription of all newly issued shares to which it is entitled on the basis of the right of first refusal; and (b) for a maximum amount of Euro 24,848,582 (of which Euro 2,484,858 as capital and Euro 22,363,724 as share premium) for the subscription of any unexercised rights of first refusal.

On the other hand, the banks have undertaken the commitment, subject to full fulfilment by the Institutional Shareholders of the subscription commitments indicated above, to subscribe the unexercised share options of the Right of First Refusal Increase and/or the Conversion Shares, by voluntarily converting their receivables due from Trevifin for a total of Euro 284.1 million, at a conversion ratio of 4.5 to 1, for an amount of approximately Euro 63.1 million.

II. With reference to the calendar of the Notice of rights issue

The timetable for carrying out the offering of a total of 13,000,118,907 shares, with no nominal value, having the same characteristics as the outstanding shares and resulting from the Right of First Refusal Increase, to be offered for subscription to the shareholders of Trevifin at the Issue

Price and at a ratio of 7,899 shares for each share held (the "Notice of Rights"). The maximum value of the Notice of Rights will be equal to Euro 130,001,189.07, inclusive of the share premium. The right of first refusal, having obtained on 29 April 2009 (see below) from CONSOB the measure authorising the publication of the IPO Prospectus, which give the right to subscribe the shares subject to the Notice of Rights (the "Rights of First Refusal") must be exercised under penalty of forfeiture during the period from 4 May 2020 to 18 May 2020 inclusive (the "Subscription Period"). Rights of First Refusal are negotiable on the Stock Exchange from 4 May to 12 May 2020 inclusive. Rights of First Refusal not exercised by the end of the Subscription Period will be offered on the stock exchange by the Issuer within the month following the end of the Subscription Period for at least five trading days, pursuant to Article 2441, paragraph 3, of the Italian Civil Code (the "Initial Public Offering").

III. With reference to Warrants

Warrants, which are subject to listing on the MTA, are 1,645,793 European warrants exercisable at maturity, with ISIN code IT0005402885. The Warrants were assigned free of charge to the shareholders before the detachment of the right of first refusal relating to the Capital Increase, i.e. on 4 May 2020 (the "Issue Date"), in the ratio of 1 Warrant for each share held. No Warrants were assigned to the treasury shares held by Trevifin, amounting to 2,039. The Warrants have as their underlying financial instrument Trevifin's ordinary share, giving the holder the right to subscribe - under the terms and conditions set out in the Warrant Regulations - newly issued shares at a ratio of 934 Conversion Shares for each Warrant held, at the exercise price for each Conversion Share subscribed of Euro 0.013. The exercise of the subscription right can only take place on the Warrant's expiry date, which will fall on the fifth anniversary of the issue date, i.e. 5 May 2025. Warrant holders who have uninterruptedly retained ownership of these financial instruments between the sixth month following the issue date and the expiry date (i.e. between 4 November 2020 and 5 May 2025), will also have the right to subscribe 1 additional share (the "Bonus Share") for every 5 Conversion Shares subscribed through the exercise of Warrants. For the purpose of identifying the uninterrupted ownership for this period of time, from the sixth month following the date of issue (i.e. from 4 November 2020), Warrants will be identified by ISIN code IT0005402935. If Warrants are transferred before the aforesaid term, they will assume ISIN code IT0005402885 and in such case, if exercised, they will not give the right to subscribe Bonus Shares. Please note that Borsa Italiana has admitted the Warrants to listing on the MTA with provision no. 8646 of 20 April 2020; it is expected that the start date of trading will coincide with the assignment date, i.e. 4 May 2020.

- On 29 April 2020, Trevifin's Board of Directors announced that CONSOB authorised, by means of Note prot. no. 0393199/20, the publication of the IPO Prospectus relating to the offer of Trevifin shares (the "Notice of Rights") and the admission to trading of newly issued shares and warrants called "Loyalty Warrant Trevi Finanziaria Industriale S.p.A." (the "Warrants") on the Mercato Telematico Azionario

(Italian Electronic Stock Exchange), organised and managed by Borsa Italiana S.p.A. The newly issued shares will result from the capital increase approved by the Board of Directors on 17 July 2019 and 24 February 2020, pursuant to the power of attorney granted by the Extraordinary Shareholders' Meeting of 30 July 2018 (the "Capital Increase"). The IPO Prospectus has been filed with CONSOB in the format and terms required by law. Trevifin has made available the Key Investor Documents (KIDs) relating to rights of first refusal and warrants, drawn up in accordance with Regulation (EU) No. 1286/2014 and related implementing legislation.

- On 29 April 2020, the lending banks party to the Restructuring Agreement, through the agent, confirmed that all the conditions precedent provided for in the Restructuring Agreement had been fulfilled, and that therefore the Agreement must be considered fully effective in all its provisions. In the context of the above notice, the banks also confirmed that the commitments to subscribe to and release the Capital Increase undertaken by them under the Restructuring Agreement are to be understood as irrevocable and unconditional, with the sole exception of the condition that FSII and Polaris shareholders fully comply with all the commitments to subscribe to and release the Capital Increase in cash undertaken by them under the Investment Agreement.

- On 18 May 2020 Trevifin announced that the period for the exercise of the right of first refusal (the "Right of First Refusal") relating to the notice of rights (the "Subscription Period") to shareholders of a total of 13,000,118,907 newly issued ordinary shares of the Parent, with no nominal value, having the same characteristics as the outstanding shares and regular dividend entitlement (the "Shares on Offer") has ended. During the Subscription Period (from 4 May 2020 to 18 May 2020, inclusive), following the exercise of 580,357 Rights of first refusal, a total of 4,584,239,943 Offered Shares were subscribed, for a total amount of Euro 45,842,399.43. It must also be noted that the institutional shareholders FSI Investimenti S.p.A. and Polaris Capital Management, LLC exercised all rights of first refusal due to them in the notice of rights of a total of 13,000,118,907 Trevifin ordinary shares, subscribing and releasing all the relevant shares for a total amount of approximately Euro 35.8 million, in fulfilment of their subscription obligations under the investment agreement signed on 5 August 2019. At the end of the Subscription Period, 1,065,436 rights of first refusal were exercised, relating to the subscription of 8,415,878,964 Shares in Offer, for a total amount of Euro 84,158,789.64.
- On 29 May 2020, Trevifin announced that the capital increase approved by the Board of Directors on 17 July 2019 and 24 February 2020 had been successfully completed, in which 15,083,921,496 newly issued ordinary shares of the Parent were subscribed, for a total amount of Euro 150,839,214.96. In particular:
    - the tranche of capital increase offered with right of first refusal to shareholders was fully subscribed for Euro 130,001,189.07, of which Euro 87,701,972.96 was against consideration and Euro 42,299,216.02 by the main lending banks' converting financial receivables due from the Parent, at a conversion ratio of 4.5:1 (the "Right of First Refusal Increase").

- the capital increase reserved for the lending banks, with the exclusion of rights of first refusals, was subscribed for Euro 20,838,025.89 by converting the financial receivables due to the banks themselves from the Parent, at the same conversion ratio of 4.5:1 (the "Conversion Capital Increase ").

The financial manoeuvre explained above would entail a total re-financing of the Parent for about Euro 400 million and a final net financial position estimated at about Euro 250 million.

Main risks and uncertainties to which Trevi Group is exposed and assessments of going concern

The current conditions of the markets in which Trevi Group operates, associated with the complex situation of the Group, fully described in the consolidated financial statements, have required the Parent's management to carry out particularly accurate assessments regarding the assumption of its ability to continue as a going concern.

In particular, when approving the 2019 draft financial statements, the Board of Directors proceeded to carry out all the necessary assessments regarding the existence of the going concern assumption, taking into account, for this purpose, all information available regarding foreseeable future events.

In determining whether the assumption of business continuity is applicable, took into account all information available on the future, at least - but not limited - to twelve months after the reporting date of the consolidated financial statements as at and for the year ended 31 December 2019.

The assessment of the going concern assumption, as well as the analysis of the outlook, are necessarily linked to the implementation of the aforementioned Capital strengthening and restructuring of the Group's debt, as well as the Plan's implementation. In particular, the existence of the going concern assumption led to the analysis of the progress of the following circumstances:

a) the signing of: **(i)** the Restructuring Agreement by all relevant parties and the filing of the latter at the relevant Court by the applicant companies (*i.e.*, Trevifin, Trevi S.p.A. and Soilmec S.p.A.) to obtain approval pursuant to Article 182 bis of the Italian Finance Act; **(ii)** of the reorganisation agreement pursuant to Article 67, paragraph 3, lett. d) of the Italian Finance Act between PSM S.p.A. and the relevant lending banks; **(iii)** of the Investment Agreement and the undertaking of commitments by Institutional Shareholders; and **(iv)** the Oil & Gas Divestment Agreements with MEIL, as well as compliance with the commitments undertaken by the relevant counterparties in the agreements referred to in points (i) to (iv);

b) the obtaining by the relevant court of the authorisation pursuant to Article 182 quinquies of the Italian Finance Act, for the purpose of disbursement of new cash and unsecured financing and signing during the period between the filing date of the appeals and the approval of the Restructuring Agreement, as well as the actual disbursement of the latter by the lending banks; and

c) the effectiveness of the agreements described under A, following the occurrence of all the conditions precedent contained in the latter, including: (i) the approval of the Restructuring Agreement, as well as of the other agreements for which approval is requested, by decree of the relevant Court in respect of all applicant companies pursuant to Article 182 bis of the Finance Act; (ii) the adoption by the Shareholders'

Meeting of the resolutions envisaged for implementing the Transaction as explained in the Restructuring Agreement and in the Investment Agreement, including that relating to the appointment of the new Board of Directors, a circumstance that constitutes a condition precedent under the Restructuring Agreement; and (iii) the closing, including the actual collection of the agreed fees, of the Oil & Gas Divestment following the fulfilment of the relevant conditions precedent;

d) the achievement of the goals set out in the Plan, as approved by the Board of Directors on 19 December 2018 (see above), and the effective achievement of the financial and equity targets that will endorse the Group's final reorganisation according to the provisions of the Plan itself, which however also depend on factors that are inherently future, uncertain and not controllable *ex ante*.

In light of the above, the Board of Directors has duly requested and obtained the information deemed necessary to analyse the above circumstances. As of the date of drafting of this annual report, all circumstances from A. to C. have been positively resolved, as will be explained in detail below, while the only remaining uncertainties that may cast doubt on the ability of the Parent and the Group to continue to operate as a going concern is the achievement of the goals set out in the Plan, which are ultimately the repayment of financial debts in December 2024 or the refinancing of the remaining debts at best market conditions. Based on the analyses carried out, the Parent and the Group deemed it appropriate to use the going concern assumption to draft this annual report.

In particular, the Board of Directors based its conclusions on the basis of the following considerations, with reference to each of the elements of uncertainty set out above:

i) With decrees dated 10 January 2020, notified to Trevifin, Trevi S.p.A. and Soilmec S.p.A. on 21 January 2020, the Court of Appeal of Bologna upheld the appeals against the decisions of the Court of Forlì rejecting the approval of the Restructuring Agreement, deeming the reasons put forward by the claimants to be well founded, and therefore approved the Restructuring Agreement itself.

ii) On 31 March 2020, the second part of the Closing was successfully completed for the sale of the Oil & Gas division of Trevi Group to MEIL Global Holdings BV.

iii) On 29 April 2020, CONSOB authorised by means of Note prot. no. 0393199/20, the publication of the IPO Prospectus relating to the offer of Trevifin shares (the "Notice of Rights") and the admission to trading of newly issued shares and warrants called "Loyalty Warrant Trevi Finanziaria Industriale S.p.A." (the "Warrants") on the Mercato Telematico Azionario (Italian Electronic Stock Exchange), organised and managed by Borsa Italiana S.p.A.

iv) On 29 April 2020, the lending banks party to the Restructuring Agreement, through the agent, confirmed that all the conditions precedent provided for in the Restructuring Agreement had been fulfilled, and that therefore the Agreement must be considered fully effective in all its provisions from that date. In the context of the above notice, the banks have also confirmed that their commitments to subscribe to and release the Capital Increase under the Restructuring Agreement are to be understood as irrevocable and unconditional from that date, as are those under the Investment Agreement;

v) On 18 May 2020 Trevifin announced that the period for exercising rights of first refusal (the "Rights of first refusal") relating to the notice of rights (the "Subscription Period") to shareholders of a total of 13,000,118,907 newly issued ordinary shares of the Parent, with no nominal value, having the same characteristics as the outstanding shares and regular dividend rights (the "Shares on Offer") has ended.;

vi) On 29 May 2020, Trevifin announced that the capital increase approved by the Board of Directors on 17 July 2019 and 24 February 2020 had been successfully completed, in which 15,083,921,496 newly issued ordinary shares of the Parent were subscribed, for a total amount of Euro 150,839,214.96.

vii) Finally, concerning the uncertainty factors linked to the Plan, it must be recalled that the latter was drafted, based on prudential criteria, with the assistance of leading industrial and financial advisers, it was reviewed several times by the Board of Directors and is, ultimately, in the process of being certified by the appointed expert pursuant to Article 182 *bis* and approved by the court of Bologna.

In view of the considerations set out above, the Directors have therefore adopted the assumption of the Group's ability to continue as a going concern in the preparation of the consolidated Financial Statements as at and for the year ended 31 December 2019, as they consider it to be reasonable that the difficult situation that the Group is facing can be overcome through the above actions undertaken and to be undertaken. In summary, during June 2020 the financial manoeuvre will make it possible to obtain a significant capitalisation (totalling around Euro 400 million) connected to the capital increase against consideration of Euro 130 million, to the conversion of a portion of the receivables claimed by the lending banks equal to Euro 284 million and the capital benefit of around Euro 19 million related to the balance and write-off transactions with some financial creditors. In addition, there will be benefits related to the consolidation and rescheduling of the bank debt, which will have final maturity date and relevant bullet repayment as of 31 December 2024, and the amendment of the relevant terms and conditions.
It must be acknowledged that the existence and overcoming of uncertainties regarding the implementation of the Plan depends only in part on variables and internal factors that can be controlled by the Parent's Management, while on the other hand it depends on external factors that have been assessed according to the criteria of reasonableness described above.

COVID 19

An important event that occurred following the end of the financial year is the spread of the epidemiological emergency COVID-19 in Italy, with financial and humanitarian consequences for small, medium and large

enterprises.
On the date of approval by the Board of the draft financial statements, Italy is one of the European countries - and one of the main countries in the world - in which the contagion from COVID-19 (so-called Coronavirus) has become most widespread. The Italian Government and those of other European and non-European countries have applied extraordinary measures to limit the spread of Coronavirus, declared a "pandemic" by the World Health Organisation. In particular, the Italian Government issued Decree Law no. 6 of 23 February 2020, "containing urgent measures on the containment and management of the epidemiological emergency created by COVID-19", subsequently supplemented by three Decrees of the Prime Minister on 1 March, 4 March and 8 March 2020, which essentially created a cordon sanitaire around the Lombardy Region and 14 Provinces, imposing strict measures, including the limitation of movement in and out of these areas, except for those motivated by justified employment needs or essential needs situations or for health reasons. By Decree of the President of the Council of Ministers of 9 March 2020, the above measures were extended to Italy as a whole. A further Decree of the President of the Council of Ministers of 11 March 2020 imposed, among other things, the closure of all commercial businesses (except those deemed essential) throughout the country, with the exception of industrial plants, which were nevertheless required to comply with health protection rules. Subsequently, by Decree of the President of the Council of Ministers of 22 March 2020, the closure of all production activities was imposed, allowing only the opening of those deemed essential, included in a special list attached to the aforementioned Decree. Subsequently, by decree of the President of the Council of Ministers of 10 April 2020, with reference to Italy as a whole, without prejudice to the above, the reopening of certain commercial activities considered non-essential was allowed. In addition, production activities of companies that are beneficiaries of products and services (i.e., companies that are key in terms of ensuring the continuity of supply chains), were authorised in accordance with the Decree of the President of the Council of Ministers of 10 April 2020. By Decree of the President of the Council of Ministers of 26 April 2020, the reopening of a series of productive and industrial activities (including construction activities) was granted, in compliance with health protection measures; on the other hand, restrictions on travel outside regions were maintained, except for justified needs of various kinds. It must be noted that the Parent and its Italian subsidiaries have taken the necessary precautionary measures, also with regard to the safety and health protection of workers, in compliance with the provisions of the Decrees of the President of the Council of Ministers, ministerial circulars, civil protection ordinances, as well as guidelines issued by other authorities in Italy. In view of the rapid spread of the virus both in other countries of the European Union and worldwide, many governments have progressively applied extraordinary measures to restrict the movement of goods and people and to close down factories and commercial and production activities, similarly to what the Italian government has done. In some of the countries where the Group operates, these measures are causing difficulties or making it impossible for the Group to continue normal production activities at construction sites. The continuation or intensification of these measures could have serious consequences for the entire economic system, both national and international, especially in the various countries covered by these measures. On the date of approval of the draft financial statements, the Parent is in a position to note the following negative effects that occurred between March and April as a result of the spread of the Coronavirus pandemic and/or the measures taken by the government authorities of the

countries mentioned: - the Group's construction sites in France, Austria, the Philippines, Oman, Kuwait, Argentina, Colombia, Venezuela and Nigeria were closed; - the construction sites in Boston (Massachusetts) in the United States were closed, while the construction sites in Florida and Tennessee, as well as in Hong Kong, Chile, Monte Carlo, Algeria, Saudi Arabia, UAE and Australia, continued with some operating difficulties; - due to Coronavirus, negotiations for the sale of Soilmec machines have also slowed down and several construction sites in Italy have faced operational and logistical difficulties; - the commencement of works on the new order received in Norway in February 2020 has been delayed due to the suspension of flights to Norway and the consequent impossibility to start "mobilisation" for the opening of the construction site. On the date of approval of the draft financial statements - 29 May 2020 -, the offices of the Parent, Trevi, Soilmec (whose industrial plant is active), and PSM in Caselle d'Asolo (TV), with the relevant premises, are open in Cesena (FC), Italy. The construction sites of Palermo-Bacino and Rome Metro C, Taranto, Mirage Pavullo (MO) and La Spezia are open in Italy. The construction sites in Livorno, Venezuela and Argentina are still closed. All others are open, as well as the construction site in Norway. The Board of Directors had assumed that the state of national and international emergency would last for a full quarter (1 March 2020 - 31 May 2020) in relation to the geographical areas in which the Group operates, with lockdowns and restrictions affecting transport and industrial activities, assuming a gradual recovery during the following period, as well as that the Group would continue to operate, avoiding unnecessary costs and aiming not to lose possible sales in countries not affected by the Coronavirus emergency and in countries that seem to have emerged from it already, showing some signs of recovery. On the basis of the above assumptions, the Group has estimated at a consolidated level for the year 2020: revenue of Euro 489 million, recurring EBITDA of Euro 52 million, EBITDA of Euro 50 million, EBIT of Euro 13 million and profit for the year of Euro 196 million. The estimated profit is mainly influenced by the prior year income of about Euro 221 million from the lending banks' conversion of Euro 284 million in their financial receivables from the Group into shares, with a conversion ratio of 4.5 to 1.
The negative impact on the Group's results expected for 2020, resulting from the pandemic, falls overall within the range envisaged by the sensitivity analyses carried out on the Business Plan by the Expert as part of the Certification, also taken into account (this negative impact) together with the deviations recorded for 2019.

Divestment of the Oil & Gas Segment

As already mentioned, the restructuring operation provides for the exclusive focus of the Group on its core business consisting of underground engineering and, therefore, the activities of special foundations, tunnel excavation and soil consolidation and the construction and marketing of machinery and specialist equipment in the sector. This led to the consequent divestment of the Oil & Gas Division.

The Group's decision to divest the Oil & Gas Division was determined, on the one hand, by losses accumulated by the Oil & Gas Division since 2015 and, on the other, by the Group's desire to leave a sector characterised by the need to employ significant cash resources and, consequently, to focus exclusively on its core business.

(i) The Sale and Purchase Agreement

Following the binding offer submitted by MEIL on 4 December 2018 and accepted by Trevifin on 5 December 2018, on 5 August 2019, Trevifin, Trevi S.p.A., Soilmec S.p.A., Trevi Holding U.S.A. Corporation (jointly, the "Sellers") and MEIL Global Holdings B.V., a Dutch company directly controlled by MEIL (the "Buyer") signed a sale and purchase agreement (the "Sale and Purchase Agreement") aimed at governing the terms and conditions of the sale to the Buyer of the Oil & Gas division comprising the entire share capital of Drillmec S.p.A., Petreven S.p.A. and Drillmec Inc. as well as certain subsidiaries and investee companies of the latter (the "Oil&Gas Divestment").

Under the Sale and Purchase Agreement, prior to the transfer of the Oil & Gas Division, the Sellers and the companies of the Oil & Gas Division were required to carry out certain operations and preliminary activities that were key and preliminary to the completion of the Oil & Gas Divestment and, in particular, to ensure that the scope of the Oil & Gas Division subject to this Divestment included all assets, contracts and investments relating to the performance of the core business of the Oil & Gas Division.
In fact, between 28 February (date of First Closing) and 31 March 2020 (date of Second Closing), Trevifin, Trevi, Soilmec, Trevi USA (jointly, the "Sellers"), on the one hand, and MEIL Global Holdings B.V., a company under Dutch law directly controlled by MEIL, (the "Buyer" and, jointly with the Sellers, the "Oil & Gas Divestment Parties"), on the other, executed the contract, transferring to the Buyer the entire share capital of Drillmec, Petreven, Drillmec Inc. and certain subsidiaries and investee companies of the latter (the "Oil & Gas Divestment"), for a debt free consideration of approximately Euro 116.4 million (the "Price").

As provided for in the "Sale and Purchase Agreement", the Oil&Gas Divestment was carried out in two stages in order to provide the Issuer with the necessary resources to redeem certain assets leased and used by the companies of the Oil & Gas division (the "Leased Assets") and transfer such assets to Drillmec and Petreven by means of specific contributions in kind, prior to the final full sale of the companies to the Buyer.

During the first part of the closing (the "First Closing"), following payment by the Buyer to Trevifin of a portion of the Price equal to about Euro 20.2 million, the following actions took place: (a) a minority interest in Petreven was transferred to the Buyer; (b) Trevifin redeemed the Leased Goods using the portion of the Price paid by the Buyer; and (c) Trevifin transferred the Leased Goods already redeemed to Petreven and Drillmec.

The Second Closing was, instead, executed by means of: (a) the transfer from the Sellers to the Buyer of the entire share capital of Drillmec, Petreven (net of the non-controlling interest already transferred in connection with the First Closing) and Drillmec Inc.; (b) the payment by the Buyer of an additional portion of the Price (for further information, see below); and (c) the signing of the following agreements (the "Ancillary Agreements"): (a) the so-called Final Escrow Agreement, containing the terms and conditions for deposit, management and release by Cordusio Fiduciaria S.p.A. (entity identified by the Oil&Gas

Divestment Parties as trustee) of the Oil & Gas Escrow; (b) the so-called Non-Compete and Non-Solicitation Agreement by which the Sellers have assumed certain non-compete and non-solicitation obligations in respect of the Buyer for a period of five years from the Second Closing; (c) a framework agreement by which Trevifin has undertaken to provide the companies of the Oil & Gas Division, at their request, with certain services related to HR, tax, corporate secretary, technical and technological assistance for a period of 12 months from the Second Closing; and (d) a contract by which Trevifin granted the companies of the Oil & Gas Division the use, free of charge, for a period of 12 months from the Second Closing, of certain intellectual property rights held by Trevifin and used by the companies of the Oil & Gas Division.

Please note that, following the signing of the Sale and Purchase Agreement and prior to the First Closing, in accordance with the Restructuring Agreement, among other things: (a) 100% of the Financial debt of the companies of the Oil & Gas Division (the "Oil & Gas Debt") (the "Oil & Gas Debt Acceptance Deed") was transferred to Trevifin pursuant to Article 1273 of the Italian Civil Code; and (b) the entire Financial debt of the Oil & Gas division in respect of the Group was extinguished as a result of offsetting and/or specific waivers.

(ii) Termination conditions under the Sale and Purchase Agreement

Under the Sale and Purchase Agreement, the Buyer had the right to terminate the Sale and Purchase Agreement in the event of: (i) failure to sign the Restructuring Agreement with the Financial Parties, such as to have an impact on the Oil & Gas Divestment; (ii) failure to obtain the Approval; (iii) failure to approve the Capital Increase and failure to assume the subscription commitments by the Institutional Shareholders; (iv) failure to waive termination rights arising from the execution of the Oil & Gas Divestment, by counterparties in contractual relationships with an amount greater than Euro 1 million (i.e., two supply contracts signed between Drillmec, Drillmec Inc. and Pemex Exploracion Y Produccion); (v) the occurrence of significant relevant events ("MAC", as identified in the Sale and Purchase Agreement); (vi) the presence of defects or restrictions on the ownership, title or rights inherent to the shares and assets subject to the Oil & Gas Divestment; and (vii) the failure to perform a series of activities which are key for the execution of the transaction by the Sellers. The Sale and Purchase Agreement does not provide for termination conditions that can be invoked by the Buyer following the First Closing.

(iii) Price and method of adjustment

Under the Sale and Purchase Agreement, the initial price for the Oil & Gas Divestment was set at Euro 140 million, an amount subject to adjustment based on any changes in the working capital of Oil & Gas Division companies and other specific aspects. As a result of the procedures provided for in the Sale and Purchase Agreement, as subsequently amended and supplemented by the Parties, the Price was established at a total of approximately Euro 116.4 million, as calculated below:

Euro 140 million (initial price agreed in the Sale and Purchase Agreement); minus approximately Euro 21.5 million as a price adjustment relating, among other things, to changes in the working capital of companies of the Oil & Gas Division, as established by the Oil & Gas Divestment Parties in an agreement dated 14 November 2019; minus approximately Euro 1.1 million by way of price adjustment relating to the other items specifically provided for in the Sale and Purchase Agreement, as established by the Oil &Gas Divestment Parties with agreement of 30 March 2020; minus Euro 1 million by way of penalty due by the Sellers to the Buyer for the failure to enter into operation by 31 December 2019 of 2 rigs (H200 and H301) owned by Petreven located in Venezuela.

On the Date of approval by the Board of Directors of the draft Financial Statements, the Buyer had already paid the Sellers an amount of approximately Euro 107.4 million, based on the Price and precisely: - approximately Euro 2.0 million were paid by the Buyer after the signing of the Sale and Purchase Agreement, but before the First Closing, in order to make available to the companies of the Oil & Gas Division the necessary resources to redeem certain assets under lease additional to the Leased Goods; - approximately Euro 20.2 million were paid by the Buyer at the First Closing; - approximately Euro 80.1 million was paid by the Buyer at the Second Closing; and - Euro 5.0 million was deposited by the Buyer on 9 April 2020 in a 12-month escrow account (the "Oil & Gas Escrow") to guarantee the Sellers' obligations under the Sale and Purchase Agreement (including compensation for any breach of representations and warranties). The residual portion of the Price, equal to approximately Euro 9 million, will be paid by the Buyer: as the residual amount of the Oil & Gas Escrow within the three months following 13 April 2020. The sum covered by the Escrow Oil&Gas will be released at the end of the warranty period in favour of the Buyer and/or the Sellers on the basis of a procedure provided for in the Sale and Purchase Agreement, in line with practices followed for similar transactions. In particular, under the Sale and Purchase Agreement it is provided that, if any claims submitted by the Buyer to the Sellers are related to the breach of representations and warranties attributable to Drillmec, the relevant amounts will be charged as a decrease of the portion of the Oil & Gas Escrow attributable to Drillmec (equal to approximately 55,7% of the Oil & Gas Escrow, the "Drillmec Escrow Amount"), up to the amount of the latter and, only subsequently, of the portion of the Oil & Gas Escrow Amount attributable to Petreven (equal to approximately 44.3% of the Oil & Gas Escrow, the "Petreven Escrow Amount"), and vice versa.

In order to determine the net proceeds from the sale of Euro 99.9 million, it is necessary to subtract from the Final Price a total of Euro 116.4 million: i) the Final Escrow for Euro 14 million; and ii) the costs of consultants for approximately Euro 2.5 million. At the end of the guarantee period, if no potential liabilities arise, the collection of the Final Escrow could turn into a positive economic effect.

For the sake of completeness, it must also be noted that on the date of the Second Closing, Trevifin signed a contract with the Buyer whereby it undertook to provide the Buyer with a loan for an amount of Euro 10 million, repayable in 3 years - except in the case of early repayment - and remunerated at a fixed interest rate of 2% per annum (the "Vendor Loan"). The purpose of this loan is to enable the Buyer to make intra-group loans through which the companies of the Oil & Gas division can be provided with the necessary resources to meet the financial needs arising from the performance of their core business during the complex situation caused by Covid-19. In line with what was agreed with the Buyer, Trevifin disbursed the Vendor

Loan on 6 April 2020, using a portion of the Price not intended to reimburse the Oil & Gas division's financial debt and, therefore, at the Issuer's free disposal. The Vendor Loan is also guaranteed by the parent MEIL, which has guaranteed to Trevifin that the Buyer has the necessary funds to repay the principal and interest up to a maximum of Euro 11 million and has made a commitment, pursuant to Art. 1381 of the Italian Civil Code, that the Buyer will correctly fulfil all its obligations under the Vendor Loan, including repayment of the amount financed and payment of the relevant interest.

(iv) Compensation and indemnity obligations

Under the Sale and Purchase Agreement, the Sellers have agreed, severally, to indemnify and hold harmless the Buyer, the companies of the Oil & Gas Division and their respective directors, employees and/or agents authorised to act on behalf of the companies of the Oil & Gas Division for any damages (as defined in the Sale and Purchase Agreement) actually suffered as a result: (a) of any inaccuracy and/or breach of Sellers' representations and warranties; (b) any breach of any obligation of the Sellers under the Sale and Purchase Agreement or Ancillary Agreements; (c) any existing financial debt due to companies of the Oil & Gas Division after the date of the Second Closing and not subject to price adjustment or arising from any transaction entered into by the companies of the Oil & Gas Division before the first day following the date of the Second Closing or, again, arising from actions, facts or omissions carried out by them before the first day following the date of the Second Closing, unless expressly authorised by the Buyer, the representatives of MEIL or MEIL; (d) any enforcement of any of the Existing Oil& Gas Warranties or the New Oil & Gas Warranties replaced by Buyer after the Second Closing due to circumstances, facts or defects attributable to the management of companies of the Oil & Gas Division by the Sellers before the Second Closing; (e) any loss, including tax losses, arising from waivers of intra-group claims made as part of the preliminary transactions; and (f) any loss incurred by Oil & Gas Division companies in relation to privacy laws and arising from acts or omissions of Oil & Gas Division companies managed by the Sellers (the "Events eligible for compensation"). In addition, under the Sale and Purchase Agreement, the Sellers are solely responsible for any liabilities that may arise: (a) from the supply contracts entered into with Pemex Exploracion Y Produccion and already executed before the date of signing of the Sale and Purchase Agreement; (b) the so-called water division of the Group; (c) the liquidation of certain companies (excluded from the scope of the Oil & Gas Divestment); and (d) the agreed framework between the Parties for the transfer of Drillmec Inc. The obligation to compensate is provided as an exclusive remedy except in cases of wilful misconduct and gross negligence. The Sellers' compensation obligations are subject to the following time limitations: (i) no time limit, for breach of representations and warranties relating to: (a) validity and good standing of the Sellers and companies of the Oil & Gas Division and powers of the Sellers to sign and execute the Sale and Purchase Agreement and the transactions contemplated therein; (b) ownership of transferred assets; (c) absence of conflicts for the signing and execution of the Sale and Purchase Agreement; and (d) compliance with tax regulations and full payment of taxes; (ii) maximum duration equal to the applicable limitation period, for the breach of obligations contemplated for the Sellers under the Sale and Purchase Agreement; (iii) maximum duration of 18 months from the Second Closing for the Sellers' breach of representations and warranties regarding compliance with applicable regulations, extraordinary and intra-group transactions, main customers and suppliers, insurance and product liability, ordinary business management, pending lawsuits and absence of further litigation, truthfulness and completeness of financial statements, validity and enforceability of contracts and absence of significant default, existence and validity of receivables, guarantees, real estate, absence of brokers, bank accounts and absence of financial debt, compliance with regulations on corruption of public officials; (iv) maximum duration equal to the statute of limitations applicable to each statement and warranty for breach of representations and warranties regarding employees, intellectual property rights, processing of personal data, permits to conduct business and environmental regulations. In addition to the above, with regard to the Sellers' liability for the cases referred to in points (i) and (ii) above there is no limit of amount, while for the cases referred to in points (iii) and (iv) above the application of the following is envisaged (a) a minimum value for each refundable loss or damage (the so-called "de minimis" value) equal to Euro 15 thousand, and (b) a one-off absolute deductible of Euro 3 million (which, therefore, shall be entirely deducted from the amount to be reimbursed by the Sellers as compensation) and a maximum threshold of the reimbursable amount equal, overall, to 30% of the initial price agreed in the Sale and Purchase Agreement (i.e., Euro 140 million). The economic limitations described above will not apply (and, therefore, the relevant damage must be refunded on a Euro-for-Euro basis, the so-called special indemnities) in the event of wilful misconduct or gross negligence and for the occurrence of damage actually suffered by the Buyer and/or the companies of the Oil & Gas Division in relation to disputes pending on the date of the Second Closing and stated in the Sale and Purchase Agreement. In addition, as part of the agreements signed at the Second Closing, the Sellers also undertook to pay the Buyer an amount of Euro 3 million as a penalty if the logistics base located in Neuquen (Argentina) owned by Food Service S.A. cannot be transferred to Petreven S.A., as provided for in the Sale and Purchase Agreement as part of the so-called "preliminary operations" to be completed before the Second Closing, due to the lack of consent to the transfer by the relevant Argentinian Authority or the exercise, by that authority, of the right of pre-emption to which it is entitled under the law. In the event of failure to transfer the logistics base, Food Service S.A. must pay compensation to Petreven S.A. and, as agreed between the Oil & Gas Divestment Parties, the Buyer has undertaken the obligation to ensure that the above compensation - once actually paid by Food Service S.A. to Petreven S.A. - is transferred to the Sellers. Notwithstanding the foregoing, the Sellers shall have no obligation to provide compensation under the Sale and Purchase Agreement in the event that: (a) the event or circumstance which is the subject of the compensation obligation has already been taken into account for the purposes of adjusting the Price; (b) the loss to be indemnified by Sellers is paid to the parties eligible for compensation by any third party, including any insurance company; (c) any breach of Sellers' representations and warranties have an impact only in terms of accounting, without any cash outflow to the parties eligible for compensation; (d) the loss to be compensated is caused or increased by any act or omission of the persons eligible for compensation; (e) the loss to be compensated is caused or increased by any changes in law, including tax law, subsequent to Second Closing; and/or (f) the loss to be compensated is caused or increased by any changes in applicable accounting standards.

Finally, it must be noted that, although the Oil & Gas Divestment is part of the overall Transaction, representing one of the fundamental pillars of the business and financial plan approved by Trevi Group and the relevant financial package, from a legal point of view, it is an independent and separate transaction from the overall operation to strengthen Trevifin's equity and restructure the debt of Trevi Group.

Statement of profit or loss data		
(Euro '000)	**2019**	**2018**
Revenue	192,986	179,659
Operating loss (EBIT)	(25,850)	(14,639)
Loss for the year	(43,824)	(20,795)
Statement of financial position data		
(Euro '000)	**31/12/2019**	**31/12/2018**
Non-current assets (*)	132,210	119,111
Current assets	178,047	227,665
Non-current liabilities	15,495	13,570
Current liabilities	119,244	123,452

(*) data gross of the capital loss generated by the divestment the Oil & Gas segment pursuant to IFRS 5.

Risks and uncertainties

The Trevi Group is subject to different types of risks and uncertainties that may have an impact on operations, its financial structure and financial results.

Firstly, liquidity risk affects the strategic choices of investments and acquisition of orders.

Sudden changes within the political contexts in which the Group operates have an immediate effect on its operating results and financial position.

The Group is also exposed to the risk of the deterioration of the international macro-economic environment.

Construction and OIL & GAS operations are subject to the performance of markets which typically now have more seasonal variation than they did in the past, due to the gradual shift towards a low-carbon economy.

The introduction of stricter data protection rules in the European Union and the increasing complexity of IT, exposes the Group to cyber risks.

To mitigate exposure to these risks, Trevi Group, among other projects, completed the implementation of a risk management system in 2018, based on two milestones in the Project Risk Management System (PRMS) for Trevi Finanziaria Industriale S.p.A. and for the Trevi division, as well as the definitive centralisation of the

Insurance Department and claim management in Trevi-Finanziaria at the service of all the Divisions of the Group.

The Risk Committee was also set up to provide a detailed analysis of the contracts at the acquisition phase.

Liquidity risk

For a company, the availability of liquidity guarantees compliance with scheduled deadlines and healthy economic growth. Business cash flow planning allows for periodic liquidity planning while maintaining control over income and expenses and promptly recognising peak demand.

Following the signing of the Restructuring Agreement, signed on 5 August 2019, liquidity management was guaranteed and governed by the Agreement itself. It must be noted that on 29 April 2020, the lending banks party to the Restructuring Agreement, through the agent, confirmed that all the conditions precedent provided for in the Restructuring Agreement had been fulfilled, and that therefore the Agreement must be considered fully effective in all its provisions from that date. The contractual provisions of the Restructuring Agreement provide for certain circumstances (so-called Significant Events) normally provided for in financing contracts of this nature, the occurrence of which could lead, in the absence of actions or initiatives suitable to remedy such circumstances, to an acceleration clause or withdrawal by the financial parties. The above circumstances include compliance with Financial Parameters and the failure to release the Oil & Gas Escrow on schedule and in the manner prescribed. The Directors found the probability of occurrence of the Relevant Events to be low.

A Steering Committee was also established to evaluate the performance of the Bank, giving a permanent boost to financial planning tasks.

Currency risk

Due to the Group's geographical extension and access to international markets for the development of construction and oil drilling, companies are exposed to the risk that a change in exchange rates between the account currency and other currencies will generate unexpected changes. The statement of financial position and statement of profit or loss amounts deriving from the above fluctuation could have an impact both on the individual companies' financial statements and at consolidated level. Specifically, given the current Group structure, the exposure to currency risk is mainly linked to the US dollar. It must also be noted that the Group also has interests in countries such as Turkey, Algeria and Nigeria, whose currencies could be subject to significant fluctuations.
With regard to the US dollar, the currency risk derives mainly from the translation into Euro of items relating to investments in companies whose account currency is different from the Euro (so-called "currency translation risk").

Euro-Dollar 2018-2019

Euro-Turkish Lira 2018-2019

Euro-Algerian Dinar 2018-2019


145
140
135
130
125
2018
2019
2020

Euro-Nigerian Naira 2018-2019

The Group has not subscribed currency risk hedging derivatives also due to the constraints imposed by the negotiation of the Restructuring Agreement.

The management policy for currency risk is mostly based on the use of price lists in Euro or Dollar.

Interest rate risk

The Parent's interest rate risk relates to the increase in financial expense derived from the rise in interest rates.

Following the signing of the Standstill Agreement and subsequently of the Restructuring Agreement, the Group obtained a moratorium on both the principal and interest of the Medium and Long-term cash lines.

The short-term lines disbursed and governed by the Restructuring agreement have maintained the pricing adapted to the nature of the underlying transaction.

The Group has a number of interest rate derivative contracts in place since previous years to hedge the fluctuation of the variable component of certain loans. The above relationships will be terminated in accordance with the Restructuring Agreement.

Credit risk

The management of commercial credit is an essential activity for defining the maximum degree of exposure considered by the company to be reasonably bearable for a supply that provides for a deferred payment. The correct application of credit scoring and Trade Finance techniques is extremely useful for the configuration of financial procedures with an early assessment of the customer's risk and solvency.

As a result of cancellation of the use of factoring lines following the moratorium and momentarily confirmed by the Restructuring Agreement, the credit risk required the setting up of a Risk Committee, for assessment of the individual transactions and for implementation of the credit & risk management, through the use of Trade Finance instruments for the engineering industry and the control of progress on orders in the construction sector. The rapid collection of information regarding the customer (or potential customer), its company history, corporate structure, reference management, the activities carried out, its location, characteristics and commercial potential, associated with information of a banking nature and other information made available by companies specialised in the proposal of information of a commercial nature, was an element to support the customer's preliminary assessment.

Risks pertaining to business activities abroad

The development of economic and geo-political scenarios has always influenced the Group's financial and industrial business.

The Trevi Group's revenue from overseas operations maintained a strong trend in terms of consolidation abroad, amounting to 91% of the total revenue. The Group's growth mostly occurred in the USA, Iraq, Algeria and Northern Europe.

For this reason, "country risk" is continuously monitored and is distinguished by the risk of insolvency of public and private operators, linked to the geographical area of origin and beyond their control. It is also the risk linked to the origin of a specific financial instrument and dependent on political, economic and social variables.

With specific reference to the countries in which Trevi operates that are most exposed to this type of risk, the following is specified:

Iraq and Iraqi Kurdistan

Iraq, after experiencing some difficult years, has returned to producing almost five million barrels of oil a day, reaching its full capacity. The country still needs investments in infrastructure and, more generally, for reconstruction (for which limited resources have been allocated in recent years). This is particularly true for the most damaged areas (the Sunni areas), an element that has exacerbated the population's discontent with Iranian (Shiite) interference in the affairs and government of the country. The clashes between the population and the security forces (which also include Shiite militias) have also caused a large number of casualties and injuries.

Algeria

Algeria is facing the most serious domestic political crisis since the civil war in the 1990s, culminating in the new presidential elections last December. The latter, however, have not yet been "accepted" by markets, which demanded a zeroing of the political class at the head of the country in the last twenty years; despite the abundance of raw materials (Oil & Gas), Algeria has exhausted its sovereign fund and has an economy substantially closed to the international context.

Risk associated with the trend in commodity prices

In relation to oil prices, the SACE SIMEST baseline scenario remains around $60 per barrel for 2020. Some recent events, such as the attack on the Saudi Aramco refinery in September 2019 and the escalation of tensions between the United States and Iran in January 2020, do not seem capable of generating substantial increases. Suffice it to say that even after the killing of Soleimani, the increase was reabsorbed within a few days. Similarly, concerns about the coronavirus epidemic should have a temporary impact on oil prices.

The current price of crude oil, on the one hand, seems sufficient to support all projects in the sector - even those financed during the last stage of high estimates (2011-2014) - on the other hand, it remains below the fiscal break-even levels (i.e. the price necessary for the public budget of the individual country to close in break-even) of several Middle Eastern countries and may therefore require further spending cuts. It must be pointed out that, given the persistence of real conflict situations in the area (Iraq, Syria and Yemen), the violent events mentioned above did not involve the massive deployment of ground forces or prolonged actions. A possible worsening of the scenario - an assumption that to date has a limited probability of occurrence - on the one hand would push up the price of the barrel, while on the other it would have negative repercussions on international trade through various channels (lower confidence of operators, less viable traditional routes), also affecting countries in the area, despite higher oil prices.

Cyber risk

It is in the presence of a cybercrime when the conduct or the material object of the crime is related to a computer or screen-based system, and when the offence is perpetrated by exploiting or attacking the system.
With the aim of constantly increasing and improving the efficiency of ICT Security processes, the Group has continued to adopt new initiatives, tools and procedures aimed at ensuring increasingly high levels of ICT security.

Impairment Test Analysis as at 31 December 2019

The Group has verified the presence of indicators as at 31 December 2019 that could indicate the existence of permanent impairments. This check was carried out both with reference to external sources (market capitalisation, discount and growth rates) and in relation to internal sources (indications, deriving from the internal information system, about expected results). Having established impairment assumptions, the Parent proceeded to perform the impairment test as at 31 December 2019: see the specific paragraph on “Impairment” included in the Notes to the consolidated Financial Statements at 31 December 2019.

Staff and organisation

TREVI – Finanziaria Industriale S.p.A.

During 2019 the Parent's top positions have changed. In particular:

- on 30 September 2019 Giuseppe Caselli was appointed Chief Executive Officer of the Parent and the Group, replacing Stefano Trevisani, whose term of office expired on the same date, maintaining his position as Chief Executive Officer of the company Trevi S.p.A.;
- on 25 September 2019, Alessandro Vottero was included in the top management list and on 22 November 2019 he was put in charge of the Legal & Contractual Department of the Parent and the Group;
- on 8 May 2019, Massimiliano Battistelli was appointed the Group's new Chief Financial Officer Ad Interim and Corporate Accounting Documents Officer pursuant to Article 154-bis of Italian Legislative Decree No. 58/1998 replacing Marco Andreasi, who due to serious health reasons could not continue to

perform his duties. On 25 September 2019, Massimiliano Battistelli was included in the list of top managers as Chief Financial Officer of Trevi S.p.A.;

- on 30 September 2019, Massimo Sala was appointed the new Chief Financial Officer of the Parent and the Group; the latter, with the favourable opinion of the Board of Statutory Auditors, from 30 September 2019, was appointed Manager in charge of financial reporting pursuant to Art. 154-bis of Italian Legislative Decree No. 58/1998, replacing Massimiliano Battistelli.

Workforce as at 31 December 2019

Staff as at 31 December 2019 amounted to 5,903 employees with a net decrease of 475 compared to 6,378 employees as at 31 December 2018.

The average number of employees in 2019 was 6,141.

Description	31/12/2019	31/12/2018	Changes	Average
Managers	148	162	(14)	155
Employees and executives	2,612	2,820	(208)	2,716
Workers	3,143	3,396	(253)	3,270
Total number of staff	**5,903**	**6,378**	**(475)**	**6,141**

Human resources

The Group has always paid great attention to the management of its human resources, which represent a priceless heritage of skills that are difficult to find on the employment market.

The Code of Ethics, the main instrument for formalising company commitments on these issues, defines human resources as a central element of the corporate strategy, identifying the protection of equal opportunities, the promotion of merit and talent, and the creation of a working environment that is serene, stimulating and rewarding; key elements for all Trevi global companies.

Trevi Group rewards the achievement of both corporate and personal results, the assignment and assessment of goals has been managed since 2016 through the Performance Management System (PMS). The aim of PMS is to support and formalise the continuous exchange and dialogue between manager and employee on individual performance and its impact on the organisation. The process involves the establishment of clearly defined performance goals and the monitoring of the mastery level of skills required by the role, based on a unique model of conduct for the entire Group. The process is not limited to a mere annual assessment of these elements, as to be effective it requires a constant and profound work of comparison through the use of continuous feedback, periodic meetings and the identification of development and training actions. The PMS thus becomes a crucial tool for creating individual development plans, career paths and vocational training activities.

Structured processes such as that of the PMS make it possible to give homogeneity and transparency to individual assessments and to guarantee at the same time training processes to be implemented to favour growth in employees and correct performance remuneration policies.

The development of the Group's employees and their specific professionalism also takes place through training courses that include both classroom activities and on-the-job support activities.

The Group has an internal training Academy which is responsible for monitoring the training issues of its staff, consisting of:

Foundations Technology Academy (FTA) has the ambitious goal of conveying Trevi Group's enormous wealth of experience and passion for innovation, stimulating business development and improving safety and performance on a global scale. Training is delivered by professionals with direct experience in the field, with a pragmatic approach, innovative teaching tools, practical tests and using a simple language. Training activities supported by the FTA take place in the classroom, on-line and in the field, and are aimed not only at internal staff but also at division customers;

Trevi Group Academy of Management (TGA) aims to promote training initiatives aimed at developing transversal and managerial skills for the entire Group, including through new technologies and new communication tools. The course offered by the Academy is structured on four Pillars:

1) Project Management,
2) People Management,
3) Customer Management
4) Finance for non-Financial People.

Each Pillar is divided into modules: this allows the development of customised plans based on the skills and development plan of each participant.

The TGA's activities are based on the so-called "blended" methodology, which offers a mix of support to qualified people, e-learning training on customised content created ad hoc by external specialists on the basis of case histories and materials from Trevi Group, virtual team project work and classroom training with exercises and role-playing guided by a trainer at the end of the course. This encourages the involvement of all employees, overcoming geographical distances and meeting the Group's needs for flexibility and mobility.

The TGA also promotes management training courses by drawing on training from leading management schools.

Information on remuneration policies is provided within the remuneration report drawn up by the Parent pursuant to Art. 123 –ter of Italian Legislative Decree No. 58 of 24 February 1998, available under the terms of current legislation both at the registered office, Borsa Italiana S.p.A. and on the website www.trevifin.com.

Environmental awareness and occupational health and safety

Trevi Group considers the protection of the health and safety of its personnel to be a fundamental requirement. The safety of our workers is a primary and strategic goal for the Group and is constantly guaranteed and monitored through the integrated management system set up by Trevi Group, which fully meets all international standards and laws in force. We constantly strive to maintain a safe work environment and to provide personnel, according to their roles, with all the equipment necessary to avoid any risk or danger to themselves.

We have always placed the protection of the environment at the top of our priorities, devoting great attention to acting in compliance with current environmental regulations, considering the risk associated with the international nature of the Group's business and always operating in such a way as to preserve and protect the environment.

The Group monitors and implements initiatives to mitigate its environmental impact through a health, safety and environmental department present in all Group divisions and companies.

Non-financial information (DNF)

Trevi Finanziaria Industriale S.p.A. is exempt from the obligation to draw up the individual Non-financial Statements referred to in Article 3 of Italian Legislative Decree No. 254/2016 (hereinafter also "the Decree"), as it draws up a Consolidated Non-Financial Statement, pursuant to Article 4 of the aforementioned decree. In compliance with the provisions of Art. 5, paragraph 3, b) of the Decree, Trevi Finanziaria Industriale S.p.A. has prepared the Consolidated Non-Financial Statement, which is a separate report. The aforementioned report is drafted "in compliance" with Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) defined in 2016 - referenced option - and is subject to review by PricewaterhouseCoopers S.p.A. and is available on the Group's website.

Trevi Group has always considered Sustainability as an integral and essential part of its business, as it is a way to guarantee the creation of long-term growth and value, through the effective involvement of all stakeholders.

Moreover, the nature of the business and the complexity of the Group's operations have always required that particular attention be paid to aspects related to safety in the workplace, and environmental and social safety in the execution of projects.

In compliance with the Decree, implementing the European Directive 2014/95/EU, Trevi Group has also prepared the "Consolidated non-financial statement" for 2019, in which it reports its performance and policies in relation to a set of material issues such as: environmental aspects, aspects related to staff management, protection of human rights, the fight against corruption and social aspects. This Statement intends to ensure an understanding of the Group's activities, its performance, its results and the impact it produces with reference to the year 2019.

Trevi Group is present in over 70 countries and manages its activities in close contact with local populations, in geographically and culturally heterogeneous situations and often in delicate socio-political scenarios. Especially in countries where the presence of Trevi work sites is consolidated, the Group plays an active role in the local communities, contributing to the socio-economic development of the region which is not limited to job creation but involves long-term relationships with communities based on mutual support. The most relevant examples are collaborations with local bodies and organisations for the development of community development programmes, such as "Social Value".

Since its establishment at the end of 2007, "Social Value" aims to promote and support, nationally and internationally, solidarity initiatives especially for children and the most vulnerable classes of the population with the aim of promoting their social and cultural growth.

To underline the multiple examples of collaboration that demonstrate the Group's ability to adapt to the various local cultures and great project management skills in the most important orders.

Another strength of the Group in relation to local communities is represented by the ever-increasing degree of diversity in the composition of its personnel, understood as a multitude of ethnic groups of young talents that at present cover 16% of the corporate population.

The call to behave responsibly and with integrity, contained in the Code of Ethics, and the reference to value creation is fully expressed by the Group's mission: "Trevi Group's mission is to design, manufacture and offer innovative technologies and services for all types of foundation engineering projects".

The adopted Social Responsibility model reflects these principles and is specifically expressed through:

• the non-financial statement (NFS), which provides an accurate and transparent account of the economic, environmental, social and cultural impact of the Group’s business
• A growing focus on the environment, with a program to monitor and reduce the environmental consequences of its operations
• Contributions to the well-being of employees, not only in the workplace, but also placing a strong focus on the case of expatriates in the living environment, accommodation for families and education for children.
• Contributions to the development of the community of reference, through investments in initiatives of social, educational, cultural and sporting importance.
• Full compliance with the principles contained in the Code of Ethics in the performance of its business.

Among the various social utility projects that were implemented by Trevi Group in 2019 through the Social Value project, we report:

Trevi has become the leader and promoter of the "Mosul Dam Project for Social Progress" with the aim of carrying out a series of interventions to support and sustain the population of the Village of Mosul and its surroundings. During the first part of 2019, to complete the programme that led to the restoration of five school facilities in the Mosul Dam area and the supply of teaching materials to the students, the entire perimeter wall of the girls' secondary school in the village of Mosul was repaired and built. In addition, medical equipment, furniture, household appliances and air conditioners were supplied to the hospital in the village of Mosul. Also in 2019, Trevi continued donating new PCs and air conditioning systems to the female orphanage in Alqosh, a predominantly Catholic town 30 km from the Mosul Dam. The orphanage is run by an Iraqi nun, Sister Warena. The sustenance took place through the sale of mugs, within the area, designed with the Trevi-Mosul Dam Project logo. The mugs literally sold like hot cakes to the public and, in particular, to the Italian soldiers of the various contingents of the Praesidium Task Force who were involved in the mission.

Other support and solidarity initiatives carried out in 2019 as part of the Social Value project include:

support to the Green Cross, a non-profit association that carries out medical transport with ambulance,
disabled transport with an equipped minibus and civil protection activities;

support for the non-profit organisation of the Centre for Italian School Activities in Boston (USA), in favour of promoting Italian language teaching;

contribution to the U.S. non-profit organisation Giving Circle which provides financial assistance to workers facing unforeseen personal difficulties;

financial contribution for the educational activities of the electrotechnical vocational school of Ezeiza, a city in the province of Buenos Aires (Argentina) where the largest airport in the country is located;

subsidies for training and refresher courses for the unemployed in the Falkland Islands (Argentina) with a view to creating employment opportunities;

support for necessary hospital expenses for the hospitalisation, operation and hospital stay of a sick girl who was living in a state of poverty near our CLJV-CCCLEX Project in Cebu (Philippines). Following Trevi's support, the child is finally cured;

donation to secondary schools 7 and 14 in Gomel (Belarus). Donation to the Institute "Centre of Social Services for the Population of the Sovetsky Area of the City of Gomel" for orphans and children housed by the facility;

financing for the construction of a water well in Enugu, capital of the Nigerian federal state of the same name and former capital of the Republic of Biafra.

Finally, Trevi S.p.A. participates in the Consorzio Romagna Iniziative. Romagna Iniziative is a Consortium that brings together some of the most important entrepreneurial realities in the Cesena and Romagna regions. Established in 1996 also with input from Trevi Group, the Consorzio di Romagna Iniziative is committed to enhancing projects of cultural interest and activities that involve children in almost all sports: from football to basketball, from rugby to volleyball, from fencing to skating. The purpose of the Consortium is to contribute to the improvement of the region in which it resides.

Other information

In accordance with Consob notice of 28 July 2006 no. DEM/6064293, it is stated that, in 2019, Trevi Group did not carry out any atypical and/or unusual transactions, as defined in the notice itself.

Governance and resolutions adopted during the year

- On 1 April 2019, Trevifin's Board of Directors resolved to postpone the Extraordinary Shareholders' Meeting already called for 24 and 30 April 2019 (first and second call respectively) for the adoption of the measures pursuant to Article 2447 of the Italian Civil Code, in order to make it coincide with the date of the Shareholders' Meeting called to approve the 2017 and 2018 financial statements within the terms set out in Article 2364, paragraph 2, last sentence, of the Italian Civil Code. On that date, the Board also approved the approval of the Plan in its consolidated and updated version based on the data as at 31 December 2018.
- On 8 May 2019, the Parent informed the market that the Board of Directors, after acknowledging the advanced state of negotiations and drafting the agreements relating to the Transaction, resolved to approve the proposal for an inclusive financial manoeuvre of the financial plans, which was sent to the lending banks to allow them to complete the preliminary investigation on the Transaction and the relevant decision-making processes.
- On 15 July 2019, Trevifin's Board of Directors approved the draft separate financial statements and consolidated financial statements as at and for the years ended 31 December 2017 and 31 December 2018. The above financial statements have been drafted and approved on a going concern basis, as the Board believes that the uncertainties surrounding the Group could reasonably be overcome by implementing the financial measures provided for in the agreements in progress at that date.
- On 17 July 2019, Trevifin's Board of Directors, having taken note of the advanced state of negotiations with the banks and the relevant resolution processes, resolved to approve the final proposal for the financial manoeuvre and authorised the signing of the Restructuring Agreement, as well as the additional agreements that will govern the debt restructuring and capital strengthening operation, including the Investment Agreement.
- The manoeuvre proposal approved by the Board, which is now reflected in the Plan, the Restructuring Agreement, the Investment Agreement and the other agreements that have been signed in the context of the manoeuvre itself, provides for in a nutshell:

- a capital increase to be offered with right of first refusal for an amount of Euro 130 million, at a subscription price per share of Euro 0.01 (taking into account the reverse split carried out on 18 November 2019), in relation to which the Institutional Shareholders have confirmed their willingness to take on a subscription commitment for a total of Euro 77,456,654 million, while the remaining part, if not optionally subscribed by the market, will be subscribed by the lending banks by converting relevant receivables at the conversion ratio stated in the following point (ii);
- the conversion into newly issued ordinary shares admitted to trading in the MTA of the receivables of the lending banks, according to a ratio of 4.5: 1, for a maximum amount of Euro 284,117,589, partly, where necessary, to guarantee the portion on which rights were not exercised and, for the remaining part, to subscribe and release a reserved capital increase;
- a further capital increase, up to a maximum of approximately Euro 20 million, reserved for the current shareholders of Trevifin, with a corresponding total issue of 1,647,832 listed European "loyalty warrants", each valid to underwrite 934 converted shares, to be subscribed in cash, at an exercise price per warrant equal to Euro 0.013 (taking into account the stock split carried out on 18 November 2019);
- the Oil&Gas Divestment (as defined and better described below) and the use of the net proceeds deriving from it to repay the debt owed to the companies of the Oil & Gas division, subject to the assumption of these exposures by Trevifin, and the rescheduling of the residual exposure to the restructured debt referred to in point (vi) below;
- in the event of failure to subscribe in full the portion of the capital increase against consideration reserved with right of first refusal for existing shareholders, any grant and disbursement in favour of Trevi S.p.A. and Soilmec S.p.A. of a medium/long-term syndicated loan for a maximum total amount equal to
- the lesser amount of (a) Euro 41 million, and (b) the difference between Euro 130 million and the amount of the capital increase against consideration actually subscribed by the market and shareholders (including institutional shareholders), from which the net gain on the sale of the Petreven Division in excess of Euro 11.6 million must be further deducted. Of the above loan, Euro 12 million have already been paid during the period between the filing of the appeal and the date on which the decree approving the Restructuring Agreement was finalised (and, therefore, following the authorisation by the relevant Court pursuant to of Article 182 *quinquies, paragraph* 1, of the Italian Finance Act).
- the consolidation and rescheduling of the bank debt which will have final maturity date and relevant repayment balloon on 31 December 2024, except in cases of mandatory early repayment, and the amendment of the relevant terms and conditions;
- the confirmation of existing lines of credit and the granting of new unsecured lines of credit, aimed at enabling the Group to issue the guarantees required as part of its ordinary operations, for a total of approximately Euro 200 million, a portion of which - totalling Euro 39.3 million - to be disbursed also during the period between the date of filing and the date of approval of the Restructuring Agreement pursuant to Article 182-quinquies of the Italian Finance Act, subject to authorisation by the relevant court;
- the payment, by Trevifin, of an amount of Euro 8.3 million in favour of SC Lowy - a financial creditor that refused to accept the proposal to convert into ordinary shares referred to in point (ii) above - as the balance

and elimination of the receivable of Euro 27.8 million (with an implicit elimination of the original receivable equal to 70%); and

- the rescheduling until 31 December 2024, and the amendment of the relevant terms and conditions of the debenture loan named “Trevi-Finanziaria Industriale S.p.A. 5.25% 2014 - 2019" issued by Trevifin for Euro 50 million, already approved by the bondholders' meeting on 2 May 2019.
- On 5 August 2019, agreements were signed for the implementation of the overall recapitalisation of Trevifin and restructuring of Trevi Group's debt and more in detail:
- Trevifin and its subsidiaries Trevi S.p.A. Soilmec S.p.A. and Trevi Holding USA Corporation have signed binding agreements with MEIL Global Holdings B.V., a Dutch company directly controlled by MEIL, for the sale to the latter of Trevi Group's Oil & Gas division, as better described later in this report;
- the Agreement for the Restructuring of Trevi Group's debts between Trevifin and some of its main subsidiaries, on the one hand, and the Group's main lending banks, on the other, which governs the restructuring of the financial debt of Trevifin and Trevi Group, including the banks' commitment to subscribe to Trevifin ordinary shares as part of the capital increase by converting receivables of Euro 284.1 million, at a conversion ratio of 4.5:1;
- the Investment Agreement, by which the Institutional Shareholders made subscription commitments to Trevifin for a total of approximately Euro 77.5 million in relation to the capital increase with right of first refusal for a total of Euro 130 million, approved by Trevifin’s Board of Directors on 17 July 2019; and
- the new financing contract, under which a number of lending banks have undertaken to grant a new loan to Trevi S.p.A. and Soilmec S.p.A. to meet the liquidity needs of Trevi Group in the implementation of the Restructuring Agreement and the relevant business plan, for a maximum amount of Euro 41 million, of which Euro 12 million are to be disbursed prior to the approval of the Restructuring Agreement, subject to the granting by the Court of authorisation pursuant to Article 182- quinquies of the Bankruptcy Law.
- On 8 August 2019, the Restructuring Agreement was filed with the Court of Forlì, which has jurisdiction to request the approval pursuant to Article 182-bis of the Bankruptcy Law.
- On 30 September 2019, the Board of Directors met before the Ordinary/ Extraordinary Shareholders' Meeting and approved the Interim Financial Report at 30 June 2019.
- The shareholders' meeting, both in ordinary and extraordinary sessions, which met in second call on 30 September 2019, proceeded, inter alia, with:
- the approval of the separate financial statements and examination of the consolidated financial statements at 31 December 2017;
- the approval of the separate financial statements and examination of the consolidated financial statements at 31 December 2018; and
- the appointment of Trevifin’s Board of Directors and Board of Statutory Auditors.
- KPMG S.p.A., the statutory auditor, has issued an audit report in which it is unable to express an opinion on the above financial statements due to the uncertainties described in the report.
- The Extraordinary Shareholders' Meeting, also convened to take measures pursuant to Article 2447 of the Italian Civil Code, approved Trevifin's Statement of Financial Position as at 30 June 2019 drawn up for the

purposes of Articles 2446 and 2447 of the Italian Civil Code, noting Trevifin's access to the procedure pursuant to Article 182-bis of the Bankruptcy Law and, consequently, the application of Article 182-sexies of the Bankruptcy Law with consequent suspension of the effects of Articles 2446, second and third paragraphs, and 2447 of the Italian Civil Code. However, the Shareholders' Meeting took note of the suitability of the measures provided for in the Restructuring Agreement signed between Trevifin and the main lending banks and, in particular, of the recapitalisation measures provided for therein, to cover Trevifin's losses, thereby remedying the situation provided for in Article 2447 of the Italian Civil Code.

- On 2 October 2019, the Court of Forlì granted authorisation pursuant to Article 182-quinquies of the Italian Finance Act, for the disbursement by some of the Group's lending banks of new cash financing for a total of Euro 12 million in favour of the subsidiaries Trevi S.p.A.. (for Euro 8.4 million) and Soilmec S.p.A. (for Euro 3.6 million). The new financing, as envisaged following the signing of a specific contract with a number of lending banks, was designed to support the Group's cash requirements until the completion of the overall capital strengthening and debt restructuring operation. The Court of Forlì on the same date also authorised the granting to Trevifin, pursuant to Article 182-quinquies of the Bankruptcy Law, of new interim financing in the form of the issue of bank guarantees for a total amount of Euro 39.3 million.
- By order of 7 November 2019, received by Trevifin on 15 November 2019, the Court of Forlì rejected the request for approval of the Restructuring Agreements. Trevifin, and its subsidiaries Trevi S.p.A. and Soilmec S.p.A., not agreeing with the reasons and content of the decision made by the Court of Forlì, promptly filed an appeal with the Court of Appeal of Bologna on 29 November 2019, so that, through a review of the rejection order, the request for approval of the Restructuring Agreement could be accepted.
- Moreover, in order not to jeopardise the successful outcome of the restructuring manoeuvre, while awaiting the outcome of the aforementioned appeal, Trevifin initiated discussions for the adoption of all appropriate conservative measures of the restructuring manoeuvre, both with the Institutional Shareholders who have undertaken commitments to subscribe to the capital increase, and with the banks and financial institutions participating in the Restructuring Agreement, as well as with MEIL in relation to the agreements for the transfer of Trevi Group’s Oil & Gas division to the latter.
- On 28 November 2019, Trevifin’s Board of Directors approved the consolidated results at 30 September 2019 on a going concern basis in relation to the following elements:
- the submission, to the Court of Appeal of Bologna, of the appeal against the rejection measure adopted by the Court of Forlì in order to obtain the approval of the Restructuring Agreement;
- confirmation in writing received from the Institutional Shareholders that the commitments undertaken by them in relation to the subscription of the planned capital increase were to be considered fully in force, under the same terms and conditions provided for in the Investment Agreement signed on 5 August 2019;
- the written confirmation received from MEIL in relation to the commitments undertaken by it under the Sale and Purchase Agreement (as defined below) already subscribed on 5 August 2019, also confirming its willingness to close the transaction at the end of the approval process; and

- the absence, also on the basis of ongoing discussions, by some of the banks party to the Restructuring Agreement, of any element that might suggest that any of the banks party to the Restructuring Agreement had no intention of declaring it terminated and/or withdrawing from it.

Report on Remuneration

To comply with regulatory requirements and to give shareholders further information for an understanding of the Parent, a Report on Remuneration has been prepared in compliance with Article 123-ter of the Consolidated Finance Act, which has been made publicly available at the same time as these Financial Statements at the registered office of the Parent and Borsa Italiana and on the Parent's website www.trevifin.com in the Investor Relations - Corporate Governance section; this notice has been filed with Borsa Italiana S.p.A. And with the authorised storage mechanism, E Market Storage, (www.emarketstorage.it), as required by the rules.

The Report on Remuneration was approved by the Board of Directors at its meeting on 29 May 2020 and complies with the guidelines of Consob Resolution no. 18049 of 23 December 2011, published in the Italian Official Gazette (G.U.) No. 303 on 30 December 2011.

ADDITIONAL INFORMATION

COMPOSITION OF THE SHARE CAPITAL

The share capital of TREVI - Finanziaria Industriale S.p.A. as at 31 December 2019 amounts to Euro 82,391,632.50, fully subscribed and paid in, and is made up of 1,647,832 shares with no nominal value (on 30 July 2018 the Shareholders' Meeting approved the elimination of the nominal value of the shares and on 30 September 2019 the Shareholders' Meeting approved the grouping in the ratio of 1 new ordinary share for every 100 (one hundred) existing ordinary shares subject to the cancellation of 65 (sixty-five) treasury shares in order to allow for the overall balancing of the reverse split and without reducing the share capital).

As at 31 December 2019, the Parent is controlled by Trevi Holding SE, which holds, from data deposited with CONSOB and the internal dealing communications received, an equity investment equal to 31.751% of the share capital, a company in turn controlled at 51% by I.F.I.T. S.r.l.

At 31 December 2019 (according to Consob data) shareholders, other than the majority shareholder, registered as having a shareholding in excess of 3% of the share capital were FSI Investimenti S.p.A. with 16.852% and Polaris Capital Management LLC (USA) with a shareholding of 10.072%. Following the share capital increase, the shareholders of TREVI - Finanziaria Industriale S.p.A. are:

- at 25.67% FSI Investimenti S.p.A. (subsidiary of CDP Equity)
- at 25.67% Polaris Capital Management LLC
- at 41.85% the banks and financial institutions that have undertaken underwriting commitments under the Restructuring Agreement
- at 6.81% market and other smaller investors.

Treasury shares and shares /quotas of parents

As of 31 December 2019, the Parent holds 2,039 treasury shares, equal to 0.124% of the total ordinary shares. During the 2019 financial year, the Parent did not purchase treasury shares.

The Parent does not own, directly or indirectly through any subsidiaries, shares and/or quotas of the ultimate parent, Trevi Holding SE, or I.F.I.T. S.r.l.

Internal Dealing

During 2019, the Parent received 13 notices relating to operations on the investment in the Parent held by Trevi Holding S.E.

Between 25 February 2019 and 17 April 2019, 1,927,440 shares, equivalent to 1.170% of the Parent's share capital, owned by Trevi Holding S.E., were sold on the market.

Branches

Since March 2004, the Parent has owned a branch in Venezuela, with the aim of making the consortium operational between Trevi S.p.A. (50%) - TREVI - Finanziaria Industriale S.p.A. (45%) - SC Sembenelli S.r.l. (5%), which was awarded the tender in Venezuela called by CADAFE for the repair of the "Borde Seco" dam, whose works have been completed; the branch is not operational.

Research and development activities

Research and development activities carried out by companies of the Group in 2019 were in the pursuit of the following objectives:

1. To manage, promote and protect the Group's intellectual property and know-how;
2. Study of innovative measurement systems
3. Introduction of electro-proportional control circuits in the SR range.

As regards the first point, during the year a number of new patents were filed grouped into families concerning technological areas of greatest interest for the Group. In the same year several patents filed prior to 2019 were granted.

With regard to the second point, the project was started to organise the undercarriages of machines in order to detect their loading conditions and then proceed with the development of self-stability.

In relation to the third point, work was performed on simplifying the logics for control and on integrating the various driller set-ups.

Transactions with related parties

On 30 May 2018, the Board of Directors updated (with the favourable opinion of the Related Parties Committee composed entirely of Independent Directors, pursuant to CONSOB Regulation no. 17221/2010 and subsequent amendments and additions) the related parties procedure, previously approved on 16 October 2014.

The Procedures for Transactions with Related Parties of the Parent are available on the Parent's websitewww.trevifin.com

In accordance with Consob Rule 11971 of 14 May 1999, as at 31 December 2019 there were no investments held personally by Directors and standing Statutory Auditors and alternate Auditors, in the Parent and in the subsidiaries.

MANAGEMENT AND COORDINATION ACTIVITIES

Pursuant to Art. 93 of the Consolidated Law, it is reported that as at 31 December 2019 - TREVI - Finanziaria Industriale S.p.A. was indirectly controlled by I.F.I.T. S.r.l. (Company based in Cesena) and directly controlled by the Italian company TREVI Holding SE, a subsidiary of I.F.I.T. S.r.l.

In accordance with the corporate information required under Article 2497 of the Italian Civil Code, regarding managed and coordination exercised by parents, it is stated that, as at 31 December 2019 and on the date of these Financial Statements, the Parent has made no declaration regarding any management or coordination by parents as the Board of Directors of TREVI - Finanziaria Industriale S.p.A. maintains that the Parent is completely independent of its parent as regards its financial and operating activities and did not carry out any corporate transactions in the interests of its parent in 2019 or in prior financial years.

On the date of these Financial Statements, TREVI - Finanziaria Industriale S.p.A. is the Parent of TREVI Group (and as such drafts the Group's Consolidated Financial Statements), and, pursuant to Article 2497 of the Italian Civil Code, manages and coordinates the companies it directly controls:

- Trevi S.p.A. with a direct shareholding of 99.78%;
- Soilmec S.p.A. with a direct shareholding of 99.92%;
- R.C.T. S.r.l. 99.78% indirectly held (100% held by TREVI S.p.A.);
- Trevi Energy S.p.A with 100% as a single shareholder company;
- PSM S.p.A., indirectly held 99.92% (owned by Soilmec S.p.A. at 100%).
- Immobiliare SIAB S.r.l. with 100 % as a single quotaholder company.

Significant events after the reporting period

With regard to significant events that occurred after 31 December 2019, please refer to paragraph (38) of the Notes to the Financial Statements.

Outlook

The year 2020 saw the occurrence of some positive events in the Group's economic and financial scenario. The Group's restructuring process that has characterised the last two years is now close to being fully implemented: the effects of this restructuring will certainly be positive both from a financial point of view, as a result of the new resources resulting from the capital increase together with the rescheduling of financial debts - due in December 2024 with a bullet repayment - and from the point of view of a more concrete operational stability that these resources will allow.

During the first months of 2020, in addition to the implementation of the Business Plan and the overall Financial Manoeuvre, the Group had to face the challenges arising from the spread of the Covid-19 emergency in Italy and in other European and non-European countries. The relevant functions have ensured the effective implementation of the requirements of the various governments, as well as the continuity of business activities in the various countries where the Group operates. Although the possible consequences of the pandemic are not fully outlined, we believe that the Group is ready to face this new complex challenge both in terms of the implementation of the Financial Manoeuvre to strengthen its capital base and in terms of initiatives to make its operating activities financially secure and its engineering, technological and implementation skills.
During the first four months of the year, orders received amounted to approximately Euro 200 million and were up by 15% compared to the same period of the previous year, and the backlog reached Euro 444 million, with an increase of approximately 1% compared to 2019.

Cesena, 29 May 2020

On behalf of the Board of Directors

The Chairman
Luca d'Agnese

NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in Euro '000)

ASSETS	*Notes*	31/12/2019	31/12/2018
Non-current assets			
Property, plant and equipment			
Land and buildings		52227	45,580
Plant and machinery		128731	141,609
Commercial and industrial equipment		30560	22,485
Other assets		16809	14,775
Assets under construction and payments on account		3219	523
Total property, plant and equipment	**(1)**	**231546**	**224,972**
Intangible assets			
Development costs		5260	4,879
Industrial patents and intellectual property rights		290	256
Concessions, licenses, trademarks		142	115
Goodwill		-	-
Assets under development and payments on account		218	-
Other intangible assets		884	1,147
Total Intangible Assets	**(2)**	**6794**	**6,397**
Investment property	**(3)**	(0)	(0)
Equity investments	**(4)**	4,000	1,394
- equity-accounted investments in associates and joint ventures		*3,403*	*687*
- other investments		*597*	*707*
Deferred tax assets	**(5)**	44,163	46,265
Non-current tax assets			
Securities at nominal value			
Non-current derivative financial instruments	**(6)**	-	-
Held-to-maturity investments	**(7)**	-	-
Other long-term financial receivables	**(8)**	3,283	3,217
- of which with related parties	**(36)**	*1,353*	*1,732*
Trade receivables and other non-current assets	**(9)**	2,946	6,129
Total financial assets		**54,392**	**57,005**
Total Non-current Assets		**292,732**	**288,374**
Non-current assets held for sale		**250,420**	**248,022**
Assets held for sale		250,420	248,022
Current assets			
Inventories	**(10)**	118897	145,269
Trade receivables and other current assets	**(11)**	289331	328,965
- of which with related parties	**(36)**	*14,711*	*6,596*
Current tax assets	**(11.a)**	12,086	17,009
Other short-term financial receivables		145	121
Short-term derivative financial instruments	**(12)**	-	15
Current financial assets	**(12.a)**	10,977	-
Cash and cash equivalents	**(13)**	77,709	88,912
Total Current Assets		**509145**	**580,290**
TOTAL ASSETS		**1052297**	**1,116,686**

The Notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Amounts in Euro '000)

EQUITY	***Notes***	**31/12/2019**	**31/12/2018**
Share Capital and reserves			
Share capital		82,290	82,290
Other reserves		157,181	152,395
Losses carried forward		(382,760)	(239,333)
Loss for the year		(75,802)	(143,427)
Deficit attributable to the owners of the parent	**(14)**	**(219,089)**	**(148,075)**
Share capital and reserves attributable to non-controlling interests		**(914)**	**1477**
Loss attributable to non-controlling interests		(2,162)	(737)
Equity (deficit) attributable to non-controlling interests		**(3,076)**	**740**
Deficit		**(222,167)**	**(147,335)**
LIABILITIES			
Non-current liabilities			
Long-term bank loans and borrowings	**(15)**	7,656	331
Long-term loans and borrowings from other financial backers	**(15)**	25,764	33,668
Non-current derivative financial instruments	**(15)**	(0)	(0)
Deferred tax liabilities	**(16)**	31729	35,360
Post-employment benefits	**(18)**	13,682	13,994
Non-current provisions	**(16)**	7,235	6,766
Other non-current liabilities	**(19)**	41	-
Total non-current liabilities		**86107**	**90,118**
Liabilities associated with non-current assets held for sale		**150,455**	**137,022**
Liabilities associated with assets held for sale		150,455	137,022
Current liabilities			
Trade payables and other current liabilities	**(20)**	224280	260,376
- of which with related parties	**(36)**	*2,363*	*1,287*
Current tax liabilities	**(21)**	12,631	15,822
Short-term loans	**(22)**	553,193	658,348
Short-term loans and borrowings from other financial backers	**(23)**	238,316	88,846
Current derivative financial instruments	**(24)**	132	374
Current provisions	**(25)**	9,350	13,115
Total current liabilities		**1,037,902**	**1,036,882**
TOTAL LIABILITIES		**1,274,462**	**1,264,022**
TOTAL DEFICIT AND LIABILITIES		**1052299**	**1,116,686**

The Notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Amounts in Euro '000)

	Notes	2019	2018
Revenue from sales and services	**(26a)**	593,970	590,207
- of which with related parties	**(36)**	9190	2,547
Other operating revenue	**(26b)**	29,234	27,873
Sub-Total of Total Revenue		**623204**	**618,080**
Raw materials and consumables		213,330	211,728
Changes in inventories of raw materials, ancillary materials, consumables and goods		217	3,340
Personnel expense	**(28)**	166,4333	164,846
Other operating expenses	**(29)**	201,465	211,975
- of which with related parties	**(36)**	5,381	517
Depreciation and amortisation	**(1)-(2)**	47,014	31,501
Provisions and impairment losses	**(30)**	32,336	4,440
Increase in non-current assets for internal work	**(27)**	(12,241)	(12,580)
Changes in inventories of finished goods and semi-finished products	**(27)**	11,646	(11,380)
Operating profit (loss)		**(36,896)**	**14,210**
Financial income	**(31)**	9,227	10,759
(Financial expense)	**(32)**	(25,674)	(26,423)
Net exchange losses	**(33)**	(5,100)	(16,002)
Net financial expense		**(21,547)**	**(31,665)**
Adjustments to financial assets		(1,608)	(123)
Gains and losses on assets held for disposal			0
Loss before taxes		**(60,051)**	**(17,578)**
Income taxes	**(34)**	6,472	7,036
Loss from continuing operations		**(66,523)**	**(24,615)**
Loss from discontinued operations		(11,440)	(119,550)
Loss for the year		**(77,963)**	**(144,164)**
Attributable to:			
Owners of the parent		(75,802)	(143,427)
Non-controlling interests		(2,162)	(737)
		(77,964)	**(144,164)**
Group earnings per share:	**(35)**	(46.058)	(87.148)
Group earnings per share diluted:	**(35)**	(45.972)	(86.984)

The Notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in Euro '000)

	2019	2018
Loss for the year	**(77,964)**	**(144,164)**
Other comprehensive income (expense) that will be subsequently reclassified to profit/(loss) for the year		
Hedging reserve	0	(144)
Income taxes	0	40
Change in the hedging reserve	**0**	**(104)**
Translation reserve	4,512	9,807
Total other comprehensive income (expense) that will be subsequently reclassified to profit/(loss) for the year after taxes	**4,512**	**9,703**
Other comprehensive income (expense) that will not be subsequently reclassified to profit/(loss) for the year:		
Actuarial gains (losses)	(334)	234
Income taxes	66	(65)
Total other comprehensive income (expense) that will not be subsequently reclassified to profit/(loss) for the year after taxes	**(268)**	**169**
Comprehensive expense net of tax	**(73,720)**	**(134,292)**
Attributable to the owners of the parent	(72,588)	(134,575)
Attributable to non-controllin interests	(1,132)	283

The Notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in Euro '000)

Description	Share capital	Other reserves	Losses carried forward	Attributable to the owners of the parent	Attributable to non-controlling interests	Total deficit
Balance as at 01/01/2018	**82,290**	**143,470**	**(239,333)**	**(13,573)**	**374**	**(13,200)**
Loss for the year			(143,427)	(143,427)	(737)	(144,164)
Actuarial gains		241		241		241
Other comprehensive income		8,683		8,683	1,020	9,703
Total comprehensive expense	**0**	**8,925**	**(143,427)**	**(134,502)**	**283**	**(134,220)**
Allocation of 2017 profit and distribution of dividends				0	83	83
Balance as at 31/12/2018	**82,290**	**152,395**	**(382,760)**	**(148,075)**	**740**	**(147,335)**

Description	Share capital	Other reserves	Losses carried forward	Attributable to the owners of the parent	Attributable to non-controlling interests	Total deficit
Balance as at 01/01/2019	**82,290**	**152,395**	**(382,760)**	**(148,075)**	**740**	**(147,335)**
Loss for the year			(75,802)	(75,802)	(2,162)	(77,964)
Actuarial losses		(268)		(268)		(268)
Other comprehensive income		3,481		3,481	1,030	4,511
Total comprehensive expense	**0**	**3,213**	**(75,802)**	**(72,589)**	**(1,132)**	**(73,721)**
Allocation of 2018 loss and distribution of dividends			0	0	(1,111)	(1,111)
Acquisition of non-controlling interests		1,572		1,572	(1,572)	0
Balance as at 31/12/2019	**82,290**	**157,181**	**(458,562)**	**(220,664)**	**(3,076)**	**(222,167)**

The Notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in Euro '000)

	CONSOLIDATED STATEMENT OF CASH FLOWS	2019	2018
	Loss for the year attributable to the owners of the parent and non-controlling interests	(77,964)	(144,164)
	Income taxes	6,472	7,036
	Loss before taxes	**(71,492)**	**(137,128)**
	Amortisation, depreciation and impairment losses	47,014	41,294
	Net financial expense	16,447	26,479
	Change in provisions for risks and charges and post-employment benefits	(11,138)	219
	Provisions for risks and charges	35,419	12,708
	Adjustments to financial assets and discontinued operations	0	98,877
	Gains from the sale or impairment losses on non-current assets	(1,796)	(301)
(A)	**Cash flows from operating activities before changes in Working Capital**	**14,455**	**42,148**
	(Increase)/Decrease in inventories	16,735	(8,136)
	Decrease in Trade receivables	20,891	28,771
	Decrease in Trade payables	(33,746)	(33,641)
	(Increase)/Decrease in other assets/liabilities	10,958	(33,726)
(B)	**Changes in net working capital**	**14839**	**(46,732)**
(C)	Collection of financial income/payment of interest expense	(4,125)	(26,479)
(D)	Taxes paid	(7,991)	(1,595)
(E)	**Cash flows from (used in) operating activities (A+B+C+D)**	**17,178**	**(32,659)**
	Investing activities		
	Investments	(20,749)	(28,622)
	Net exchange gains (losses)	0	
	Net change in financial assets	(2,747)	(628)
(F)	**Cash flows used in investing activities**	**(23,496)**	**(29,250)**
	Financing activities		
	Increase/(Decrease) in Share capital and reserves for repurchase of treasury shares	0	(0)
	Other changes including those of third parties	1,648	(5,880)
	Changes in loans, borrowings and derivative financial instruments	(31,553)	2366
	Changes in lease liabilities and loans and borrowings from other financial backers	28,567	13,245
	Dividends collected/(paid)	(48)	0
(G)	**Cash flows from (used in) financing activities**	**(1,385)**	**9731**
(H)	**Change in discontinued assets/(liabilities)**	**(0)**	
	Net change in cash and cash equivalents (E+F+G+H)	**(7,702)**	**(52,178)**
	Opening cash and cash equivalents	**88,912**	**146,090**
	Change in cash flows for assets held for sale	(3,500)	(5,000)
	Effect of exchange rate fluctuations on cash and cash equivalents	919	
	Net change in available cash	**(8,621)**	**(52,178)**
	Closing cash and cash equivalents	**77,709**	**88,912**

Net cash and cash equivalents include the following cash and cash equivalents:

Description	**Note**	**2019**	**2018**
Cash and cash equivalents	(13)	77,709	93,912
Change in cash flows for assets held for sale	(13)	(3,500)	(5,000)
Ordinary current account overdrafts	(22)	(25,200)	(24,363)
Cash and cash equivalents net of bank overdrafts		**49009**	**64,549**

The Notes are an integral part of the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019.

Profile and group activities

TREVI – Finanziaria Industriale S.p.A. (hereinafter referred to as the "Parent") and the companies that it controls ("TREVI Group" or the "Group") operate in the following two sectors:

- Foundation engineering services for civil works and infrastructure projects and construction of equipment for special foundations ("Special Foundations - (the Core Business)");
- Construction of drilling rigs for the extraction of hydrocarbons and water exploration and oil drilling services ("Oil & Gas").

These businesses are organised within the four main companies of the Group:

Foundations Segment:

- Trevi S.p.A., which heads the foundation engineering segment;
- Soilmec S.p.A., which heads the related Division manufacturing and marketing plant and equipment for foundation engineering;

Oil & Gas Division

- Petreven S.p.A., which operates in the drilling sector providing oil drilling services;
- Drillmec S.p.A., which manufactures and sells drilling equipment for the extraction of hydrocarbons and water exploration.

TREVI - Finanziaria Industriale S.p.A., controlled by Trevi Holding SE which, in turn, is controlled by I.F.I.T. S.r.l., has been listed on the Milan stock exchange since July 1999.

General basis of preparation

These Consolidated Financial Statements were approved and their publication authorised by the meeting of the Board of Directors on 29 May 2020.

The 2019 Consolidated Financial Statements have been drafted and submitted in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and with the provisions of Article 9 of Italian Legislative Decree no. 38/2005. IFRS means also all International Accounting Standards (IAS) that have been reviewed and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC). The consolidated financial statements are drawn up on the basis of the historical cost principle with the exception of derivative financial instruments that have been measured at fair value. The consolidated financial statements are submitted in Euro thousands (k), unless otherwise stated. The consolidated financial statements provide comparative information referring to the previous year. They include data of Venezuelan subsidiaries as submitted by the subsidiaries during the normal consolidation process, centrally supplemented where deemed appropriate and aligned with the group accounting policies. It must be noted that, given the current difficult political and social situation in Venezuela, the Group has encountered some objective difficulties in maintaining a constant flow of information with the local subsidiaries and therefore in obtaining all information deemed necessary for calculating some adjustment entries. Consequently, the Group made the estimates and additions at the best level obtainable during the current circumstances, taking into account in any case also the accounting practices followed in previous financial statements.

The consolidated financial statements of Trevi Group have been prepared on a going concern basis.

Introduction

As is well known, the Parent as well as the main companies of Trevi Group, namely Trevi S.p.A., Soilmec S.p.A., Drillmec S.p.a. and Petreven S.p.A., have found themselves, starting from 2017, in a situation of financial and equity tension, which has led to significant uncertainties in relation to the going concern of the Group and for each of these companies. The above uncertainties are being overcome due to the measures that have been and will be implemented in execution of the Restructuring Agreement and the relevant Plan (as defined below), in progress on the date of drafting this report. The purpose of this section is, on the one hand, to identify these uncertainties also in light of the Parent's and the Group's financial position, financial performance and cash flows, and, on the other, to describe the measures that have been identified and shared by the directors at order to remedy the situation, and lastly, to provide an account on their state of implementation and the reasonable likelihood that such measures will be adopted and implemented within the time allowed.

In light of the above, considerations regarding the going concern requirement used to draw up these consolidated financial statements must be made, taking into account the specific uncertainties characterising the Parent's ability to continue as a going concern and the relevant assessments made. It should be noted that, despite the uncertainties mentioned above, the approach approved by the directors is essentially based on the following main elements described in detail below: the Restructuring Agreement signed with the creditor banks of the Parent (and the Trevi Group) and approved by the Bologna Court of Appeal on 10 January 2020, the Agreement for the sale of the Oil&Gas Division's activities with the MEIL Group (as defined below) and the capital increase against consideration concluded on 29 May 2020. The above approach appears suitable to enable the Parent and the Group as a whole to overcome the current crisis situation.

Short overview of the most relevant events up to the date of this report

It seems useful to go back over the most important events that led to the current situation in brief.

- During the months of March and April 2017, in light of the progressive deterioration in the Group's financial results and prospective cash flows (and in particular in the Oil & Gas division), Trevifin requested and obtained waivers from the lending banks (as well as bondholders) due to the failure to comply with the financial parameters (so-called covenants) provided for in some of the medium and long-term loan agreements (and by the bond issue).
- In this context, Trevifin, also on behalf of the other Group companies, expressed to the Group's main lending banks, during some plenary meetings and/or through bilateral talks, the need to (a) adopt a financial manoeuvre aimed at reshaping consolidated financial debt in line with the Group's situation and expected cash flows; and (b) request from the financing banks a standstill until 31 December 2017, in order to allow the Group to continue to benefit from the financial support deemed necessary to focus its attention on the development of the business plan and the management of the Oil & Gas division divestment process.
- During the same year, the further decrease of orders, specifically in the Oil & Gas segment (which was associated with the cancellation of a very significant order with the customer YPFB in Bolivia), led to the persistence and aggravation of critical issues related to the financial situation. In the context described above, the Group had to take immediate action, also at the request of the banks, such as, in addition to the standstill request mentioned above, the drawing up of a forecast for 2017 and the updating of the 2017-2021 business plan.
- In addition during 2017, the Parent also granted:

  i) an assignment to a "*financial advisor*" to assist the Group in requesting financial support from banks by maintaining credit lines and a moratorium on loan repayments;

  ii) an assignment to a "*business adviso*r" to assist the Group in drafting a new business plan;

  iii) an assignment to a "*legal advisor*" to assist the Group in negotiating contractual terms with the banks aimed at reshaping the financial debt.
- The discussions that began on 19 May 2017 with the lending banks (which, in turn, have appointed a "legal advisor" and a "financial advisor) for the signing of a standstill agreement were aimed at allowing the Parent and the Group (pending the updating of the business plan and the definition of a proposal for a financial manoeuvre to submit to the lending banks), to continue to operate normally, preventing any individual initiatives by the latter and continuing to receive from the lending banks the necessary support to cover their financial requirements for the required period.
- During the meetings aimed at discussing the contents of the standstill proposal, the lending banks asked Trevifin for an *Independent Business Review* (IBR) which was carried out by a leading company. The IBR did not initially highlight critical issues such as to prejudice the aforementioned definition path with lending banks of an agreement aimed at reshaping financial debt in line with the business plan.
- The Board of Directors of Trevifin therefore approved, on 31 August 2017, the forecast for the 2017 financial year and the update of the Group business plan for the 2017-2021 period. Also, on 29 September 2017, the Board of Directors approved the condensed interim consolidated financial statements of the Trevi Group at 30 June 2017, on which KPMG S.p.A., the statutory auditor, has a report containing an emphasis of matter relating to events and circumstances that indicate the existence of certain significant uncertainties that may cast significant doubt on the Trevi Group's ability to continue as a going concern.
- Negotiations with lending banks, both in relation to the standstill agreement and in relation to the definition of the

financial manoeuvre, continued in the following months, during which however some significant deviations emerged with respect to the 2017-2021 business plan and the relevant forecasts of financial data, with repercussions on the stability / viability of the latter. This evidently also influenced the possibility of quickly concluding agreements with lending banks, which required, before considering adherence to a possible manoeuvre, to have greater visibility on the financial data and on the industrial and management prospects of the parent and the Group.

- In view of these latter circumstances, which had made the path for the solution of the Group crisis more uncertain, on 13 November 2017, therefore, Trevifin's Board of Directors postponed the approval of the financial data relating to the third quarter of the current year in light of the uncertainties about the outcome of negotiations with lending banks to establish and sign the standstill agreement, and therefore of the consequent impossibility to verify the assumption of the Group's ability to continue as a going concern. In light of the above, Trevifin's Board of Directors also highlighted the need to implement, in the context of the financial manoeuvre being discussed with lending banks, and together with it, a more complex operation, which in addition to a more incisive re-adjustment of the debt also entailed a capital reinforcement, in order to allow to restore the financial balance of the Parent and Trevi Group.
- On 18 December 2017, Trevifin's Board of Directors approved the appointment of Mr. Sergio Iasi, who was assigned the office of Chief Restructuring Officer ("CRO"), as well as the operating powers for (i) the analysis, structuring and negotiation of the aforementioned debt restructuring and capital strengthening operation, (ii) the review of Trevifin's and the Group's business and financial plan, and (iii) the management of negotiations underway with lending banks and the relevant financial manoeuvre.
- Subsequently, in consideration of some sensitivity analyses carried out in the meantime on the 2017-2021 business plan, as well as in light of the preliminary data for the year ended 31 December 2017 and the first data for the 2018 financial year, the Parent deemed it appropriate to carry out a further and definitive in-depth study at industrial level, with the contribution of an external and independent consultant, specialised in the sector and appreciated by the lending banks.
- During the first few months of 2018, the management, under the supervision and under the coordination of the CRO, also initiated discussions with various potential investors interested in acquiring all or part of the companies operating in Trevi Group's Oil & Gas division.
- During April, the CRO, with the management's support as well as of the legal and financial advisers in charge, initiated a number of discussions regarding the possible capital reinforcement operation. These interventions concerned, in addition to the lending banks, both potential third parties interested in making an investment intervention to rescue the Group, and Trevifin's main shareholders. As a result of the above discussions, two binding offers were submitted, one by Bain Capital Credit ('BCC') and the other by Sound Point Capital, and an expression of interest by the Quattro R fund. All offers submitted included - in the case of companies operating in the Oil & Gas segment - the relevant divestiture and the allocation of the proceeds to the repayment of the existing financial debt.
- On 17 May 2018, the Parent's Board of Directors, after having thoroughly assessed the proposals received from potential third-party investors from the point of view of their adequacy to the Group's capital and financial needs as well as their feasibility with the lending banks, considered that, among the proposals received from third-party investors, the preferable one was that submitted by BCC, and therefore focused its activities in negotiations with the latter.
- Despite the positive continuation of the negotiations with BCC, taking into consideration the uncertainties that were in any case connected to the hypothesis of the operation presented by the latter and the possibility of it being approved by the banks, Trevifin's Board of Directors also considered it prudent to examine, at the same time, assumptions with regard to the so-called "stand-alone" alternative operations, as this did not foresee the need to involve third parties, but was addressed exclusively to Trevifin's current stakeholders (the banks and shareholders). These operations would logically and functionally be closely linked to a capital increase. Therefore, at the same meeting, Trevinfin's Board of Directors also resolved to submit to the approval of a convened Extraordinary Shareholders' Meeting the proposal to grant directors - pursuant to Article 2443 of the Italian Civil Code - the right to increase the share capital against payment, one or more times, even in divisible form, of up to Euro 400 million (of which, in cash, not exceeding the maximum amount of Euro 150 million).

- On 30 July 2018, Trevifin's Shareholders' Meeting, convened in second call, therefore adopted a resolution on the proposal of shareholder Trevi Holding S.E. (subsequently adjusted due to the correction of a material error on 7 August 2018 through notarial document of Marcello Porfiri, Notary Public in Cesena, record 11.358 folder no. 5.227 - on the proposal of the Chairman of the Board of Directors approved by the Parent's Board of Directors with its resolution of acknowledgement of 3 August 2018) with which it was decided - as per the last text registered in the relevant Register of Companies - to "*grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the right to increase the share capital against consideration, in one or more times, even in divisible form, for a maximum period of 24 months from the date of the resolution and for a maximum amount of Euro 400 million (of which, in cash, not exceeding the maximum amount of Euro 150 million), an increase to be made by issuing ordinary shares without the nominal value having the same characteristics as the outstanding shares, subject to verification by the Board of the existence and compliance with the conditions established by law, with powers for the Board to decide on the issue price and the possible share premium, the methods for the relevant subscription, also by converting receivables from the Company, and the number of new shares from time to time issued, provided that the increase is made with the right of first refusal and, if the banks use receivables to free up financial instruments, they are participatory financial instruments and not shares, unless the circumstance where banks use receivables to free up shares constitutes a necessary element for the success of the part of the increase to be released with payment in cash, it being understood that the powers conferred to the Board of Directors may be exercised only in connection with a debt restructuring agreement pursuant to Article 182-bis of Royal Decree no. 267 of 16 March 1942* ".

- Also by virtue of the approved resolution of the Shareholders' Meeting, in the month of August 2018, and in particular on the 10th, Trevifin and Trevi Group companies concerned established a standstill agreement with the lending banks and initiated the procedure for collecting subscriptions for adherence of the numerous financing banks of Trevi Group which are parties to the agreement. The effectiveness of the Standstill Agreement was subject to its acceptance by a number of lending banks representing 93% of the financial debt.

- Despite the complex negotiations aimed at reaching an agreement, with BCC upon expiry of the deadline for accepting the binding offer (14 September 2018, following progressive extensions of the term for acceptance of the latter) Trevifin notified BCC of its decision not to adhere to the aforementioned offer. In fact, also in the light of some negative changes that had been last proposed by BCC with respect to the terms originally assumed, the transaction outlined following the discussions with the above mentioned possible third investor was considered, on the one hand, less favourable from the point of view of the Parent's interest and comparatively less protective than the so-called "stand-alone" theory and, on the other hand, implies a lesser liability from the lending banks' point of view. In particular, in the offer revisited by BCC the amount of the super senior loan was reduced and divided into tranches, the second of which can be disbursed only upon the occurrence of certain situations, while providing for a complete guarantee package from the beginning. Furthermore, this loan could no longer be used, not even in part, to offer partial reimbursement to banks, making the offer itself less attractive to the latter (whose approval was clearly a condition for the operation's success). Finally, the offer was subject to numerous condition precedents whose occurrence was uncertain. Therefore, this offer proved to be inadequate and did not match the goals identified by the Parent's Board of Directors, making the achievement of financial and equity targets identified by Trevifin and aimed at allowing the financial rebalancing of the latter and of the Group uncertain, both in terms of the foreseeable difficulty of having lending banks approve the offer finally made by the third-party investor. The Board finally considered that the financial support proposed by BCC, also due to the penalising conditions proposed, would have done nothing else than postpone the difficulties experienced by the Group without being able to solve them. Trevifin has therefore decided to continue only in the process aimed at defining an alternative manoeuvre, according to the so-called "stand-alone" (or in other words, without the intervention of third parties but addressed only to its current stakeholders).

- On 17 September 2018, Trevifin received formal confirmation of the effectiveness of the Standstill Agreement, due to the fact that a number of financial creditors adhered to it in the above-mentioned percentage. The standstill agreement, which is functional to enable Trevifin to carry on the ongoing discussions with its stakeholders in order to define the capital reinforcement manoeuvre and restructuring of the total debt according to the "stand alone" assumption, provided for among other things and in summary:

  i) the granting of a moratorium on the obligations to pay to the principal of the medium-long term loans granted to Trevi Group, up to 31 December 2018 and, with reference only to Trevifin, a moratorium on the interest that will accrue on medium-long term loans;

ii) the maintenance of existing short-term lines of credit within the limit of the amounts on that date currently used for Trevi S.p.A., Soilmec S.p.A. and other Trevi Group companies operating in the foundation segment; and

iii) the possibility of making new cash and unsecured uses valid on existing credit lines confirmed under the agreement in order to meet liquidity needs and to support business development in national and international markets where the Group operates.

On the assumption and in the delays of defining the capital strengthening manoeuvre, on whose full effectiveness the lending banks have reasonably relied, the lending banks themselves have therefore consented not only to the above moratoriums but also new cash and unsecured financings deemed essential to the needs of the Group for a total amount of approximately Euro 17 million for the new cash financing and Euro 59 million for the new unsecured financing.

- On 8 October, 2018, Trevifin's Board of Directors, taking into account the preliminary instructions received from its own main shareholders and from the lending banks, unanimously approved the guidelines of the alternative equity and debt restructuring reinforcement manoeuvre, which included inter alia:
  i) a capital increase of Euro 130 million, against consideration to be offered as an option to the shareholders, availing of the powers granted by the Extraordinary Shareholders' Meeting of 30 July 2018 pursuant to Article 2443 of the Italian Civil Code; and
  ii) the conversion of receivables of the lending banks from Trevifin and from other Trevi Group companies for Euro 250 million in shares (or possibly, if accepted, in financial instruments) and the rescheduling of residual receivables,
  iii) all to be implemented within the framework of and in execution of a debt restructuring agreement pursuant to Article 182-bis of the Bankruptcy Law (the "Restructuring Agreement").

- With regard to the divestment of Group companies operating in the Oil & Gas segment (the Oil & Gas division), on 4 December 2018 Trevifin's Board of Directors resolved to accept the binding offer submitted by Megha Engineering & Infrastructures Ltd. ("MEIL Group" or "MEIL") for the purchase of Group companies operating in the Oil & Gas segment and, specifically, Drillmec S.p.A. and Petreven S.p.A. More specifically, following an extensive and prolonged search for potential buyers of the Oil & Gas Division carried out by the CRO with the help of specialised advisers of primary international standing, Trevifin's Board of Directors considered that, taking into account the manifestations of interest and offers received from financial or industrial operators potentially interested in the purchase of the Oil & Gas Division or part of it, the offer submitted by MEIL Group was the best and most consistent with the goals of the Parent and Group. For an explanation of the offer received from MEIL and the agreements subsequently reached with the latter, please refer to what is described in the following sections of this report.

- The Parent's Board of Directors also acknowledged that acceptance of the offer - based on an equity value of Euro 140 million and subject to some pre-closing price adjustments - has led to a significant impairment loss on the carrying amount of the investments and on the financial receivables from companies belonging to the Oil & Gas Division, as well as the necessary impairment losses on other intangible assets consequent to the foreseeable results of the impairment test based on the new business plan, and that these impairment losses are reflected in a decrease of Trevifin's equity below the limits set by Article 2447 of the Italian Civil Code.

- On 19 December 2018, the Parent's Board of Directors resolved to approve the 2018-2022 consolidated Business Plan updated on the basis of data as at 30 September 2018 available to the management (the "Plan") and the relevant equity reinforcement transaction and restructuring of Trevi Group's debt (the "Transaction").

- Following further discussions with the lending banks, on the one hand, and the Parent's main shareholders, Trevi Holding S.E., FSI Investimenti S.p.A. ("FSI"), a company belonging to the Cassa Depositi e Prestiti Group, and Polaris Capital Management LLC, a leading management company specialising in construction investments, on behalf of the funds it manages which are Trevifin's shareholders ("Polaris" and, together with FSI, the "Institutional Shareholder"), on the other, the Board of Directors has defined the terms essential to the capital reinforcement transaction, which can be summarised briefly as:

  (i) a capital increase against consideration of Euro 130 million, to be offered as with right of first refusal to shareholders pursuant to Article 2441, paragraph 1 of the Italian Civil Code; and

(ii) a capital increase reserved for lending banks to be released by converting part of the receivables due from Trevifin and its subsidiaries for an amount which, on that date, also based on the aforementioned communications received from bank advisers, had been identified at around Euro 310 million in newly issued ordinary shares of Trevifin admitted to trading on the MTA.

- To this end, the Institutional Shareholders formally confirmed to Trevifin's Board of Directors that they will undertake, subject to certain conditions, to subscribe the portion of the capital increase attributable to them by virtue of the respective rights of first refusal, as well as guaranteeing the subscription of an additional portion on which rights were not exercised up to a maximum amount of Euro 38.7 million each, i.e. for a total of Euro 77.5 million of the total Euro 130 million. The subscription of the remaining portion of the capital increase against consideration amounting to Euro 52.5 million is guaranteed, in the event of a portion on which rights were not exercised, by a subscription consortium organised by the lending banks, through the use of receivables as part of the capital increase reserved for them and to be released by converting receivables. The commitments assumed by the Institutional Shareholders with reference to the implementation, subscription and payment of the capital increase against consideration are currently governed by the investment agreement that was signed on 5 August 2019 by the latter and Trevifin, which also governs the principles relating to the Parent’s governance (the "Investment Agreement"), while the banks' underwriting commitments to guarantee the portion on which rights were not exercised are governed by the Restructuring Agreement.

- Said reserved capital increase, as mentioned above, to be subscribed through the converting of the banks' receivables (for a total amount which, as will be said, was agreed at Euro 284.1 million) - possibly partly intended for the subscription of the residual portion of the capital increase against consideration - would be carried out according to a ratio of 4.5:1, in other words through the attribution to lending banks of newly issued ordinary shares (or fractions thereof, due to the terms of the transaction that will be subsequently identified) for an amount of Euro 1 (at the relevant subscription price) for every Euro 4.5 of converted receivables.

- Within the framework outlined above, taking into account the occurrence of the conditions set out in Article 2447 of the Italian Civil Code due to the acceptance of the offer submitted on behalf of MEIL Group for the purchase of Group companies operating in the Oil & Gas segment, Trevifin's Board of Directors had also granted an authorisation to the Chairman and the CRO to arrange, within the terms of the law, the convening of the Shareholders' Meeting for the relevant measures and to set the date of the meeting taking into account the time deemed necessary for negotiations concerning the Restructuring Agreement, in any case not exceeding the deadline for the approval of the financial statements, meant by the month of April 2019.

- During the first few months of 2019, negotiations continued with lending banks and all stakeholders in order to define and agree on the terms of individual agreements and all the transactions envisaged in the context of Trevi Group's restructuring and re-capitalisation process. Although substantial progress had been made and the lending banks had in fact extended the conditions of the standstill agreement, also allowing some new uses for cash as well as the issuance of some new guarantees deemed necessary for the financial support of the Group, as to date there are still certain elements to be defined, Trevifin’s Board on 1 April 2019 resolved to postpone the Extraordinary Shareholders’ Meeting already called for 24 and 30 April 2019 (in first and second call respectively) for the adoption of the provisions pursuant to Article 2447 of the Italian Civil Code, in order to make it coincide with the date of the Shareholders' Meeting called to approve the 2017 and 2018 financial statements under the terms provided for in Article 2364, paragraph 2, last sentence, of the Italian Civil Code. On that date, the Board also approved the approval of the Plan in its consolidated and updated version based on the data as at 31 December 2018.

- On 8 May 2019, the Parent informed the market that the Board of Directors, after acknowledging the advanced state of negotiations and drafting the agreements relating to the Transaction, resolved to approve the proposal for an inclusive financial manoeuvre of the financial plans, which was sent to the lending banks to allow them to complete the preliminary investigation on the Transaction and the relevant decision-making processes.

- On 15 July 2019, Trevifin’s Board of Directors approved the draft separate financial statements and consolidated financial statements as at and for the years ended 31 December 2017 and 31 December 2018. The above financial statements have been drafted and approved on a going concern basis, as the Board believes that the uncertainties surrounding the Group could reasonably be overcome by implementing the financial measures provided for in the agreements in progress at that date.

- On 17 July 2019, Trevifin’s Board of Directors, having taken note of the advanced state of negotiations with the banks and the relevant resolution processes, resolved to approve the final proposal for the financial manoeuvre and authorised the signing of the Restructuring Agreement, as well as the additional agreements that will govern the debt restructuring and capital strengthening operation, including the Investment Agreement.

- The manoeuvre proposal approved by the Board, which is now reflected in the Plan, the Restructuring Agreement, the Investment Agreement and the other agreements that have been signed in the context of the manoeuvre itself, provides for in a nutshell:

  (i) a capital increase to be offered with right of first refusal for an amount of Euro 130 million, at a subscription price per share of Euro 0.01 (taking into account the reverse split carried out on 18 November 2019), in relation to which the Institutional Shareholders have confirmed their willingness to take on a subscription commitment for a total of Euro 77,456,654 million, while the remaining part, if not optionally subscribed by the market, will be subscribed by the lending banks by converting the relevant receivables according to the conversion ratio stated in the following point (ii);

  (ii) the conversion into newly issued ordinary shares admitted to trading in the MTA of the receivables of the lending banks, according to a ratio of 4.5: 1, for a maximum amount of Euro 284,117,589, partly, where necessary, to guarantee the portion on which rights were not exercised and, for the remaining part, to subscribe and release a reserved capital increase;

  (iii) a further capital increase, up to a maximum of approximately Euro 20 million, reserved for the current shareholders of Trevifin, with a corresponding total issue of 164,783,265 listed European "loyalty warrants", each valid to underwrite 934 converted shares, to be subscribed in cash, at an exercise price per warrant equal to Euro 0.013 (taking into account the reverse split carried out on 18 November 2019);

  (iv) the Oil&Gas Divestment (as defined and better described below) and the use of the net proceeds deriving from it to repay the debt owed to the companies of the Oil & Gas division, subject to the assumption of these exposures by Trevifin, and the rescheduling of the residual exposure to the restructured debt referred to in point (vi) below;

  (v) in the event of failure to fully subscribe the portion of the capital increase against consideration reserved under option to the existing shareholders, the granting and payment in favour of Trevi S.p.A and Soilmec S.p.A. of a medium-long term syndicated loan for a total maximum amount equal to the lower of (a) Euro 41 million, and (b) the difference between Euro 130 million and the amount of the capital increase against consideration actually subscribed by the market and by the shareholders (including Institutional Shareholders), from which the net gain on the sale of the Petreven Division in excess of Euro 11.6 million must be further deducted. Of the above loan, Euro 12 million have already been paid during the period between the filing of the appeal and the date on which the decree approving the Restructuring Agreement was finalised (and, therefore, following the authorisation by the relevant Court pursuant to of Article 182 *quinquies, paragraph* 1, of the Bankruptcy Law).

  (vi) the consolidation and rescheduling of the bank debt which will have final maturity date and relevant repayment *balloon* on 31 December 2024, except in cases of mandatory early repayment, and the amendment of the relevant terms and conditions;

  (vii) the confirmation of existing lines of credit and the granting of new unsecured lines of credit, aimed at enabling the Group to issue the guarantees required as part of its ordinary operations, for a total of approximately Euro 200 million, a portion of which - totalling Euro 39.3 million - to be disbursed also during the period between the date of filing and the date of approval of the Restructuring Agreement pursuant to Article 182-quinquies of the Italian Finance Act, subject to authorisation by the relevant court;

  (viii) the payment, by Trevifin, of an amount of Euro 8.3 million in favour of SC Lowy - a financial creditor that refused to accept the proposal to convert into ordinary shares referred to in point (ii) above - in full and final settlement of the receivable of Euro 27.8 million (with an implicit elimination of the original receivable equal to 70%); and

  (ix) the rescheduling until 31 December 2024, and the amendment of the relevant terms and conditions of the debenture loan named "Trevi-Finanziaria Industriale S.p.A. 5.25% 2014 - 2019" issued by Trevifin for Euro 50 million, already approved by the bondholders' meeting on 2 May 2019.

- On 5 August 2019, agreements were signed for the implementation of the overall recapitalisation of Trevifin and restructuring of Trevi Group's debt and more in detail:

i) Trevifin and its subsidiaries Trevi S.p.A. Soilmec S.p.A. and Trevi Holding USA Corporation have signed binding agreements with MEIL Global Holdings B.V., a Dutch company directly controlled by MEIL, for the sale to the latter of Trevi Group's Oil & Gas division, as better described later in this report;

ii) the Agreement for the Restructuring of Trevi Group's debts between Trevifin and some of its main subsidiaries, on the one hand, and the Group's main lending banks, on the other, which governs the restructuring of the financial debt of Trevifin and Trevi Group, including the banks' commitment to subscribe to Trevifin ordinary shares as part of the capital increase by converting receivables for an amount of Euro 284.1 million at a conversion ratio of 4.5:1;

iii) the Investment Agreement, by which the Institutional Shareholders made subscription commitments to Trevifin for a total of approximately Euro 77.5 million in relation to the capital increase under option for a total of Euro 130 million, approved by Trevifin’s Board of Directors on 17 July 2019; and

iv) the new financing contract, under which a number of lending banks have undertaken to grant a new loan to Trevi S.p.A. and Soilmec S.p.A. to meet the liquidity needs of Trevi Group in the implementation of the Restructuring Agreement and the relevant business plan, for a maximum amount of Euro 41 million, of which Euro 12 million are to be disbursed prior to the approval of the Restructuring Agreement, subject to the granting by the Court of authorisation pursuant to Article 182- quinquies of the Bankruptcy Law.

- On 8 August 2019, the Restructuring Agreement was filed with the Court of Forlì, which has jurisdiction to request the approval pursuant to Article 182-bis of the Bankruptcy Law.

- On 30 September 2019, the Board of Directors met before the ordinary/extraordinary shareholders' meeting and approved the Interim Financial Report at 30 June 2019. KPMG S.p.A., the statutory auditor, has issued a disclaimer of opinion concerning the compliance of Trevi Group's condensed interim consolidated financial statements at 30 June 2019 with the International Financial Reporting Standards applicable to interim financial reporting.

- The shareholders' meeting, both in ordinary and extraordinary sessions, which met in second call on 30 September 2019, proceeded, inter alia, with:

  a) the approval of the separate financial statements and examination of the consolidated financial statements at 31 December 2017;

  b) the approval of the separate financial statements and examination of the consolidated financial statements at 31 December 2018; and

  c) the appointment of Trevifin’s Board of Directors and Board of Statutory Auditors.

  KPMG S.p.A., the statutory auditor, has issued an audit report including a disclaimer of opinion on the above financial statements due to the effects of the uncertainties described above.

- The Extraordinary Shareholders' Meeting, also convened to take measures pursuant to Article 2447 of the Italian Civil Code, approved Trevifin's statement of financial position as at 30 June 2019 drawn up for the purposes of Articles 2446 and 2447 of the Italian Civil Code, noting Trevifin's access to the procedure pursuant to Article 182-bis of the Bankruptcy Law and, consequently, the application of Article 182-sexies of the Bankruptcy Law with consequent suspension of the effects of Articles 2446, second and third paragraphs, and 2447 of the Italian Civil Code. However, the Shareholders' Meeting took note of the suitability of the measures provided for in the Restructuring Agreement signed between Trevifin and the main lending banks and, in particular, of the recapitalisation measures provided for therein, to cover Trevifin's losses, thereby remedying the situation provided for in Article 2447 of the Italian Civil Code.

- On 2 October 2019, the Court of Forlì granted authorisation pursuant to Article 182-quinquies of the Italian Finance Act, for the disbursement by some of the Group's lending banks of new cash financing for a total of Euro 12 million in favour of the subsidiaries Trevi S.p.A.. (for Euro 8.4 million) and Soilmec S.p.A. (for Euro 3.6 million). The new financing, as envisaged following the signing of a specific contract with a number of lending banks, was designed to support the Group's cash requirements until the completion of the overall capital strengthening and debt restructuring operation. The Court of Forlì on the same date also authorised the granting to Trevifin, pursuant to Article 182-quinquies of the Bankruptcy Law, of new interim financing in the form of the issue of bank guarantees for a total amount of Euro 39.3 million.

- By order of 7 November 2019, received by Trevifin on 15 November, the Court of Forlì rejected the request for the approval of the Restructuring Agreements. Trevifin, and its subsidiaries Trevi S.p.A. and Soilmec S.p.A., not agreeing with the reasons and content of the decision made by the Court of Forlì, promptly filed an appeal with the Court of Appeal of Bologna on 29 November 2019, so that, through a review of the rejection order, the request for approval of the Restructuring Agreement could be accepted.

- Moreover, in order not to jeopardise the successful outcome of the restructuring manoeuvre, while awaiting the outcome of the aforementioned appeal, Trevifin initiated discussions for the adoption of all appropriate conservative measures of the restructuring manoeuvre, both with the Institutional Shareholders who have undertaken commitments to subscribe to the capital increase, and with the banks and financial institutions participating in the Restructuring Agreement, as well as with MEIL in relation to the agreements for the transfer of Trevi Group's Oil & Gas division to the latter.

- On 28 November 2019, Trevifin's Board of Directors approved the consolidated results at 30 September 2019 on a going concern basis in relation to the following elements:

  i) the submission, to the Court of Appeal of Bologna, of the appeal against the rejection measure adopted by the Court of Forlì in order to obtain the approval of the Restructuring Agreement;

  ii) confirmation in writing received from the Institutional Shareholders that the commitments undertaken by them in relation to the subscription of the planned capital increase were to be considered fully in force, under the same terms and conditions provided for in the Investment Agreement signed on 5 August 2019;

  iii) the written confirmation received from MEIL in relation to the commitments undertaken by it under the Sale and Purchase Agreement (as defined below) already signed on 5 August, also confirming its willingness to come to the closing of the transaction at the end of the approval process; and

  iv) the absence, also on the basis of ongoing discussions, by some of the banks party to the Restructuring Agreement, of any element that might suggest that any of the banks party to the Restructuring Agreement had no intention of declaring it terminated and/or withdrawing from it.

- With decrees dated 10 January 2020, notified to Trevifin, Trevi S.p.A. and Soilmec S.p.A. on 21 January 2020, the Court of Appeal of Bologna upheld the appeals against the decisions of the Court of Forlì rejecting the approval of the Restructuring Agreement, deeming the reasons put forward by the claimants to be well founded, and therefore approved the Restructuring Agreement itself.

- Trevifin has therefore taken prompt action to complete all the operations provided for in the Restructuring Agreement as soon as possible, including the sale of the Oil & Gas division to the Indian group MEIL and the execution of the capital increase. More in detail:

  i) Trevifin, by letters dated 6 February 2020, asked the banks party to the Restructuring Agreement to extend from 28 February 2020 to 31 March 2020 the deadline for the fulfilment of the conditions precedent to the effectiveness of this Agreement, which formally confirmed this extension on 28 February; and

  ii) on 18 February 2020, Trevifin and the Institutional Shareholders formalised the extension of the deadline for the fulfilment of the conditions precedent provided by the Investment Agreement until 31 March 2020.

- With reference to the execution of the capital increase and the relevant application for approval of the publication of the IPO prospectus, submitted to the relevant authority, i.e. CONSOB, on 18 October 2019 and in respect of which the relevant investigation was in progress, Trevifin proceeded to withdraw the application itself on 18 November following the rejection measures taken by the Court of Forlì.
- On 27 January 2020, following approval by the Bologna Court of Appeal, a new formal filing of the application for approval to the publication of the prospectus was carried out, filing a new version of the document including the necessary annexes. On 19 March 2020 a new filing was carried out in order to comply with requests for additional information received from CONSOB in the meantime.

  - On 24 February 2020, Trevifin's Board of Directors approved, among other, the approval of certain technical amendments to the resolution of 17 July 2019 concerning the capital increase. In particular, reference is made to:

i) the extension of the deadline for executing the capital increase and issuing the warrants from 31 March to 31 May 2020; and

ii) in order to achieve an option ratio between whole numbers (avoiding decimals), the increase in the amount of the capital increase under option to a total amount of Euro 130,001,189.07 (therefore Euro 1,189.07 higher than that already approved), through the issue (taking into account the reverse split carried out on 18 November 2019) of a total of 13,000,118,907 ordinary shares (118,907 more shares).

- On 28 February 2020, the first stage of the closing of the sale of Trevi Group companies operating in the Oil & Gas division to Megha Global Holdings BV, a company belonging to the group of companies directly and/or indirectly controlled by Megha Engineering & Infrastructures Ltd (the "MEIL Group" or "MEIL"), of a first non-controlling interest in Petreven S.p.A. ("Petreven") was completed, following payment by MEIL Group of a portion of the consideration amounting to approximately Euro 20 million. This portion of the sale price was used by Trevifin to redeem in advance certain assets held under lease and used within the Oil & Gas division to transfer them to the Oil & Gas division.
- On 31 March 2020, the second part of the Closing was successfully completed for the sale of the Oil & Gas division of the Trevi Group to MEIL Global Holdings BV. In particular, pursuant to the purchase and sale agreement signed on 5 August 2019, as subsequently amended ("SPA"), the entire share capital of Drillmec S.p.A., Drillmec Inc. and Petreven S.p.A. (net of a non-controlling interest already sold to the MEIL Group on 28 February) was sold to the MEIL Group for a total amount of approximately Euro 116.4 million (see also the "Oil&Gas Divestment" section). Part of the price paid by MEIL Group was used by Trevifin, prior to the launch of the capital increase, to repay Euro 48.5 million of the bank debt related to the Oil & Gas division, which had already been taken over by the Parent for approximately Euro 107.2 million, in compliance with the restructuring agreement signed on 5 August 2019 and approved by the Bologna Court of Appeal on 10 January 2020 (the "Restructuring Agreement").
- On 23 April 2020, Trevifin's Board of Directors confirmed the final conditions of the capital increase approved by the Board of Directors on 17 July 2019 and 24 February 2020, based on the powers granted by the Extraordinary Shareholders' Meeting of 30 July 2018. The Board of Directors also approved the calendar of the Notice of rights issue and the structure of Warrants. More in detail,

  I. With reference to the Capital Increase

  in execution of the aforesaid powers, on 17 July 2019 and 24 February 2020, the Board of Directors approved an increase in the Issuer's share capital for a total amount of Euro 213 million, broken down as follows: (i) an indivisible capital increase against consideration, for a total amount of Euro 130,001,189.07 including share premium, through the issue of a total of 13,000,118,907 shares, with no nominal value, having the same characteristics as the outstanding shares, at an issue price per share of Euro 0.01 (the "Issue Price"), of which Euro 0.001 to be attributed to capital and Euro 0.009 to be attributed to the share premium, to be offered with right of first refusal to the shareholders pursuant to Art. 2441, paragraph 1, of the Italian Civil Code, by 31 May 2020 (the "Right of First Refusal Increase"); (ii) a capital increase against consideration for a total amount of Euro 63,137,242.00, to be paid in one instalment up to the amount of Euro 10,593,896.00, by issuing a total of 6,313,724.200 ordinary shares, with no nominal value, having the same characteristics as the outstanding shareas, at an issue price per share of Euro 0.01, of which Euro 0.001 is to be attributed to the share capital and Euro 0.009 to be attributed to the share premium (the "Conversion Shares"), to be offered, with the exclusion of the right of first refusal pursuant to Art. 2441, paragraph 5, of the Italian Civil Code, to banks, to be paid by voluntarily converting certain, liquid and collectable receivables, by 31 May 2020, at a conversion ratio of 4.5 to 1 (the "Conversion Capital Increase" and together with the Right of First Refusal Increase, the "Capital Increase"); and (iii) a divisible capital increase against consideration, for a maximum total amount of Euro 19.986.562.21 inclusive of the share premium, which will be implemented through the future issue of a maximum of 1.537,170,662 ordinary shares (the "Conversion Shares") to service the exercise of up to a maximum of 1,647,832 warrants (the "Warrants") which will be assigned free of charge to those who are shareholders prior to the detachment of the right of first refusal relating to the Right of First Refusal Increase (i.e. on 4 May 2020) (the "Capital Increase for the Conversion of Warrants"), Warrants which may be exercised on the Warrants' expiry date, which will fall on the fifth anniversary of the issue date, i.e. 5 May 2025.

It must also be noted that, as part of the Financial Manoeuvre, the Institutional Shareholders FSI Investimenti S.p.A. and Polaris Capital Management, LLC have undertaken to subscribe the Capital Increase for a total amount of approximately Euro 77.5 million. In particular:

a) FSII has entered into an irrevocable commitment to subscribe up to a maximum amount of Euro 38,728,327.00, of which: (a) for an amount equal to Euro 21,907,237 (of which Euro 2,190,724 as capital and Euro 19,716,513 as share premium) for the subscription of all the newly issued shares to which it is entitled on the basis of the right of first refusal; and (b) for a maximum amount equal to Euro 16,821,090 (of which Euro 1,682,109 as capital and Euro 15,138,981 as share premium) for the subscription of any unexercised rights of first refusal; and

b) Polaris, in its capacity as asset management company, has made an irrevocable subscription commitment up to a maximum subscription amount of Euro 38,728,327.00, of which: (a) for an amount of Euro 13,879,745 (of which Euro 1,387,974 as capital and Euro 12,491,770 as share premium) for the subscription of all newly issued shares to which it is entitled on the basis of the right of first refusal; and (b) for a maximum amount of Euro 24,848,582 (of which Euro 2,484,858 as capital and Euro 22,363,724 as share premium) for the subscription of any unexercised rights of first refusal.
On the other hand, the banks have undertaken the commitment, subject to full fulfilment by the Institutional Shareholders of the subscription commitments indicated above, to subscribe the unexercised share options of the Right of First Refusal Increase and/or the Conversion Shares, by voluntarily converting their receivables due from Trevifin for a total of Euro 284.1 million, at a conversion ratio of 4.5 to 1, for an amount of approximately Euro 63.1 million.

II. With reference to the calendar of the Notice of rights issue

The timetable for carrying out the offering of a total of 13,000,118,907 shares, with no nominal value, having the same characteristics as the outstanding shares and resulting from the Right of First Refusal Increase, to be offered for subscription to the shareholders of Trevifin at the Issue Price and at a ratio of 7,899 shares for each share held (the "Notice of Rights"). The maximum value of the Notice of Rights will be equal to Euro 130,001,189.07, inclusive of the share premium. The rights of first refusal, having obtained on 29 April 2009 (see below) from CONSOB the measure authorising the publication of the IPO Prospectus, which give the right to subscribe the shares subject to the Notice of Rights (the "Rights of First Refusal") must be exercised under penalty of forfeiture during the period from 4 May 2020 to 18 May 2020 inclusive (the "Subscription Period"). Rights of First Refusal are negotiable on the Stock Exchange from 4 May to 12 May 2020 inclusive. Rights of First Refusal not exercised by the end of the Subscription Period will be offered on the stock exchange by the Issuer within the month following the end of the Subscription Period for at least five trading days, pursuant to Article 2441, paragraph 3, of the Italian Civil Code (the "Initial Public Offering").

III. With reference to Warrants

Warrants, which are subject to listing on the MTA, are 1,645,793 European warrants exercisable at maturity, with ISIN code IT0005402885. The Warrants were assigned free of charge to the shareholders before the detachment of the right of first refusal relating to the Capital Increase, i.e. on 4 May 2020 (the "Issue Date"), in the ratio of 1 Warrant for each share held. No Warrants were assigned to the treasury shares held by Trevifin, amounting to 2,039. The Warrants have as their underlying financial instrument Trevifin's ordinary share, giving the holder the right to subscribe - under the terms and conditions set out in the Warrant Regulations - newly issued shares at a ratio of 934 Conversion Shares for each Warrant held, at the exercise price for each Conversion Share subscribed of Euro 0.013. The exercise of the subscription right can only take place on the Warrant's expiry date, which will fall on the fifth anniversary of the issue date, i.e. 5 May 2025. Warrant holders who have uninterruptedly retained ownership of these financial instruments between the sixth month following the issue date and the expiry date (i.e. between 4 November 2020 and 5 May 2025), will also have the right to subscribe 1 additional share (the "Bonus Share") for every 5 Conversion Shares subscribed through the exercise of Warrants. For the purpose of identifying the uninterrupted ownership for this period of time, from the sixth month following the date of issue (i.e. from 4 November 2020), Warrants will be identified by ISIN code IT0005402935. If Warrants are transferred before the aforesaid term, they will assume ISIN code IT0005402885 and in such case, if exercised, they will not give the right to subscribe Bonus Shares. Please note that Borsa Italiana has admitted the Warrants to listing on the MTA with provision no. 8646 of 20 April 2020; it is expected that the start date of trading will coincide with the assignment date, i.e. 4 May 2020.

- On 29 April 2020, Trevifin's Board of Directors announced that CONSOB authorised, by means of Note prot. no. 0393199/20, the publication of the IPO Prospectus relating to the offer of Trevifin shares (the "Notice of Rights") and the admission to trading of newly issued shares and warrants called "Loyalty Warrant Trevi Finanziaria Industriale S.p.A." (the "Warrants") on the Mercato Telematico Azionario (Italian Electronic Stock Exchange), organised and managed by Borsa Italiana S.p.A. The newly issued shares will result from the capital increase approved by the Board of Directors on 17 July 2019 and 24 February 2020, pursuant to the power of attorney granted by the Extraordinary Shareholders' Meeting of 30 July 2018 (the "Capital Increase"). The IPO Prospectus has been filed with CONSOB in the formats and terms required by law. Trevifin has made available the Key Investor Documents (KIDs) relating to rights of first refusal and warrants, drawn up in accordance with Regulation (EU) No. 1286/2014 and related implementing legislation.
- On 29 April 2020, the lending banks party to the Restructuring Agreement, through the agent, confirmed that all the conditions precedent provided for in the Restructuring Agreement had been fulfilled, and that therefore the Agreement must be considered fully effective in all its provisions. In the context of the above notice, the banks also confirmed that the commitments to subscribe to and release the Capital Increase undertaken by them under the Restructuring Agreement are to be understood as irrevocable and unconditional, with the sole exception of the condition that FSII and Polaris shareholders fully comply with all the commitments to subscribe to and release the Capital Increase in cash undertaken by them under the Investment Agreement.
- On 18 May 2020 Trevifin announced that the period for the exercise of the right of first refusal (the "Right of First Refusal") relating to the notice of rights (the "Subscription Period") to shareholders of a total of 13,000,118,907 newly issued ordinary shares of the Parent, with no nominal value, having the same characteristics as the outstanding shares and regular dividend entitlement (the "Shares on Offer") has ended. During the Subscription Period (from 4 May 2020 to 18 May 2020, inclusive), following the exercise of 580,357 rights of first refusal, a total of 4,584,239,943 Offered Shares were subscribed, for a total amount of Euro 45,842,399.43. It must also be noted that the institutional shareholders FSI Investimenti S.p.A. and Polaris Capital Management, LLC exercised all rights of first refusal due to them in the notice of rights of a total of 13,000,118,907 Trevifin ordinary shares, subscribing and releasing all the relevant shares for a total amount of approximately Euro 35.8 million, in fulfilment of their subscription obligations under the investment agreement signed on 5 August 2019. At the end of the Subscription Period, 1,065,436 rights of first refusal were exercised, relating to the subscription of 8,415,878,964 Shares in Offer, for a total amount of Euro 84,158,789.64.
- On 29 May 2020, Trevifin announced that the capital increase approved by the Board of Directors on 17 July 2019 and 24 February 2020 had been successfully completed, in which 15,083,921,496 newly issued ordinary shares of the Parent were subscribed, for a total amount of Euro 150,839,214.96. In particular:
    - the tranche of capital increase offered with right of first refusal to shareholders was fully subscribed for Euro 130,001,189.07, of which Euro 87,701,972.96 was against consideration and Euro 42,299,216.02 by by the main lending banks converting financial receivables due from the Parent, at a conversion ratio of 4.5:1 (the "Right of First Refusal Increase").
- the capital increase reserved for the lending banks, with the exclusion of rights of first refusal, was subscribed for Euro 20,838,025.89 by converting the financial receivables due to the banks themselves from the Parent, at the same conversion ratio of 4.5:1 (the " Conversion Capital Increase").

The financial manoeuvre explained above would entail a total re-financing of the Parent for about Euro 400 million and a final net financial position estimated at about Euro 270 million.

Main risks and uncertainties to which Trevi Group is exposed and assessments of going concern

The current conditions of the markets in which Trevi Group operates, associated with the complex situation of the Group, fully described in the consolidated financial statements, have required the Parent's management to carry out particularly accurate assessments regarding the assumption of its ability to continue as a going concern.

In particular, when approving the 2019 draft financial statements, the Board of Directors proceeded to carry out all the necessary assessments regarding the existence of the going concern assumption, taking into account, for this purpose, all information available regarding foreseeable future events.

In determining whether the assumption of business continuity is applicable, took into account all information available on the future, at least - but not limited - to twelve months after the reporting date of the consolidated financial statements as at and for the year ended 31 December 2019.
The assessment of the going concern assumption, as well as the analysis of the outlook, are necessarily linked to the implementation of the aforementioned Capital strengthening and restructuring of the Group's debt, as well as the Plan's implementation. In particular, the existence of the going concern assumption led to the analysis of the progress of the following circumstances:

a) the signing of: **(i)** the Restructuring Agreement by all relevant parties and the filing of the latter at the relevant Court by the applicant companies (*i.e.*, Trevifin, Trevi S.p.A. and Soilmec S.p.A.) to obtain approval pursuant to Article 182 bis of the Bankruptcy Law; ***(ii)***of the reorganisation agreement pursuant to Article 67, paragraph 3, lett. d) of the Bankruptcy Law between PSM S.p.A. and the relevant lending banks; **(iii)** of the Investment Agreement and the undertaking of commitments by Institutional Shareholders; and **(iv)** the Oil & Gas Divestment Agreements with MEIL, as well as compliance with the commitments undertaken by the relevant counterparties in the agreements referred to in points (i) to (iv);

b) the obtaining by the relevant court of the authorisation pursuant to Article 182 quinquies of the Bankruptcy Law, for the purpose of disbursement of new cash and unsecured financing and signing during the period between the filing date of the appeals and the approval of the Restructuring Agreement, as well as the actual disbursement of the latter by the lending banks; and

c) the effectiveness of the agreements described under A, following the occurrence of all the conditions precedent contained in the latter, including: (i) the approval of the Restructuring Agreement, as well as of the other agreements for which approval is requested, by decree of the relevant Court in respect of all applicant companies pursuant to Article 182 bis of the Finance Act; (ii) the adoption by the Shareholders' Meeting of the resolutions envisaged for implementing the Transaction as explained in the Restructuring Agreement and in the Investment Agreement, including that relating to the appointment of the new Board of Directors, a circumstance that constitutes a condition precedent under the Restructuring Agreement; and (iii) the closing, including the actual collection of the agreed fees, of the Oil & Gas Divestment following the fulfilment of the relevant conditions precedent;

d) the achievement of the goals set out in the Plan, as approved by the Board of Directors on 19 December, 2018 (see *above*), and the effective achievement of the financial and equity targets that will endorse the Group's final reorganisation according to the provisions of the Plan itself, which however also depend on factors that are inherently future, uncertain and not controllable *ex ante*.

In light of the above, the Board of Directors has duly requested and obtained the information deemed necessary to analyse the above circumstances. As of the date of preparation of these consolidated financial statements, all the circumstances from A. to C. have been positively resolved, as will be explained in detail below, while the only remaining uncertainty that may cast doubt on the ability of the Parent and the Group to continue to operate as a going concern is the achievement of the objectives set out in the Plan, which are ultimately the repayment of financial debts in December 2024 or the refinancing of the remaining debts at the best market conditions. Based on the analyses carried out, the Parent and the Group deemed it appropriate to use the going concern assumption to draft these consolidated financial statements.

In particular, the Board of Directors based its conclusions on the basis of the following considerations, with reference to each of the elements of uncertainty set out above:

(i) With decrees dated 10 January 2020, notified to Trevifin, Trevi S.p.A. and Soilmec S.p.A. on 21 January 2020, the Court of Appeal of Bologna upheld the appeals against the decisions of the Court of Forlì rejecting the approval of the Restructuring Agreement, deeming the reasons put forward by the claimants to be well founded, and therefore approved the Restructuring Agreement itself.

(ii) On 31 March 2020, the second part of the Closing was successfully completed for the sale of the Oil & Gas division of Trevi Group to MEIL Global Holdings BV.

(iii) On 29 April 2020, CONSOB authorised by means of Note prot. no. 0393199/20, the publication of the IPO Prospectus relating to the offer of Trevifin shares (the "Notice of Rights") and the admission to trading of newly issued shares and warrants called "Loyalty Warrant Trevi Finanziaria Industriale S.p.A.” (the "Warrants") on the Mercato Telematico Azionario (Italian Electronic Stock Exchange), organised and managed by Borsa Italiana S.p.A.

(iv) On 29 April 2020, the lending banks party to the Restructuring Agreement, through the agent, confirmed that all the conditions precedent provided for in the Restructuring Agreement had been fulfilled, and that therefore the Agreement must be considered fully effective in all its provisions from that date. In the context of the above notice, the banks have also confirmed that their commitments to subscribe to and release the Capital Increase under the Restructuring Agreement are to be understood as irrevocable and unconditional from that date, as are those under the Investment Agreement;

(v) On 18 May 2020 Trevifin announced that the period for exercising rights of first refusal (the " Rights of First Refusal") relating to the notice of rights (the "Subscription Period") to shareholders of a total of 13,000,118,907 newly issued ordinary shares of the Parent, with no nominal value, having the same characteristics as the outstanding shares and regular dividend rights (the " Shares on Offer") has ended.;

(vi) On 29 May 2020, Trevifin announced that the capital increase, approved by the Board of Directors on 17 July 2019 and 24 February 2020, has been successfully completed and 15,083,921,496 newly issued ordinary shares of the Parent have been subscribed, for a total amount of Euro 150,839,214.96;

(vii) Finally, concerning the uncertainty factors linked to the Plan, it must be recalled that the latter was drafted, based on prudential criteria, with the assistance of leading industrial and financial advisers, it was reviewed several times by the Board of Directors and is, ultimately, in the process of being certified by the appointed expert pursuant to Article 182 bis and approved by the court of Bologna.

In view of the considerations set out above, the Directors have therefore adopted the assumption of the Group’s ability to continue as a going concern in the preparation of the consolidated Financial Statements as at and for the year ended 31 December 2019, as they consider it to be reasonable that the difficult situation that the Group is facing can be overcome through the above actions undertaken and to be undertaken. In summary, during June 2020 the financial manoeuvre will make it possible to obtain a significant capitalisation (totalling around Euro 400 million) connected to the capital increase against consideration of Euro 130 million, to the conversion of a portion of the receivables claimed by the lending banks equal to Euro 284 million and the capital benefit of around Euro 19 million related to the balance and write-off transactions with some financial creditors. In addition, there will be benefits related to the consolidation and rescheduling of the bank debt, which will have final maturity date and relevant bullet repayment as of 31 December 2024, and the amendment of the relevant terms and conditions.
It must be acknowledged that the existence and overcoming of uncertainties regarding the implementation of the Plan depends only in part on variables and internal factors that can be controlled by the Parent’s Management, while on the other hand it depends on external factors that have been assessed according to the criteria of reasonableness described above.

Concerning the spread of the COVID-19 epidemiological emergency in Italy and in other European and non-European countries, which occurred after the end of the financial year, it should be noted that the Board of Directors had assumed that the state of national and international emergency would last for a full quarter (1 March 2020 - 31 May 2020) concerning the geographical areas in which the Group operates, with confinements and limitations to transport and industrial activities, assuming a gradual recovery for the following period, as well as that the Group would continue to operate, avoiding unnecessary costs and aiming not to lose possible sales in countries not affected by the Coronavirus emergency and in countries that seem to have emerged from it already showing some signs of recovery. The negative impact on the Group's results expected for 2020, resulting from the pandemic, falls in any case overall within the range envisaged by the sensitivity analyses carried out on the Business Plan by the Expert as part of the Certification, also considered (this negative impact) together with the deviations recorded for 2019.

Format of the Financial Statements

The Consolidated Statement of profit or loss aggregate costs and revenue by nature as this classification is deemed more useful for understanding the Group's financial performance.

The Consolidated Statement of Comprehensive Income includes the loss for the year and changes in equity other than owner transactions.

The consolidated Statement of Financial Position is classified on the basis of the operating cycle, with the distinction between current and non-current items. On this basis, assets and liabilities are considered current if it is assumed that they will be realised or settled within the normal operating cycle of the Group and within twelve months of the end of the reporting period.

The Consolidated Statement of Cash Flows is drawn up using the indirect method to determine cash flows deriving from financing or investing activities.

For the purpose of drafting these consolidated financial statements, the Parent and the Italian and foreign subsidiaries have drawn up the individual statements of profit or loss, statements of comprehensive income, statements of financial position and statements of cash flows in accordance with the IFRS, adjusting their financial statements drafted in accordance with local regulations. The reporting packages of subsidiaries, associates and joint ventures are available at the registered office of TREVI - Finanziaria Industriale S.p.A.

Consolidation criteria

The Consolidated Financial Statements include the Financial Statements of TREVI - Finanziaria Industriale S.p.A and its subsidiaries at 31 December 2019.

<u>Subsidiaries:</u>

Control is obtained when the Group is exposed or is entitled to variable returns, deriving from its relationship with the investee and, at the same time, can influence these returns by exercising control over that entity.

Specifically, and pursuant to the provisions of IFRS 10, the companies define themselves as subsidiaries if and only if the Parent:

- the power over the investes (i.e. holds valid rights that give it the current ability to direct the relevant assets of the investee);
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- can use its power over the investee to affect returns.

When the Group holds less than 50% of the voting rights (or similar rights) it must consider all the relevant facts and circumstances to establish if it controls the investee.

The Group assesses whether or not it has control over an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements relevant for purposes of defining control.

The financial statements of all subsidiaries have the same reporting date as the Parent, TREVI - Finanziaria Industriale S.p.A.

The financial statements of the subsidiaries are consolidated using the line by line method from the moment control is acquired until the date of its possible termination. Line by line consolidation requires that assets and liabilities, as well as the costs and revenue of the entities to be consolidated, be fully consolidated, attributing the share of the investments in equity and the profit or loss for the year to the relevant Statement of Financial Position, Statement of profit or loss and Statement of Comprehensive Income items.

Under IFRS 10, the total loss (including the profit/loss for the year) is attributed to the owners of the parent and non-controlling interests also when the equity attributable to non-controlling interests is negative.

Payables/receivables and cost/revenue between companies within the scope of consolidation and the effects of all significant transactions between these companies are eliminated. Unrealised gains with third parties deriving from intragroup transactions, including those from a valuation of inventories at the end of the reporting period, are eliminated.

The carrying amount of the investment in each of the subsidiaries is eliminated in respect of the corresponding portion of the equity of each of the subsidiaries including any adjustments to fair value on the date of acquiring control. Goodwill at the purchase date is calculated as described below and is recognised in intangible assets whilst any “gain from a bargain purchase (or negative goodwill)” is recognised in the statement of profit or loss.

Under IFRS 10, the partial disposal of an investment in a subsidiary while control is retained is accounted for as an equity transaction. In these circumstances, the carrying amount of the increased or decreased investment is adjusted to reflect the changes of the investment in the subsidiary. Any difference between the amount adjusted for non-controlling interests and the fair value of the purchase price paid or received is recognised directly in equity and attributed to the shareholders of the Parent. If the parent loses control of a subsidiary, it:

- derecognises the assets (including any goodwill) and liabilities of the subsidiary based on their carrying amounts on the date that control is lost
- derecognises the carrying amount of any non-controlling interests in the former subsidiary on the date that control is lost (including any other item of other comprehensive income attributable to it)
- recognises the fair value of any consideration received as a result of the transaction, the event or circumstances that determined the loss of control
- recognises, if the transaction that resulted in the loss of control involves a distribution of shares of the subsidiary to owners in their capacity as owners, that distribution
- recognises any investment retained in the former subsidiary at its fair value on the date control is lost
- reclassifies under profit or loss for the year, or to retained earnings if required under other IFRS, amounts previously recognised in other statement of profit or loss items with regard to the subsidiary;
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

Associates:

Associates are those in which the Group exercises significant influence. Significant influence is when it can influence the financial and management policies of the associate without having control or joint control over it. A company is deemed to have significant influence when it holds an important share (between 20% and 10%) of the voting rights in the Shareholders' Meeting of a company.

Investments in associates are recognised in the consolidated financial statements using the equity method in accordance with IAS 28 (“Investments in Associates and Joint Ventures”).

The investment is initially recognised at cost and subsequently at cost adjusted for the changes in the investor’s share of the equity of the investee.

The Group's share of the profits or losses of associates, following purchase of the investments in associates, is recognised under the profit or loss for the year.

Unrealised gains or losses from transactions with associates are eliminated to the extent of the Group's interest in the associate.

Following the application of the equity method, the Group assesses whether it is necessary to recognise an impairment loss on its investment in the associate. At the end of every reporting period, the Group assesses if there is any objective evidence that an investment in an associate is impaired. The Group calculates the impairment as the difference between the recoverable amount of an investment in an associate and its carrying amount and recognises any difference in its consolidated financial statements under “share of profit/loss of associates”.

Use of the equity method ceases from the date that significant influence ceases and the residual amount of the investment is recognised at fair value. The difference between the sum of the proceeds received and any retained interest and the carrying amount of the associate on the date significant influence is lost is recognised in the statement of profit or loss.

Joint Ventures:

IFRS 11 ("Joint arrangements") defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement in which the parties that hold joint control have rights over the net assets of the arrangement. Under IFRS 11, a joint venturer recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 (“Investments in Associates and Joint Ventures”).

Translation into Euro of the financial statements of foreign companies:

The Consolidated Financial Statements are in Euros, which is the functional and presentation currency of the Parent. The financial statements of foreign companies that are consolidated are translated into Euros applying the current exchange rate method, which requires the use of closing rates for assets and liabilities and the average exchange rates for the year for statement of profit or loss items. Differences deriving from the translation of opening equity to the closing rates compared to the opening amount and those arising from the translation of the statement of profit or loss at the average exchange rates for the year are recorded in a translation reserve included in the Statement of Comprehensive Income.

Exchange gains and losses resulting from the application of this method are classified as a Statement of Comprehensive Income item up to the termination of the investment, at which time these gains and losses are taken to profit or loss.

The exchange rates used for 2019 were as follows (foreign currency corresponding to 1 Euro, source: Bank of Italy):

Currency		**Average exchange rate for 31 December 2019**	**Closing rate at 31/12/2019**	**Average exchange rate for 31 December 2018**	**Closing rate at 31/12/2018**
Pound sterling	GBP	0.88	0.85	0.89	0.90
Japanese Yen	JPY	122.01	121.94	130.40	125.85
US Dollar	USD	1.12	1.12	1.18	1.15
Turkish Lira	Certified email address (TRY)	6.36	6.68	5.71	6.06
Argentine Peso	ARS	53.82	67.27	32.91	43.16
Bolivar Soberano	VES	14,693	52,308		729.80
Nigerian Naira	NGN	343.05	344.32	360.90	350.94
Singaporean Dollar	SGD	1.53	1.51	1.59	1.56
Philippine Peso	PHP	57.99	56.90	62.21	60.11
Chinese Renminbi	CNY	7.74	7.82	7.81	7.88
Malay Ringgit	MYR	4.64	4.60	4.76	4.73
UAE Dirham	AED	4.11	4.13	4.34	4.21
Algerian Dinar	DZD	133.68	133.89	137.65	135.49
Hong Kong Dollar	HKD	8.77	8.75	9.26	8.97
Indian Rupee	INR	78.84	80.19	80.73	79.73
Australian Dollar	AUD	1.61	1.60	1.58	1.62
Libyan Dinar	LYD	1.57	1.57	1.61	1.60
Saudi Arabian Riyal	SAR	4.20	4.21	4.43	4.29
Brazilian Real	BRL	4.41	4.52	4.31	4.44
Danish Crown	DKK	7.47	7.47	7.45	7.47
Kuwaiti Dinar	KWD	0.34	0.34	0.36	0.35
Thai Baht	THB	34.76	33.42	38.16	37.05
Colombian Peso	COP	3,674.52	3,688.66	3,486.70	3,721.80
Mozambique Metical	MZN	69.94	69.59	71.29	70.51
Russian Ruble	RUB	72.46	69.96	74.04	79.72
New Belarusian Ruble	BYN	2.34	2.37	2.41	2.47
Chilean Peso	CLP	786.89	844.86	756.94	794.37
Canadian Dollar	CAD	1.49	1.46	1.53	1.56
Mexican Peso	MXN	21.56	21.22	22.71	22.49
Egyptian Pound	EGP	18.84	18.02	21.04	20.51
Iraqi Dinar	IQD	1,324.34	1,328.98	1,397.07	1,354.54
Norwegian Crown	NOK	9.85	9.86	9.60	9.95
Uruguayan Peso	UYU	39.43	41.84	39.43	36.23

Financial reporting in hyperinflationary economies

In Argentina, following a long period of observation of inflation rates that have exceeded 100% over the last three years and other indicators, a consensus has been reached at a global level regarding the occurrence of conditions that determine the presence of hyperinflation under IFRS. It follows that, as of 1 July 2018, all companies operating in Argentina are required to apply IAS 29 - "Financial reporting in hyperinflationary economies" when preparing financial reports. With reference to the Group, the consolidated financial results at 31 December 2018 and 31 December 2019 do not include the effects deriving from the application of the standard as mentioned above, as the financial statements for the Consolidated Financial Statements are already in hard currency (USD).

Venezuela is also a country subject to high inflation, which makes IAS 29 applicable. However, the financial statements for the purposes of the Consolidation are already prepared in hard currency (Euro), with the consequent disregard of this standard.

Scope of consolidation

Compared with 31 December 2018, the scope of consolidation has been changed to include the newco Trevi Pilotes Uruguay, a company based in Uruguay and wholly owned by the subsidiary Pilotes S.a.c.i.s.m.
Also, the Group liquidated the following companies: Trevi Angola and IDT RSM. During December 2019, the subsidiary Soilmec SpA completed the sale of its entire stake in Watson Inc.
Lastly, the Group increased its controlling interest in Arabian Soil Contractors from 84.16% to 100% through its subsidiary Trevi Geotechnik GmBh.

Associates in which the Parent directly or indirectly holds a non-controlling interest and Joint Ventures are measured at equity. Annex 1a shows investments measured at equity. Equity accounting is carried out with reference to the last approved financial statements of these companies.
Non-controlling interests and investments in minor consortia or non-operating companies for which no fair value exists are measured at cost and adjusted for any impairment losses. In particular, limited liability consortia and consortia specifically set up as operating entities for projects or works acquired by a consortium including other companies and in existence for a limited period, which have financial statements with no operating profit because they offset any direct costs by a corresponding charge to the combined businesses of the consortium, are cost accounted.

The company Hercules Trevi Foundation A.B. has been measured at cost, as it is immaterial in size. The above company was set up in prior years for specific projects in its relevant countries of origin. The percentage of ownership is as follows:

Company	***% of investment***
Hercules Trevi Foundation A.B.	49.89%

For more information on all investments measured at cost, see the Group organisational chart (annex 2).

Discontinued operations

The restructuring operation involves the exclusive focus of the Group on its core business consisting of underground engineering and, therefore, the activities of special Foundations, tunnel excavation and soil consolidation and the construction and marketing of machinery and specialist equipment in the sector. This led to the consequent **disposal of the Oil & Gas Division**. Concerning this, it was necessary to present these assets as **"Discontinued operations"**.

Under IFRS 5, the statement of financial position and statement of profit or loss balances relating to assets and liabilities relating to the discontinued operations for 2019 and the previous year have been presented. The group expects to continue to provide sales to the divested business in the future and has therefore decided not to eliminate intra-segment transactions between the Foundations segment and the Oil&Gas segment, while intra-segment transactions are in any case eliminated.

Sale and Purchase Agreement – SPA

Following the binding offer submitted by MEIL on 4 December 2018 and accepted by Trevifin on 5 December 2018, on 5 August 2019, Trevifin, Trevi S.p.A., Soilmec S.p.A., Trevi Holding U.S.A. Corporation (jointly, the "Sellers") and MEIL Global Holdings B.V., a Dutch company directly controlled by MEIL (the "Buyer") signed a sale and purchase agreement (the "Sale and Purchase Agreement") aimed at governing the terms and conditions of the sale to the Buyer of the Oil & Gas division comprising the entire share capital of Drillmec S.p.A., Petreven S.p.A. and Drillmec Inc. as well as certain subsidiaries and investees of the latter (the "Oil&Gas Divestment").

Under the Sale and Purchase Agreement, prior to the transfer of the Oil & Gas Division, the Sellers and the companies of the Oil & Gas Division were required to carry out certain operations and preliminary activities that were key and preliminary to the completion of the Oil & Gas Divestment and, in particular, to ensure that the scope of the Oil & Gas Division subject to this Divestment included all assets, contracts and investments relating to the performance of the core business of the Oil & Gas Division.

In fact, between 28 February 2020 (date of First Closing) and 31 March 2020 (date of Second Closing), Trevifin, Trevi, Soilmec, Trevi Holding USA (jointly, the "Sellers"), on the one hand, and MEIL Global Holdings B.V., a company under Dutch law directly controlled by MEIL (the "buyer" and, jointly with the Sellers, the "Oil&Gas Divestmentl Parties"), on the other hand, executed the contract, transferring to the buyer the entire share capital of Drillmec, Petreven, Drillmec Inc. and certain subsidiaries and investees of the same (the "Oil&Gas Divestment"), for a debt-free consideration of approximately Euro 116.4 million (the "Price").

As provided for in the "Sale and Purchase Agreement", the Oil&Gas Divestment was carried out in two stages in order to provide the Issuer with the necessary resources to redeem certain assets leased and used by the companies of the Oil & Gas division (the "Leased Assets") and transfer such assets to Drillmec and Petreven by means of specific contributions in kind, prior to the final full sale of the companies to the Buyer.

During the first part of the closing (the "First Closing"), following payment by the Buyer to Trevifin of a portion of the Price equal to about Euro 20.2 million, the following actions took place: (a) a non-controlling interest in Petreven was transferred to the Buyer; (b) Trevifin redeemed the Leased Goods using the portion of the Price paid by the Buyer; and (c) Trevifin transferred the Leased Goods already redeemed to Petreven and Drillmec.

The Second Closing was, instead, executed by means of: (a) the transfer from the Sellers to the Buyer of the entire share capital of Drillmec, Petreven (net of the non-controlling interest already transferred in connection with the First Closing) and Drillmec Inc.; (b) the payment by the Buyer of an additional portion of the Price (for further information, see below); and (c) the signing of the following agreements (the "Ancillary Agreements"): (a) the so-called Final Escrow Agreement, containing the terms and conditions for deposit, management and release by Cordusio Fiduciaria S.p.A. (entity identified by the Oil&Gas Divestment Parties as trustee) of the Oil & Gas Escrow; (b) the so-called Non-Compete and Non-Solicitation Agreement by which the Sellers have assumed certain non-compete and non-solicitation obligations in respect of the Buyer for a period of five years from the Second Closing; (c) a framework agreement by which Trevifin has undertaken to provide the companies of the Oil & Gas Division, at their request, with certain services related to HR, tax, corporate secretary, technical and technological assistance for a period of 12 months from the Second Closing; and (d) a contract by which Trevifin granted the companies of the Oil & Gas Division the use, free of charge, for a period of 12 months from the Second Closing, of certain intellectual property rights held by Trevifin and used by the companies of the Oil & Gas Division.

Please note that, following the signing of the Sale and Purchase Agreement and prior to the First Closing, in accordance with the Restructuring Agreement, among other things: (a) 100% of the Financial debt of the companies of the Oil & Gas Division (the "Oil & Gas Debt") (the "Oil & Gas Debt Acceptance Deed") was transferred to Trevifin pursuant to Article 1273 of the Italian Civil Code; and (b) the entire Financial debt of the Oil & Gas division in respect of the Group was extinguished as a result of offsetting and/or specific waivers.

Below are the main assets and liabilities of the Group held for sale, classified under assets and liabilities held for sale:

Statement of profit or loss data		
(Euro '000)	**2019**	**2018**
Revenue	192986	179,659
Operating loss	(25,850)	(14,639)
Loss for the year	(43,824)	(20,795)
Statement of financial position data		
(Euro '000)	**31/12/2019**	**31/12/2018**
Non-current assets (*)	132210	119,111
Current assets	178047	227,665
Non-current liabilities	15495	13,570
Current liabilities	119244	123,452

(*) data gross of the capital loss generated by the divestment of the Oil & Gas segment pursuant to IFRS 5.

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The most significant criteria adopted in drafting the consolidated Financial Statements as at 31 December 2019 are the following:

Property, plant and equipment

Property, plant and equipment are measured at cost as required by IAS 16. Under this standard, property, plant and equipment are stated at their acquisition or production cost, including direct costs incurred, and subsequently adjusted for

depreciation, impairment losses and impairment gains.
Depreciation is calculated and charged to profit or loss on a straight line basis over the useful life of the asset on the depreciable amount, equal to the cost of the asset at the recognition date less its residual value.
Borrowing costs directly attributable to the acquisition, construction or production of an asset are taken to profit or loss.
The capitalisation of costs related to the expansion, updating or improving of assets for own use or in use by third parties is only effected when these costs meet the requirement for them to be classified as a separate asset or part of an asset.
The depreciable value of each significant component of an asset with a different useful life is divided on a straight line basis over the expected useful life.

Description	**Years**	**%**
Land	Indefinite useful life	-
Industrial buildings	33	3%
Lightweight constructions	10	10%
General equipment	20	5%
Drilling equipment	13	7.5%
Miscellaneous minor equipment	5	20%
Motor vehicles	5-4	18.75%-25%
Cars used for transport	10	10%
Excavators and shovels	10	10%
Furniture and office equipment	8.3	12%
Electrical and electronic office machines	5	20%
Small boats	20	5%

Note: The estimated useful life of the industrial building at Gariga di Podenzano (PC), the headquarters of Drillmec S.p.A., is 20 years.

The depreciation criteria used, the useful life and the residual value, are calculated at least as often as the end of each reporting period in order to take account of any significant changes and are adjusted prospectively where necessary.
Capitalised costs for leasehold improvements are recognised in the relevant asset category and depreciated for the shorter of either the residual lease term or the residual useful life.
The carrying amount of property, plant and equipment remains in the Statement of Financial Position as long as that amount can be recovered from their use. An asset is derecognised at the moment of its sale or when any future economic benefits will cease to derive from its use or sale. Any gains or losses (calculated as the difference between the net consideration received and the carrying amount) are recognised in statement of profit or loss on derecognition.
Ordinary maintenance costs are entirely recognised in the statement of profit or loss. Those increasing the value of the asset, by extending its useful life, are capitalised.

Business Combinations

Business combinations are recognised using the acquisition method. Under this method, the cost of an acquisition is measured as the sum of the consideration transferred, measured at fair value at the acquisition date (calculated as the fair value of the assets transferred and liabilities assumed by the Group at the acquisition date and of any equity instruments issued in exchange for control of the acquired entity and the amount of non-controlling interests in the entity acquired). All other costs directly associated with the transaction are immediately expensed in the statement of profit or loss.
The fair value of identifiable assets acquired and the liabilities assumed are measured at fair value on the acquisition date; the following items are excluded and are measured in accordance with the relevant accounting standard:

- Deferred tax liabilities and deferred tax assets;
- Assets and liabilities for employee benefits;
- Share-based payments for the acquired entity or payment with Group shares issued in exchange for contracts of the acquired entity;
- Assets held for sale and Discontinued Operations.

Goodwill is the difference between the sum of the consideration paid, the equity attributable to non-controlling interests and the fair value of any previously held equity interest in the entity and the acquiring enterprise's fair value of identifiable assets acquired less the liabilities assumed. If the amount of the net assets acquired and liabilities assumed at the acquisition date exceeds the sum of the amounts transferred, the equity attributable to non-controlling interests and the fair value of any equity investment previously held in the acquired company, this excess is recognised immediately in the statement of profit or loss as income deriving from the transaction.

Non-controlling interests are measured at the transaction date using either the fair value of the non-controlling interests or the proportionate interest of the fair value of net identifiable assets of the entity acquired. The method used is decided on a transaction by transaction basis.

Any contingent considerations in the business combination contract are measured at fair value on the acquisition date and included in the consideration transferred for the business combination in order to measure goodwill. Any subsequent changes in this fair value, which can be qualified as adjustments arising during the measurement period, are included in the goodwill retrospectively. Adjustments to fair value that are measurement period adjustments are those arising from additional information that affects the facts and circumstances as they existed on the acquisition date obtained during the measurement period (which cannot exceed twelve months from the date of the business combination).

In the case of business combinations carried out in stages, the equity investment previously held by the Group in the acquired company is remeasured at fair value on the date control is acquired and any resulting profit or loss is recognised in the statement of profit or loss. Any amounts deriving from the previously held investment and recognised in other comprehensive income or expense are reclassified to the statement of profit or loss as if the investment had been sold.

If the initial accounting for a business combination can be calculated only provisionally by the end of the first reporting period, the Group uses provisional amounts in the Consolidated Financial Statements for those entries where calculation is impossible. These provisional amounts are adjusted during the measurement period to take into account the new information obtained on facts and circumstances existing on the acquisition date that, if known, would have had effects on the amount of the assets and liabilities recognised on that date.

Business combinations from before 1 January 2010 are recognised under the previous version of IFRS 3.

Goodwill

Goodwill arising on a business combination is recognised at cost on the acquisition date as described in the preceding section. Goodwill is not depreciated but is tested to identify any impairment losses at least annually or, more frequently, when there is an indication that the asset may have suffered an impairment("impairment test"). In order to test for impairment, goodwill acquired in a business combination is allocated on the acquisition date to the Group cash generating units that will benefit from the synergies of the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those cash generating units. After initial recognition, goodwill is measured at cost net of any accumulated impairment losses.

At the time of the sale of a part or the entire company previously acquired and from the purchase of which goodwill emerged, in determining the gain or loss on the sale, the corresponding residual value of the goodwill is taken into account.

Intangible assets

Intangible assets acquired separately or produced internally in the case of development costs are recognised as assets, when it is likely that the use of the asset will generate future economic benefits and when the cost of the asset can be reliably determined. These assets are measured at acquisition or development cost.

Intangible assets with a definite useful life are amortised on a straight-line basis over their estimated useful life as follows:

– *Development costs:*

Research costs are recognised in the statement of profit or loss at the time they are incurred. Development costs that meet the requirements of IAS 38 to be recognised as assets (the technical possibility of completing the intangible asset, so that it is available for use or sale, the intention and ability to complete, to use or sell the asset, the availability of the necessary resources for completion, the ability to reliably assess the cost attributable during development and the manner in which the asset will generate future economic benefits) are amortised on the basis of their expected future use starting from the moment in which the products are available for economic use. The useful life is revised and amended as the forecasts for its future usefulness.

– *Industrial patent, intellectual property rights, concessions, licenses and trademarks:*

They are measured at cost net of accumulated amortisation, determined on a straight-line basis over the expected period of use unless significant impairment losses are noted. The criteria for the depreciation rate used, the useful life and the residual value are calculated at least as often as the end of each reporting period in order to take account of any significant changes. Intangible assets with an indefinite useful life are not amortisation, but are subject, at least annually, to an impairment test, both as an individual asset and as part of a cash generating unit. The useful life of an intangible asset that is not being amortised is revised at the end of each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset.

Impairment of assets

The Group checks, at least once a year and in any case whenever there are impairment indicators as defined by IAS 36, the recoverability of the carrying amount of intangible assets (including capitalised development costs) in order to determine if there is some indication that these assets may have been impaired. The recoverable amount of property, plant and equipment (land and buildings, plant and machinery, industrial and commercial equipment, other assets and assets under construction) are tested for impairment any time there is an indication that an asset has been impaired.

If there is evidence of impairment, the carrying amount of the asset is reduced to the recoverable amount. The impairment is allocated to non-current assets in a pro-rata proportion to other non-current assets until the carrying amount is zeroed or up to the market value of the individual asset documented by a specific appraisal attesting this market value. The recoverable amount is tested at cash-generating unit level.

The recoverable amount of the asset is assessed by comparing the carrying amount with the higher of the net selling price of the asset and its value in use. To calculate the value in use of the cash-generating unit, the Group calculates the present value of estimated future cash flows, pre-tax, using a pre-tax discount rate that reflects the time value of money represented by the current market risk-free rate of interest and the uncertainty inherent in the asset. Impairment is recognised when carrying amount exceeds the recoverable amount.

When, subsequently, an impairment loss on assets, other than goodwill, no longer exists or decreases, the carrying amount of the asset or the cash-generating unit is increased up to the new estimate of the recoverable amount and cannot exceed the amount that would have been calculated if no impairment had been recognised.

The impairment gain is recognised immediately in the statement of profit or loss.

Financial assets and liabilities

Financial assets and liabilities are treated under IFRS 9, applied from 1 January 2018:

Depending on the characteristics of the instrument and the business model adopted for its management, financial assets are classified into the following three categories:

(i) amortised cost, for financial assets held with the aim of collecting contractual cash flows that exceed the SPPI test as cash flows exclusively represent payments of principal and interest. This category includes trade receivables, other operating receivables included in other current and non-current assets and financial receivables included in other current and non-current financial assets;

(ii) fair value with a balancing entry in equity (FVOCI - fair value through other comprehensive income), for financial assets held with the objective of collecting the contractual cash flows, represented exclusively by the payment of principal and interest, and to realise their value through sale (so-called held to collect and sell business model). Changes in fair value are recognised with an OCI balancing entry, to then be released to the statement of profit or loss at the time of the derecognition;

(iii) fair value through profit or loss (FVTPL), which includes financial assets that failed the SPPI test and those held for trading. In this case, changes in fair value are recognised with a balancing entry in the statement of profit or loss.

The initial recognition takes place at fair value; for trade receivables without a significant financial component, the initial carrying amount is represented by the transaction price. After initial recognition, financial assets that generate contractual cash flows representing exclusively principal and interest payments are measured at amortised cost if held to collect the contractual cash flows (so-called held to collect business model). Under the amortised cost method, the initial carrying amount is subsequently adjusted to take account of principal repayments, any impairment losses and the amortisation of the difference between the repayment amount and the initial carrying amount. Amortisation is carried out based on the effective interest rate, which represents the rate that makes the present value of expected cash flows and the initial carrying amount equal at the time of initial recognition. Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the related loss allowance. Financial assets representing debt instruments whose business model provides both for the possibility of collecting contractual cash flows and the possibility of realising capital gains on disposal (so-called held to collect and sell business model) are measured at fair value through other comprehensive income (from now on also referred to as FVTOCI). In this case, changes in the instrument's fair value are recognised in equity, among other comprehensive income. The cumulative amount of changes in fair value, recognised in the equity reserve which includes the other comprehensive income, is the subject of reversal in the statement of profit or loss when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and impairment losses is recorded in the statement of profit or loss. A financial asset representing a debt instrument which is held for trading or which, although falling within the HTC or HTC&S business models, has not passed the SPPI test, is measured at fair value with the effects recognised in the income statement (from now on FVTPL). Financial assets sold are derecognised when the contractual rights to obtain the cash flows associated with the financial instrument expire or are transferred to third parties. The recoverability of financial assets representing debt instruments not measured at fair value through profit or loss is assessed based on the so-called "Expected Credit Loss model".

Loans and borrowings and bonds

Loans and borrowings and bonds are initially recognised at cost, corresponding to the fair value of the consideration received net of ancillary acquisition costs of the instrument. After initial recognition, loans and borrowings are measured using the amortised cost method; this method provides that amortisation is determined using the effective interest rate, represented by the rate that makes the amount of expected cash flows equal to the initial carrying amount at the time of initial recognition. Ancillary charges for financing transactions are classified as liabilities in the statement of financial position as a reduction of the loan granted, and the amortised cost is calculated taking into account these charges and any discounts or premiums, if any, expected at the time of settlement. The statement of profit or loss effects of the measurement using the amortised cost method are recorded under "Financial income/(expense)".

The fair value of financial assets is determined based on listed bid prices or through the use of financial models. The fair value of unlisted financial assets is estimated using measurement techniques appropriate to the characteristics of the issuer. Financial assets for which the present value cannot be reliably determined are accounted for at cost less impairment.
At the end of each reporting period the presence of any indications that assets may be impaired is assessed and any losses are recognised in the statement of profit or loss. The impairment previously recorded is restored in the event that the circumstances that led to its recognition cease to exist.

Treasury shares

As required by IAS 32, if equity instruments are repurchased, these instruments (treasury shares) are directly deducted from equity under the item Treasury shares. Gains or losses are not recognised in profit or loss on the purchase, sale or cancellation of treasury shares.
Any consideration paid or received, including any transaction costs directly attributable to the capital transaction, net of any associated tax benefit, is recognised directly as a change in equity.
The voting rights of treasury shares are cancelled as is their right to dividends. Treasury shares are used to meet the obligations of any options on shares that are exercised.

Investments in other companies

Investments in companies other than subsidiaries, associates and joint ventures, for which reference must be made to the scope of consolidation, are classified at the time of acquisition under the item "Equity investments" and measured at cost if the calculation of Fair Value is not reliable; in this case the cost is adjusted for impairment in accordance with the provisions of IFRS 9.

Government grants

Government grants are recognised when there is reasonable assurance, regardless of the existence of a formal concession resolution, that the company will comply with the conditions attached to the grants and that the grants will be received, as established by IAS 20 (“Accounting for government grants and disclosure of government assistance").
The grant is taken to profit or loss based on the useful life of the asset for which it is granted, by means of the deferral technique, so as to net the recognised depreciation charges.
A grant relating to expenses and costs already incurred or for immediate financial support to a company, with no future related costs, is recognised as income in the period in which it is received.

Inventories

Inventories are recorded at the lower of purchase cost and net realisable value; any write-down recorded following impairment is reversed if in subsequent years the assumptions that led to the write-down itself no longer exist.
The cost is calculated using the average weighted cost method for raw materials, ancillary materials, consumables and semi-finished materials and the specific cost for the other categories of inventories.
The net realisable value is the estimated selling price during the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Trade receivables and other current assets

Receivables are recorded at amortised cost, or if lower, at their presumed realisable value. If this is expressed in foreign currency, it is translated at the exchange rate prevailing at the end of the reporting period. Receivables due within the payment terms or which carry interest at market rates are not discounted but are recognised at nominal value net of a loss allowance so that they are in line with their estimated realisable value.

Also, this financial statements category includes those portions of costs and income, common, on an accrual basis, over two or more financial years, to correctly reflect the accruals principle.

Factoring of receivables

The Group factors some of its trade and tax receivables.

Transfers of receivables may be recourse or non recourse; some non recourse transactions include deferred payment clauses (for example, payment of a minor part of the purchase price by the factor is dependent on total recovery of the receivables), require a guarantee on behalf of the seller or imply continued material exposure to cash flows from the transferred receivables.

This type of transaction does not meet the requirements of IFRS 9 for the derecognition of assets since the related risks and rewards have not been substantially transferred.

As a result, all receivables assigned through factoring transactions that do not meet the derecognition requirements established by IFRS 9 remain in the Group's consolidated financial statements, even though they have been legally assigned; a financial liability of the same amount is recorded in the consolidated financial statements and recorded under the item Loans and borrowings with other financial backers. All receivables assigned through factoring transactions that meet the derecognition requirements of IFRS 9, i.e. where substantially all risks and rewards are transferred, are eliminated from the statement of financial position.

Gains or losses resulting from the factoring of receivables are recognised when assets are derecognised from the Group's Statement of Financial Position.

Cash and cash equivalents

Cash and cash equivalents are represented by cash, demand deposits with banks and short-term investments (with an original maturity of no more than three months) that are easily convertible into known amounts of money and subject to an insignificant risk of changes in value. They are recognised at fair value.

In the Statement of Cash Flows, cash and cash equivalents include cash and bank accounts, net of bank overdrafts. The latter are included as financial liabilities in current liabilities in the Statement of Financial Position.

Equity

- *Share capital*

This entry is the parent's subscribed and fully paid-up share capital; it is shown at nominal value. The re-purchase of treasury shares, measured at cost including any relevant costs, is recognised as a change in equity and the nominal value of the treasury shares is deducted from the share capital whilst the difference between the cost and the nominal value of the treasury shares is deducted from reserves.

- *Share premium reserve:*

The item includes the excess of the issue price of shares with respect to their nominal value; this reserve also includes differences that emerge following the conversion of bonds into shares.

- *Other reserves*

The items consist of capital reserves for specific purposes relating to the Parent and the adjustments made on the transition to the IFRS.

- *Retained earnings (losses carried forward)*

The item includes the profit or loss of previous years, for the part not distributed or allocated to reserves (in the case of profits) or repaid (in the case of losses) and transfers from other equity reserves when the need for which the latter were set up no longer exists. This item also includes the profit or loss for the year.

De-recognition

A financial liability is de-recognised when the obligation specified in the contract has been discharged, cancelled or has expired. Where a financial liability has been replaced by another from the same lender with substantially different terms, or there has been a substantial amendment of the terms of an existing financial liability, this change is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any differences taken to profit or loss.

Derivative instruments

The Trevi Group adopted a Group policy approved by the Board of Directors on 1 February 2008. All financial instruments are initially measured at fair value on the date the contract is signed and are subsequently measured at fair value. Derivatives are accounted as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
The fair value of financial instruments traded in an active market is calculated, at each reporting date, with reference to market listings or traders' prices (offer price for long-term positions and demand price for short-term positions), without any deductions for transaction costs.
If there is no active market for a financial instrument, fair value is established by using an assessment technique. This technique can include:

- the use of recent transactions at market conditions;
- reference to the current fair value of another instrument that is substantially the same;
- discounted cash flow analysis or other valuation models.

The fair value analysis of financial instruments and further details on their measurement are reported in the paragraph "Additional information on financial instruments" included in this document.
According to IFRS 9, the recognition of changes in fair value varies depending on the designation of the derivative instruments (speculative or hedging) and the nature of the risk hedged (Fair Value Hedge or Cash Flow Hedge).
For those contracts designated as held for trading, changes in fair value are recognised directly in the statement of profit or loss.
In the case of application of the Fair Value Hedge both the changes in the fair value of the hedging instrument and the hedged instrument are recognised in the statement of profit or loss regardless of the measurement method adopted for the latter.
If Cash Flow Hedge is applied, the portion of the change in fair value of the hedging instrument that is recognised as an effective hedge is suspended in the statement of comprehensive income, recording the ineffective portion in the statement of profit or loss. Changes recognised directly in the statement of comprehensive income are released to the statement of profit or loss in the same year or years in which the asset or liability hedged influences profit or loss.
Purchases and sales of financial assets are accounted for on the trade date.

Payables

Payables are recorded at amortised cost. If expressed in foreign currency, the amounts are calculated using the closing exchange rate.

Employee benefits

- *Short-term benefits*

Short-term employee benefits are charged to the statement of profit or loss during the period of service rendered by the employee.

- *Defined benefit plans*

The Parent pays benefits on termination of employment to its employees (TFR - post-employment benefits). These benefits fall into the category of defined benefits, verifiable as to their existence and quantifiable as regards the amount payable but uncertain as to when payment will be required. In accordance with IAS 19, the liability is measured using the projected unit credit method and calculated by independent actuaries. This method calculates the present value of the defined benefit obligation that an employee will receive at the estimated date when the service rendered by the employee ceases using actuarial assumptions (e.g. the mortality rate, the turnover rate of personnel) and financial assumptions (e.g. the discount rate). The present value of the defined benefit obligation is calculated annually by an external, independent actuary. Actuarial Gains and losses relating to defined benefit plans arising from changes in actuarial assumptions used or changes in plan conditions are recognised in the statement of comprehensive income in the period in which they occur. For defined contribution plans, the Parent pays contributions to both public and private pension funds on a mandatory, contractual or voluntary basis. Contributions are recognised as personnel expense.

As of January 1 2007, the Finance Act and related implementing decrees introduced significant changes in the rules governing post-employment benefits, including the choice of the employee as to the destination of his or her accrued benefits. In particular, the employee may choose whether to invest future post-employment benefits into a pension fund or leave them within the Parent.

– *Defined contribution plans*

The Group participates in State defined contribution plans. The contributions paid fulfil the Group's obligations in respect of its employees. The contributions are costs recognised during the period in which the benefit is earned.

– *Share-based payments*

The Parent's senior management and some managers may receive part of the remuneration in the form of share-based payments. Under IFRS 2 the latter are to be considered as plans governed with equity instruments (so-called "equity settled"). The vesting of the right to payment is related to a vesting period during which the managers must carry out their activities as employees. Therefore, during the vesting period, the present value of share-based payments at the grant date is recognised in the statement of profit or loss as a cost with a specific equity reserve as a balancing entry. Changes in the present value subsequent to the assignment date have no effect on the initial measurement. In particular, the cost, corresponding to the present value of the options at the grant date, is recognised under personnel expense based on a straight-line method over the period between the grant date and the vesting date, with a balancing entry recognised in equity.

Provision for risks and charges, contingent assets and liabilities

The provision for risk and charges is for probable liabilities of uncertain amount and/or timing deriving from past events where meeting the obligation would entail the use of financial resources. Provisions are made exclusively for existing obligations, either legal or implicit, deriving from a past event where at the reporting date a reliable estimate of the amount of the obligation can be made. The amount accrued is the best estimate of the necessary cost to meet the obligation at the end of the reporting period. Provisions made are re-assessed at each interim reporting date and adjusted to reflect the best current estimate.

Where settlement of the obligation is likely to be beyond the normal payment terms, the amount of the provision represents present value of future payments expected for the settlement of the obligation.

Contingent assets are not recognised in the financial statements; however, information on contingent liabilities that are possible but not probable are not recognised in the financial statements for those of a significant amount.

Taxes

Current income taxes are calculated on the basis of estimated taxable income for the financial year according to enacted legislation and at the tax rates payable at the end of the reporting period.

The tax rates and the tax rules used to calculate the tax charge are those enacted or substantively enacted at the end of the reporting period in the jurisdictions where the Group operates and where it generates taxable income.

Current taxes for transactions or events outside the statement of profit or loss are recognised outside the statement of profit or loss in other comprehensive income consistent with the transaction or event to which they refer.

Deferred taxes are calculated for all temporary differences between the carrying amounts of assets and liabilities and their tax base (the "liability method"). Deferred taxes are calculated using the tax rates expected to apply when the temporary differences will be realised or settled.

Current and deferred taxes are shown in the statement of profit or loss except where they refer to entries directly taken to the Statement of Comprehensive Income.

Deferred tax assets are recognised against all temporary deductible differences and for tax assets and liabilities carried forward, to the extent that it is probable that adequate future tax profits will be available that could make the use of deductible temporary differences as well as tax assets and liabilities carried forward applicable.

The carrying amount of deferred tax assets is revised at the end of each reporting period and reduced to the extent that it is no longer likely that sufficient taxable profit will be available to allow the credit of part or all of the deferred tax asset to be used. Unrecognised deferred tax assets are revised at each reporting date and are recognised to the extent where it is likely that taxable income will be sufficient to allow for the recovery of these deferred tax assets.

Guarantees and contingent liabilities

They highlight the commitments undertaken, the guarantees given as well as the assets received on deposit for various reasons in respect of third parties not included within the scope of consolidation. Contingent liabilities are stated at nominal value. Financial guarantees are recognised at their fair value under liabilities; the other guarantees are recognised under risk provisions when they fall within the recognition criteria.

Revenue and costs

Revenue from customer contracts is recorded using a five-step model: (i) identification of the contract with the customer;

(ii) identification of the performance obligations provided for in the contract; (iii) determination of the consideration for the transaction; (iv) allocation of the consideration for the transaction to the performance obligations; (v) recognition of revenue when (or as) the individual performance obligation is satisfied.
Revenue from contract work is determined based on the percentage of completion.
Costs are recognised on an accruals basis.

Contract work in progress
Contract work is defined as contracts specifically negotiation for the construction of an asset or a group of assets which are closely related or interdependent in terms of their design, technology and function or their final use. Contract costs are expensed in the financial year they are incurred. Contract revenue is recognised in proportion to the stage of completion of contract activity at the end of the reporting period when the outcome of the contract can be estimated reliably.
When the outcome of a contract cannot be estimated reliably, revenue is recognised only within the limits of the contract costs incurred which are likely to be recovered.
When it is likely that the total costs of a contract exceed the total revenue of the contract, the total estimated losses are immediately recognised as a cost.
Contract revenue is recognised under IFRS 15, particularly in cases where revenue is measured on an "over-time" basis:
- for orders in the "Oil & Gas Segment" and for orders of longer duration in the "Foundations Segment - (Core Business)", the measurement is carried out using the cost to cost method which provides for the proportion between contract costs incurred for work carried out up to the reference date and the total estimated contract costs.
- for orders in the "Foundations Segment - (Core Business)", of shorter duration, the percentage of completion is determined by applying the criterion of "physical measurements" as it approximates the cost to cost.

Recognition of contract work in the statement of financial position is as follows:
- The amount owed by contractors is recognised as an asset, under trade receivables and other current assets, when the costs incurred plus recognised margins (less recognised losses) exceed the advances received.
- the amount of contract work in progress is recorded net of the related advances received from customers and this net balance is shown under trade receivables or other liabilities respectively depending on whether the progress of the individual contracts is higher than the advances received or lower.
- The amount due to contractors is recognised under liabilities, in trade payables and other current liabilities, when the advances received exceed the costs incurred plus recognised margins (less recognised losses).

Financial income and expense
Financial income and expense are recognised in the statement of profit or loss on an accruals basis and using the effective interest method.
Interest income on all financial instruments measured at amortised cost and interest-bearing financial assets classified as available for sale is calculated using the effective interest method, which discounts expected future cash inflows expected over the life of a financial instrument or a shorter period if required, compared to the net carrying amount of the financial asset or liability. Interest income is recognised under financial income in the statement of profit or loss.

Dividends
These are recognised when the shareholders have the right to receive the payment, usually the year in which the Shareholders' Meeting decides on the distribution of dividends.
Dividends distributed to shareholders are recognised as a liability in the Financial Statements of the year in which the distribution is approved by the Shareholders' Meeting.

Earnings per share
Basic earnings per share are calculated by dividing the share of the Group's profit or loss attributable to the ordinary shareholders by the average weighted number of ordinary shares in issue, excluding any treasury shares.
Diluted earnings per share are calculated by taking the share of the profit or loss attributable to the owners of the Parent and dividing it by the average weighted number of shares in issue, taking into account all potential shares with a diluted earnings effect.

Non-current assets held for sale and discontinued operations
A discontinued operation is a component of the Group whose operations and cash flows are clearly distinguishable from the rest of the Group that:

- represents either a separate major line of business or a geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

An operation is classified as discontinued at the time of sale or when it meets the conditions for classification in the 'held for sale' category, if earlier.
When an operation is classified as discontinued, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

Criteria for translating foreign currency items

Receivables and payables in currencies other than Euro are originally translated into Euro at the historical rates prevailing on the date of the relevant transactions.
Exchange rate differences realised on the payment of receivables or the settlement of payables in foreign currencies are recognised immediately in the statement of profit or loss.
Assets and liabilities in currencies other than Euro, excluding plant, property and equipment as well as intangible assets and equity investments, are calculated using the exchange rate prevailing at the end of the reporting period and any relevant exchange rate gains or losses are recognised in the statement of profit or loss. Forward currency contracts are used to cover the fluctuation risk of foreign currencies. The foreign subsidiaries of Trevi S.p.A. draw up accounts in the currency of the main economic area in which they operate (the functional currency). At the end of the reporting period, the amounts of the financial statements expressed in local currencies are translated using the exchange rates at the end of the reporting period published on the website of the Ufficio Italiano Cambi and any differences arising are recognised in the statement of profit or loss.

Use of estimates

The drafting of the Consolidated Financial Statements requires the Management to apply accounting standards and methodologies that, in some cases, employ complex and subjective valuations and estimates. These are based on past experience and assumptions, which are always considered reasonable and realistic given the information available at the time. Taking into account the joint document from the Bank of Italy/Consob/Isvap No. 2 of 6 February 2009, it is specified that estimates are based on the most recent information available to the Management at the time the Consolidated Financial Statements were drawn up without undermining their reliability.
The application of these estimates and assumptions affects the figures in the Consolidated Financial Statements - the Statement of Financial Position, the Statement of profit or loss and the Statement of Cash Flows, as well as those given as additional information. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions on which the estimates are based.
Listed below are the items of the Consolidated Financial Statements requiring the greatest degree of subjectivity on behalf of the Management in establishing estimates and, for which any change in the conditions underlying the assumptions made, would have a significant impact on the Group's Consolidated Financial Statements:

- Impairment losses on non-current assets;
- Contract work in progress;
- Development costs;
- Deferred tax assets;
- Loss allowance;
- Employee benefits;
- Provisions for risks and charges.

Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in profit or loss during the period in which the changes occurred.

Impairment losses on financial assets and financial guarantees

Impairment applies to all financial assets measured at amortised cost and at Fair Value through Other Comprehensive Income (FVOCI). In contrast, those at Fair Value through profit or loss are excluded. Also, the following types of instruments fall within the scope of application:

- Loan Commitments;
- Lease receivables;
- Contract assets;

- Financial guarantees included in IFRS 9.

Among the elements of discontinuity concerning the past, there is also the inclusion of financial guarantees not measured at Fair Value through profit or loss in the scope of application of the provisions of IFRS 9 concerning impairment.

The definition of financial guarantee remains unchanged concerning what was already provided for in IAS 39:

"*A financial guarantee is a contract in which the Company is required to honour the contractual obligations of a third party when that third party fails to repay its creditor.*

The Parent recognises financial guarantees in the consolidated financial statements at fair value on the date of initial recognition or on the date on which they become part of the contractual clauses. Financial guarantees are then subject to impairment; therefore, on subsequent measurement dates, their carrying amount will be equal to the higher of the initial carrying amount, net of any amortisation of costs, and the expected credit loss determined under the new provisions of IFRS 9.

The general rule of impairment set out in IFRS 9 is intended to represent the deterioration or improvement in credit quality in the financial assets held by the Parent. How the amount of expected loss recognised is calculated depends, therefore, on the change in credit risk from the initial recognition of the asset to the measurement date.

Therefore, at each reporting date, the Parent will recognise the loss allowance by distinguishing between different stage of placement that reflects the creditworthiness of the counterparty, in particular:

- **Stage 1** - for assets that have not significantly increased credit risk compared to what was recorded at the time of initial recognition, an allowance should be recognised to reflect the 12-months ECL, i.e. the probability that events of default will occur in the following 12 months (IFRS 9 § par. 5.5.5);
- **Stage 2** - for assets that, on the other hand, have experienced a significant increase in credit risk compared to the initial recognition, an allowance should be recognised to reflect the lifetime ECL, i.e. the probability that events of default occur over the life of the instrument (IFRS 9 §par. 5.5.3).
- **Stage 3** - for assets with actual evidence of impairment, the allowance shall reflect a representative impairment of an ECL on a lifetime basis, with a probability of default of 100% (IFRS 9 §par. 5.5.3).

Also, IFRS 9 §par. 5.5.15 also provides for the possibility of adopting a simplified approach to calculating expected losses for the following categories only:

- Trade receivables and Contract Assets that:
  - Do not contain a significant financial component; or
  - contain a significant financial component, but the Parent establishes at policy accounting level to measure expected losses on a lifetime basis.
- Lease receivables.

The simplified approach starts with the general approach, but does not require the Parent to monitor changes in counterparty credit risk as the expected loss is always calculated on a lifetime basis.

The impairment model described in this operating instruction has been applied to all financial assets as defined in IFRS 9. The main features of the approaches adopted by the Group and envisaged by IFRS 9 are set out below: Simplified Approach and General Approach.

Simplified Approach

The simplified approach has been adopted by the Group with regard to

- trade receivables (including invoices to be issued);
- contract assets ("work in progress" assets net of advances received);
- receivables for advances paid to suppliers.

For these cases, the rules of the simplified approach set out in IFRS 9 were applied, calculating the loss allowance using the product of the following factors:

- **EAD - Exposure At Default**: accounting exposure at the measurement date;

- **PD - Probability of Default**: the probability that the exposure being assessed may go to default and thus not be repaid. As driver for the determination of the probability of default of the exposure, the counterparty-specific probability was considered. In particular, the PD has been determined using external sources (info-provider) and where no counterparty-specific data are available, an expressive PD of the market segment to which the counterparty belongs has been applied or, in the case of an unrepresentative sample, the average PD representative of the loan portfolio as the last alternative. For exposures to government counterparties, the PD used is that relating to the reference country of the counterparty;
- **LGD - Loss Given Default**: expected percentage of loss in case of default of the creditor. The IFRS 9 impairment model provides the possibility to calculate the identified parameter of the expected loss in case of default internally. As an alternative to the latter, given the impossibility of reconstructing a historical database adequate for the calculation of LGD, the Group has decided to adopt the standard parameter defined for banking regulations and equal to 45%.

For financial assets covered by the simplified approach, the period of default has been identified based on the collection statistics for the assets covered by the scope. Therefore:

- for "performing" positions, i.e. those not past due, with exclusive reference to trade receivables and invoices to be issued, the PD is defined over a reference time horizon of 60 days, consistent with the average payment extension horizon agreed by the Group on the basis:
  - of the different geographical areas in which the individual legal entities of each division operate whose average payment deferrals differ but deviate from an average Group horizon of 2 months;
  - the characteristics of the business in which the Company operates and the characteristics of the trade receivables which, for the majority of the receivables issued, require a delay of payment in the short-term;
- for positions past due within the period of default (set at a threshold of 360 days after the maturity date of the receivable), the PD is expressed over a time horizon of 1 year. The Group has agreed to apply a default threshold different from that defined by IFRS 9 (i.e., ninety days past due), rejecting this presumption (see IFRS 9, para. B5.5.37) on the basis of:
  - the obvious delays in payments by its customers, which very often occur more than 90 days after the expiry of the document;
  - from possible delays in payments due to the characteristics of the business in which the company operates and, more specifically, from potential delays in the supply of goods and services that the Group offers its customers, generating a balance from customers only after service, rather than the physical delivery of a good. Specifically:
    - temporary payment difficulties of public administrations;
    - a slowdown in sales of goods under construction;
    - objective difficulties in collecting payments from customers in certain countries dictated by contingent situations of a legislative or currency nature;
    - temporary impediments due to the relationship between customer and supplier that develops during an order;
    - due date that is not easy to determine in the case of withholding payments or sums previously subject to litigation;

  With regard to the individual divisions of the Group: for the Soilmec division, sales are mainly made through dealers/agents with whom there is a "credit line" that is regularly monitored. Expired items are in any case guaranteed by machines in stock at the yard of the dealer. On sales, moreover, except for a few cases, payment is made at the same time as the delivery of the equipment or with an agreed extension for particular customers with whom there is a "historical" relationship.

  Regarding the Trevi division, on the other hand, and more in detail to "temporary payment difficulties of public administrations" as well as "objective difficulties in collecting difficulties from customers in certain countries dictated by contingent situations of a legislative nature", the following are some edifying examples of payment delays of more than 90 days:

- Collection in May 2019 by the Port Authority of Naples of receivables for invoices issued in July 2018. These receivables relate to the Final Progress Report. The delay is due to several factors, including an internal analysis by the Port Authority of the correct accounting of the entire contract, and the verification of the fulfilment of the payments of the various subcontractors.
- Collection on various dates in 2019 of receivables from the Algerian customer Cosider also for invoices in 2017. The delay is due to 2 main factors: the delay with which Trevi SpA issued some contractual sureties; the level of greater bureaucracy in the controls by the Algerian Central Bank for remittances abroad than in the past.

For these reasons, the Group has extended the recognition of a default by opting for the application of a threshold equal to 1 year, considering the exceeding of this threshold as an identification of a real difficulty of the counterparty in meeting its debtor commitments, generating a credit default for the Group companies.

- for positions past due beyond the period of default, on the other hand, the PD was set at 100%.

The model for measuring the impairment of contract assets and advances to suppliers, similarly to what is defined for past due trade receivables but not in default, provides for the application of an expressive PD of a 1-year time horizon.
However, the application of quantitative rules for the calculation of the loss allowance may be followed by the application of a specific allowance percentage for certain positions (i.e. customers) based on the experience of management and/or specific qualitative information available.

General Approach

On the other hand, Concerning the items covered by IFRS 9 impairment which present the conditions for the application of the General Approach, the Parent has defined a methodology of Expected Credit Loss for each credit quality cluster defined for these exposures.

Financial Guarantees
As mentioned above, the general approach provides that the definition of the parameters used to calculate the amount of expected loss recognised depends on the change in the credit risk that the asset has undergone since initial recognition at the measurement date.
In assessing the increase in credit risk, the Group has taken into account all reasonable and acceptable information that it has available or can obtain without incurring excessive costs.
The Standard[1] also provides an illustrative list of variables that can be considered as drivers for increasing credit risk, and that can be distinguished into macroeconomic data (regulatory changes, political instability), counterparty data (worsening in financial performance, downgrade of credit rating), market data (CDS, credit spread, rating) and contract data (impairment in collateral, adverse contract changes).
Consequently, the calculation of the impairment on these items was carried out in application of the following rules:

- **Stage Allocation**: the allocation to stage of the Holding's financial guarantees has been driven by qualitative and quantitative drivers. Specifically, the Group used as a primary parameter the rating provided by the Italian rating company (classified ECAI - External Credit Assessment Institutions) Cerved SpA and the change in the probability of default. As qualitative parameters, on the other hand, the Parent made use of the debt restructuring and "freezing" agreements established with the Group's lending banks.

    - Based on the parameters used for stage allocation, the financial guarantees given by Trevi Finanziaria SpA to the divisions, belonging to the entire Trevi Group, have been classified as Stage 3[2], i.e. within the cluster identifying an increase in credit risk from initial recognition date ("significant increase in credit risk from initial recognition date") such as to show an actual impairment loss. To calculate IFRS 9 impairment, therefore, the PD has been set at 100%.

    - The observations and analyses carried out by the Group derive from the application of IFRS 9, which requires, also to the use of quantitative indicators for the evaluation of "significant increase in credit risk

[1] IFRS 9 §par. B.5.5.17.
[2] The stage 3 classification, with the consequent lifetime incurred loss measurement of impairment, of the guarantees granted to the Construction segment (Trevi SpA and Soilmec SpA) and the Oil&Gas segment (Petreven and Drillmec) of the Group, derives from the rating withdrawn last July 2018 by the rating agency Cerved, previously downgraded to the last rating class on the same agency's scale (C2.1).

since initial recognition", to consider "qualitative and non-statistical quantitative information". (IFRS 9, Art. B5.5.18[3]) which, on their own, may be sufficient to assess the degree of risk achieved by the instruments being assessed.

The objective evidence used by the Parent for classification as Stage 3 derives from a progressive worsening of the financial results which required the start of a complex and articulated negotiation with the Group's main lending banks.

- **Expected loss calculation**: as described for the Group's trade receivables, the calculation of the Expected Credit Loss for positions relating to the financial guarantees provided was carried out using the product of the three risk parameters:
    - **PD - Probability of Default** expressive of a time horizon equal to the residual maturity of the financial collateral (so-called Lifetime) for financial collateral allocated to stage 2 or 100% for positions allocated to stage 3 (i.e., in default);
    - **LGD - Loss Given Default**: the calculation model of the impairment allows the application of a Group-specific parameter that covers the actual recovery capacity of exposures in default. In this respect, the parent has prepared an ad hoc analysis for estimating the potential loss at default of the Group divisions, as discussed in the next paragraph;
    - **EAD - Exposure at Default**: equal to the amount of collateral issued by applying a conversion factor for positions off-balance of 100%.

Financial Guarantees - Loss Given Default

The Loss Given Default (LGD) is that parameter that identifies the percentage of loss that the Parent expects to incur in the event of default of the counterparty, the complement to one being the recovery rate (RR), i.e. the percentage of exposure that the Parent expects to recover from recovery of the position.

With specific reference to the financial guarantees provided by Trevi Finanziaria SpA in favour of the Trevi Group divisions, the Parent has carried out an analysis based on the quantification of this parameter in the event of assets being disposed of in the event of default of the same divisions.

The recovery value, therefore, is based on the amount of the assets aggregated by business segment (Construction and Oil&Gas) which the Holding would liquidate if it were to meet the cash outflow due from the collection of the guarantees given to the financial intermediaries.

In particular, in determining the amount of the assets under analysis, both the working capital (trade receivables, payments on account, inventories, work in progress and other receivables) and the amount of non-current assets were taken into account. This amount was then netted of the amount of the financial liabilities that will have to be honoured in the event of liquidation, i.e., post-employment benefits and financial liabilities not covered by the guarantee.

In the process of determining the amount of the assets under analysis, the impairment already calculated for some financial statements items was also taken into account to the extent that the amount of the impairment was deducted from the amount of the assets.

New accounting standards, amendments and interpretations endorsed by the European Union that came into force as of the financial year beginning on 1 January 2019.

IFRS 16

Leases

The Group assesses at inception of a contract, whether it is or contains, a lease. In other words, if the contract confers the right to control the use of an identified asset for a period of time in exchange for consideration.

[3] IFRS 9, Art. B5.5.18:. "In some cases, the qualitative and non-statistical quantitative information available may be sufficient to determine that a financial instrument has met the criterion for the recognition of a loss allowance at an amount equal to lifetime expected credit losses. That is, the information does not need to flow through a statistical model or credit ratings process in order to determine whether there has been a significant increase in the credit risk of the financial instrument. […] Alternatively, the entity may base the assessment on both types of information, ie qualitative factors that are not captured through the internal ratings process and a specific internal rating category at the reporting date, taking into consideration the credit risk characteristics at initial recognition, if both types of information are relevant."

The Group as lessee

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value. The Group recognises the liabilities relating to lease payments and the right-of-use asset representing the right to use the asset underlying the contract.

Right-of-use asset

The Group recognises the right-of-use assets on the inception date of the lease (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made at the effective date or before commencement net of any incentives received.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee must depreciate the right-of-use asset from the commencement date until the end of the useful life of the underlying asset.

Right-of-use assets are subject to Impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises the lease liabilities by measuring the present value of the lease payments not yet paid at that date. Payments due include fixed payments (including fixed payments in substance) net of any lease inducements receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid as guarantees of residual value. Lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period (unless they were incurred to produce inventories) in which the event or condition giving rise to the payment occurs.

In calculating the present value of the payments due, the Group uses the incremental borrowing rate at the commencement date if the implicit interest rate cannot be easily determined. After the commencement date, the amount of the lease liability increases to account for interest on the lease liability and decreases to account for payments made. Also, the carrying amount of lease liabilities is restated in the event of any changes in the lease or for changes in the contractual terms for the change in payments; it is also restated in the event of changes in the assessment of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments.

The Group's lease liabilities are included in item (23) Lease liabilities and loans and borrowings with other financial backers.

Short-term leases and leases of low-value assets

The Group applies the exemption for the recognition of short-term leases relating to certain cars and internal means of transport (i.e., leases that have a duration of 12 months or less from the inception date and do not contain a purchase option). The Group has also applied the exemption for leases relating to low-value assets concerning leases of office equipment whose value is considered low. Short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Changes in accounting and disclosure policies

IFRS 16 supersedes IAS 17 (Leases), IFRIC 4 (Determining whether an Arrangement contains a Lease), SIC 15 (Operating leases–Incentives) and SIC-27 (Evaluating the substance of transactions involving the legal form of a lease). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It requires lessees to account for most leases using a single accounting model in the financial statements.

The accounting method for the lessor specified in IFRS 16 remains substantially unchanged from IAS 17. Lessors will continue to classify leases by distinguishing between operating and finance leases using the same classification principle as in IAS 17. Therefore, IFRS 16 will have no impact on leases where the Group is a lessor.

The Group has adopted IFRS 16 using the retrospective adoption method as amended with the initial application date of 1 January 2019. According to this method, the standard is applied retroactively with the cumulative effect of first-time application recognised on the date of initial application. The Group has chosen to use the practical transition expedient whereby it is not required to recalculate whether the contract is, or contains, a lease on the date of initial application of 1 January 2019. Instead, the Group has applied the standard only to contracts, which at the date of initial application, were previously identified as leases by applying IAS 17 and IFRIC 4.

Below is the effect of the adoption of IFRS 16 at 1 January 2019 (increase/(decrease)) on the Trevi Group including the Oil&Gas sector:

	(Euro '000)
Assets	
Right-of-use assets	42,008
Total assets	**42,008**
Liabilities	
Lease Liabilities	41,969
Discounts	39
Total liabilities	**42,008**
Total adjustments to equity:	**-**

The impact of the Oil&Gas segment on the amounts in the table above amounts to approximately Euro 6,085 thousand both on the Rights-of-use assets and on the Leases Liabilities.

The Group has leases for various types of buildings, cars and various equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date of the contract, distinguishing between operating and finance leases. See note *1. Leases* for accounting standards before 1 January 2019.

On the first-time adoption of IFRS 16, the Group adopted a single approach for recognition and measurement for all leases, except for short-term and low-value leases. See *1. Leases* for accounting policies adopted as from 1 January 2019. The standard contains specific first-time adoption requirements and practical expedients, which have been applied by the Group.

- *Leases previously classified as finance leases*

The Group has not changed the carrying amount of assets and liabilities at the date of the first-time adoption for leases previously classified as finance leases (e.g. right-of-use assets and lease liabilities are measured at the same amount as they were when applying IAS 17). The requirements of IFRS 16 have been applied to these leases since 1 January 2019.

- *Leases previously classified as operating leases*

The Group has recorded right-of-use assets and lease liabilities for those contracts that were previously classified as operating, except for short-term leases (less than 12 months) and low-value leases (unit value of the asset less than €5,000). Right-of-use assets have been recorded at an amount equal to that of the corresponding lease liability, adjusted by the amount of any deferred income or accrued income relating to the lease recognised in the statement of the financial position immediately before the date of initial application. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.
Also, the Group has relied on experience, for example, in determining the duration of leases containing options to extend or terminate the lease.

Based on the above, on 1 January 2019:

- The right-of-use assets of Euro 42,008 thousand have been recognised and presented separately in the statement of financial position, of which Euro 6,085 thousand is attributable to the Oil&Gas segment.
- Lease liabilities for Euro 41,969 thousand have been recorded and included under Lease liabilities and loans and borrowings with other financial backers, of which Euro 6,085 thousand is attributable to the Oil&Gas segment.

Information is provided below on the carrying amounts of right-of-use assets for the entire Trevi Group, including the Oil&Gas segment:

	Properties	Vehicles	Equipment	Total right-of-use assets
	€000	**€000**	**€000**	**€000**
As of 1 January 2019	**13,081**	**3,322**	**25,605**	**42,008**
Increases	944	157	848	**1,949**
Depreciation costs	(5,227)	(1,881)	(12,375)	**(19,483)**
As at 31 December 2019	**8,798**	**1,598**	**14,078**	**24,474**

Information is provided below on the carrying amounts of lease liabilities (included under loans and borrowings) and their movements during the period for the entire Trevi Group, including the Oil&Gas segment:

	2019
	€000
As of 1 January	41,969
Increases	1,949
Interest increase	1,000
Payments	(20,222)
As of 31 December	**24,695**
Current	13,394
Non-current	11,301

Below are the amounts recognised in the statement of profit or loss for the year for the entire Trevi Group, including the Oil&Gas segment:

	2019
	€000
Costs for depreciation of right-of-use assets	19,483
Financial expense on lease liabilities	1,000
Total amount recognised in profit/(loss) for the year	**20,483**

The other amendments and interpretations of the accounting standards and criteria in force since 1 January 2019, regulate matters and cases not present or not relevant to the Group's consolidated financial statements:

Document title	Date of issue	Date of entry into force	Date of endorsement	EU Regulation and date of publication
Prepayment features with a negative offset (Amendments to IFRS 9)	October 2017	1 January 2019	22 March 2018	(EU) 2018/498 26 March 2018
IFRIC 23 - Uncertainty over income tax treatments	June 2017	1 January 2019	23 October 2018	(EU) 2018/1595 24 October 2018
Long-term interests in associates and joint ventures (Amendments to IAS 28)	October 2017	1 January 2019	08 February 2019	(EU) 2019/237 11 February 2019
Plan amendment, curtailment or settlement (Amendments to IAS 19)	February 2018	1 January 2019	13 March 2019	(EU) 2019/402 14 March 2019
The annual cycle of improvements to IFRS 2015-2017	December 2017	1 January 2019	14 March 2019	(EU) 2019/412 15 March 2019

IFRS and IFRIC accounting standards, amendments and interpretations of endorsed by the European Union, not

yet mandatory and not adopted early by the Group at 31 December 2020.

Below are the new accounting standards or amendments to the standards, applicable for financial years beginning after 1 January 2020, whose early application is permitted. The Group has decided not to adopt them in advance for the preparation of these financial statements:

Document title	Date of issue	Date of entry into force	Date of endorsement	EU Regulation and date of publication
Amendments to references to the Conceptual Framework in IFRSs	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 06 December 2019
Definition of Material (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	29 November 2019	(EU) 2019/2014 10 December 2019
Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union
Please note that these documents will only be applicable once the EU has endorsed them:

Document title	Date of issue by the IASB	Effective date of the IASB document	Scheduled date of endorsement by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	**(Note 1)**	**(Note 1)**
IFRS 17 Insurance Contracts	May 2017	1 January 2021 **(Note 2)**	TBD
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of the IASB project on the equity method	Postponed pending the conclusion of the IASB project on the equity method
Definition of a business (Amendments to IFRS 3)	October 2018	1 January 2020	March 2020
	January 2020	1 January 2022	TBD

RISK MANAGEMENT

Aims, management strategies and identification of financial risks

The Finance Department of the Parent and the Finance Managers of the individual subsidiaries manage the financial risks to which the Group is exposed, following the guidelines contained in the Group's Treasury Risks Policy.
The Group's financial assets are mainly represented by cash and short-term deposits, deriving directly from operating activities.
Financial liabilities, on the other hand, include bank loans, bonds and finance leases, whose main function is to finance operating activities.
The risks associated with these financial instruments are interest rate, currency, liquidity and credit risk.
The Trevi Group limits itself to carrying out systematic monitoring of the financial risks illustrated above, since, due to the Restructuring Agreement, it cannot use derivative financial instruments to reduce these risks to a minimum.
The definition of the optimal composition of the debt structure between the fixed rate component and the variable rate component takes place at a consolidated level.
The management of currency, liquidity and interest rate risks is carried out mainly by the Parent and the division sub-holding companies; credit risk management is delegated to the individual operating companies of the Group.

Liquidity risk

Liquidity risk can manifest itself due to the inability to find, at affordable conditions, the financial resources necessary for the Group's operations. The two main factors that influence the Group's liquidity are on the one hand the resources generated or absorbed by the operating and investing activities and, on the other, the expiry and renewability characteristics of the debt or the liquidity of the financial investments. The liquidity requirements are monitored by the central functions of the Group with a view to guaranteeing an effective retrieval of financial resources and / or an adequate investment of liquidity.
The Group continuously monitors the liquidity situation and draws up the periodic and forecast revolving cash flows prepared by all the Group companies, which are then consolidated and analysed by the Parent.
It should be noted that cash and cash equivalents are partially subject to currency restrictions in some countries where the Group operates, as detailed in the following table:

Division	Company	Country	Constraint	Eur mln 31.12.2019
Trevi	Treviicos	USA	CRA - Bonding Company (Subject to Covenant)	*10.0*
Trevi	Trevi Foundations Nigeria Ltd	Nigeria	Currency Restrictions	*8.0*
Trevi	Foundation Construction Ltd	Nigeria	Currency Restrictions	*0.4*
Trevi	Asasat Trevi General Construction Jv Company	Libya	Capital paid following Company Registration	*0.3*
Trevi	Trevi Cimentaciones Ca (Venezuela)	Venezuela	Currency Restrictions	*0.2*
Trevi	Trevi Insaat Ve Muhendislik As	Turkey	Cash Collateral on a revolving line	-
Trevi	Swissboring Overseas Piling Corp. Ltd (Dubai)	Dubai	Cash Collateral on a revolving line	*2.5*
Total				**21.4**

It should be noted that at 31 December 2019, the Group had the current restricted account containing the collection of the First Escrow account relating to the disposal of the Oil&Gas segment under current financial assets.
To date, most of the credit lines with lending institutions are governed by the Restructuring Agreement, which was finalised with the capital increase and the conversion of the banks' receivables into capital.

The geographical distribution of the Group's cash and cash equivalents as at 31 December 2019 is shown below:

Description	31/12/2019	31/12/2018	Changes
Italy	23471	13,896	9,575
Europe (excluding Italy)	7092	7,025	67
United States and Canada	17412	23,545	(6,133)
South America	3510	9,719	(6,209)
Africa	9864	13,209	(3,346)
Middle East & Asia	9663	15,088	(5,426)
Far East and Rest of the World	6697	6,428	269
Total	**77,709**	**88,912**	**(11,203)**

On the other hand, the Group's bank loans at the end of the year are broken down into short and long term:

Short-term loans

Description	31/12/2019	31/12/2018	Changes
Italy	526794	630,573	(103,780)
Europe (excluding Italy)	1754	1,867	(113)
United States and Canada	16913	17,549	(636)
South America	690	1,080	(390)
Africa	15	65	(50)
Middle East & Asia	0	186.036	(186)
Far East	7,027	7,027	0
Rest of the world	0	0	0
Total	**553,193**	**658,348**	**(105,154)**

Medium and long-term loans

Description	31/12/2019	31/12/2018	Changes
Italy	7282	250	7,032
Europe (excluding Italy)	0	6	(6)
United States and Canada	0	0	0
South America	34	75	(41)
Africa	0	0	0
Middle East & Asia	0	0	0
Far East	340	0	340
Rest of the world	0	0	0
Total	**7,656**	**331**	**7,325**

The geographical breakdown of all the financial liabilities, including not only bank loans but also derivatives, finance leases, and loans and borrowings from other financial backers, is given in the following tables:

Current financial liabilities			
Description	**31/12/2019**	**31/12/2018**	**Changes**
Italy	761041	713,309	47,732
Europe (excluding Italy)	2598	43.57	(1,759)
United States and Canada	17248	17,804	(556)
South America	1369	1,798	(429)
Africa	15	71	(56)
Middle East & Asia	0	186	(186)
Far East	9293	9,572	(279)
Rest of the world	76	472	(396)
Total	**791,641**	**747,568**	**44,071**

Non-current financial liabilities			
Description	**31/12/2019**	**31/12/2018**	**Changes**
Italy	28337	14,627	13,710
Europe (excluding Italy)	928	1,055	(127)
United States and Canada	1322	270	1,052
South America	201	13,245	(13,044)
Africa	416	766	(350)
Middle East & Asia	1207	1,978	(772)
Far East	1008	2,057	(1,048)
Rest of the world	0	0	0
Total	**33419**	**33,998**	**(579)**

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will change due to changes in the market price. The market price includes four types of risk: interest rate risk, currency risk, commodity price risk and other price risks, as well as price risk on equity securities (equity risk). Financial instruments affected by market risk include loans and financing, deposits, available-for-sale equity investments and derivative financial instruments.

Interest rate risk

The exposure to risk of changes in market interest rates is connected to both short-term and long-term loans, with a floating interest rate.
As at 31 December 2019, considering the effect of these contracts, about 15% of the Group's loans were at a fixed rate. Following the start of negotiations with the banking system for a debt moratorium, the interest rate risk on medium/long-term debt was suspended pending the definition of the agreement.

	31/12/2019		
	Fixed Rate	**Floating Rate**	**Total**
Loans and Leases	73505	701,423	**774,928**
Bonds	50,000	0	**50,000**
Total Financial Liabilities	**123505**	**701,423**	**824,928**
%	15%	85%	100%

As at 31 December 2019, Group companies had interest rate swap contracts in place.
Despite being of a hedging nature, the Group does not apply the hedge accounting treatment option, acknowledging changes in the fair value in profit or loss.

Interest Rate Hedges				
Instrument	**Original Amount**	**Residual Amount**	**Deadline**	**MTM in Euro**
IRS	50,000,000	10,257,942	2020	**(136,588)**

The fair value of these contracts at 31 December 2019 was a total negative Euro 137 thousand.

Sensitivity analyses using the trend in the Euribor reference rate were carried out on floating rate financial liabilities and bank deposits to measure the interest rate risk at 31 December 2019. Details of these analyses are given in the following table:

Interest Rate Risk					
Thousands of Euros		**-50 bps**	**Net financial position/debt 31/12/2019**		**+50 bps**
Deposits and liquid assets	(443)	88243	88,686	443	89,130
Bank loans and borrowings and derivative instruments	3081	(613,242)	(616,323)	(3,081)	(619,404)
Lease liabilities	1044	(207,694)	(208,738)	(1,044)	(209,781)
Total net financial position/debt	**3681**	**(732,693)**	**(736,374)**	**(3,681)**	**(740,056)**

Currency risk

The Group is exposed to the risk inherent in fluctuations in exchange rates as these affect the its financial position and financial performance. Currency risk exposure can be:

- **Transaction**: changes in the exchange rate between the date on which a financial commitment between counterparties becomes highly probable and/or certain or the date of settlement of the commitment, resulting in a mismatch between expected and actual cash flows;
- **Translation-related:** fluctuations in the exchange rate cause changes in figures of financial statements expressed in a given currency when these are translated into the Parent's currency (Euro) in order to draw up the Consolidated Financial Statements. These fluctuations do not cause immediate changes in expected cash flows compared to the effective cash flows but have an accounting effect on the Group's Consolidated Financial Statements. The effect on cash flows is only manifest when transactions are carried out on the capital of companies within the Group which draw up their accounts in foreign currencies.

The Group assesses its exposure to the risk of changes in exchange rates; instruments used are the correlation of cash flows of the same currency but of the opposite sign, the decrease in commercial and financial advance loans in the same currency with the sales contract, the forward sale of currency and the use of derivative financial instruments. The Group does not use instruments that are explicitly speculative for its hedging activities in respect of the risk of exchange rate instruments; however, if derivative financial instruments do not meet the conditions required for the accounting treatment of hedging instruments required by IFRS 9 or the Group decides not to avail of the possibility of hedge accounting, their fair value changes are accounted for in the statement of profit or loss as financial expense / income.

In particular, the Group manages transaction risk. Exposure to fluctuations in exchange rates is due to its activities in many countries and in currencies other than the Euro, in particular the US dollar and currencies linked to the US dollar. Since there are significant transactions in countries of the dollar area, the Group's consolidated financial statements may be considerably affected by changes in the Euro / USD exchange rates.

The fair value of a forward contract is determined as the difference between the forward exchange rate of the contract and that of a transaction of the opposite sign of the same amount and maturity, assumed at exchange rates and interest rate differentials at 31 December.

To assess the impact of fluctuations in the Euro/US dollar exchange rate, sensitivity analyses of likely fluctuations in this exchange rate were carried out.

Consolidated items considered significant for the purposes of the analysis are: Trade receivables, intragroup receivables and payables, trade payables, loans and borrowings, cash and cash equivalents, derivative financial instruments.

The amounts of these items on which the sensitivity analysis was carried out are those at 31 December 2019. The analyses focused only on those items in US dollars and not those in the functional and presentation currency (the Euro), in the individual financial statements included in the Consolidated Financial Statements.

Considering a depreciation of the US Dollar against the Euro of 5%, the impact on Profit before Tax resulting from this depreciation would, all other things being equal, be approximately Euro 2.4 million. A 5% appreciation of the US dollar would, all other conditions being equal, have an impact on pre-tax profit of approximately €2.7 million. This impact is mainly attributable to adjustments to intragroup trade-related transactions, payables to and receivables from suppliers in foreign currency, and financial items in foreign currency with third parties.

Credit risk

The Group is exposed to credit risk should a financial or commercial counterparty become insolvent.

Due to the nature of its activity, divided into several segments, with a marked geographical diversification of the production units and for the plurality of countries in which systems and equipment are sold, the Group has no concentrated customer or country risk. In fact, credit risk is spread over a large number of counterparties and customers.

Credit risk associated with the normal course of commercial transactions is monitored both by the individual companies and by the Group's financial management.
The objective is to minimise counterparty risk by maintaining exposure within limits consistent with the creditworthiness assigned to each of them by the various Credit Managers of the Group based on historical information on the insolvency rates of the counterparties themselves.
The Group sells mainly abroad and uses financial instruments available on the market, in particular Letters of Credit, to hedge credit risks and uses prepayment and letter of credit instruments for significant projects.

Risks pertaining to business activities abroad

The development of economic and geo-political scenarios has always influenced the Group's financial and industrial activities.
The Trevi Group's revenue from overseas operations maintained a strong trend in terms of consolidation abroad, amounting to 91% of the total revenue.
For this reason, "country risk" is continuously monitored and is distinguished by the risk of insolvency of public and private operators, linked to the geographical area of origin and beyond their control. It is also the risk linked to the origin of a specific financial instrument and dependent on political, economic and social variables.
With specific reference to the countries in which Trevi operates that are most exposed to this type of risk, the following is specified:

Iraq-Kurdistan

Iraq after experiencing some difficult years has returned to producing almost five million barrels of oil a day, reaching its full capacity. The country still needs investments in infrastructure and, more generally, for reconstruction (for which limited resources have been allocated in recent years). This is particularly true for the most damaged areas (the Sunni areas), an element that has exacerbated the population's discontent with Iranian (Shiite) interference in the affairs and government of the country. The clashes between the population and the security forces (which also include Shiite militias) have also caused a large number of casualties and injuries.

Algeria

Algeria is facing the most serious domestic political crisis since the civil war in the 1990s, culminating in the new presidential elections last December. The latter, however, have not yet been "accepted" by the people, which was calling for a zeroing of the political class at the head of the country in the last twenty years; despite the abundance of raw materials (Oil & Gas), Algeria has exhausted its sovereign fund and has an economy substantially closed to the international context.

Risk associated with the trend in commodity prices

The change in the price of materials has a direct impact through purchases
intended for the processing and sale of products and indirectly through investment policies.
Oil prices (Brent) averaged around USD 68 per barrel in 2019, down slightly from USD 70 in 2018. The substantial price stagnation has had a very limited impact on the investment policies of the Companies which, in recent years, due to strong uncertainties, have focused on projects with short-term returns.

Cyber risk

It is in the presence of a cybercrime when the conduct or the material object of the crime is related to a computer or screen-based system, and when the offence is perpetrated by exploiting or attacking the system.
With the aim of constantly increasing and improving the efficiency of ICT Security processes, the Group has continued to adopt new initiatives, tools and procedures aimed at ensuring increasingly high levels of ICT security.

ADDITIONAL INFORMATION ON DERIVATIVE INSTRUMENTS

For derivative instruments recognised in the Statement of Financial Position at fair value, IFRS 7 requires that they are classified according to a fair value hierarchy which reflects the significance of the inputs used to determine the fair value. The fair value hierarchy is composed of three levels:

- Level 1: corresponds to quoted prices for similar instruments;
- Level 2: corresponds to directly observable market inputs other than Level 1 inputs;
- Level 3: corresponds to inputs not based on observable market data.

The following tables show the assets and liabilities as at 31 December 2019 and 31 December 2018 according to the categories provided by IFRS 39.

IFRS 9 Categories Key

Fair Value through Profit or Loss	FVTPL
Fair value through other comprehensive income	FVOCI
Amortised cost	AC
FV - hedging instruments	FVOCI or FVTPL

Below are the disclosures on financial instruments under IFRS7.

	Classes IFRS9	Notes to the consolidated financial statements	31/12/2019	Fair Value in equity	Fair Value through profit or loss	Effect on the statement of profit or loss
ASSETS						
Non-current financial assets						
Other long-term financial receivables	AC	8	3,283			
Total non-current financial assets			**3,283**			
Current financial assets						
Other short-term financial receivables	AC		145			
Current derivative financial instruments	FVTPL	12				
Current financial assets	AC		10,977			
Cash and cash equivalents	AC	13	77,709			
Total current financial assets			**88831**			
Total financial assets			**92114**			
LIABILITIES						
Non-current financial liabilities						
Long-term bank loans and borrowings	AC	15	7,656			
Long-term loans and borrowings from other financial backers	AC	15	25,764			(648)
Non-current derivative financial instruments	FV	15	(0)	(0)		
Total non-current financial liabilities			**33,420**	**(0)**		**(648)**
Current financial liabilities						
Short-term bank loans and borrowings	AC	22	553,193			(21,315)
Short-term loans and borrowings from other financial backers	AC	23	238,316			(3,657)
Short-term derivative financial instruments	FVTPL	24	132		132	
Total current financial liabilities			**791,641**		**132**	**(24,972)**
Total Financial Liabilities			**825061**	**(0)**	**132**	**(25,620)**

The following table gives assets and liabilities at fair value at 31 December 2019, classified according to the fair value hierarchy.

Amounts in Euro ‘000	Classes	Notes	31/12/2019	Fair Value Hierarchy		
				Level 1	Level 2	Level 3
ASSETS						
Non-current financial assets						
Non-current derivative financial instruments						
Total non-current financial assets						
Current financial assets						
Short-term derivative financial instruments	FVTPL	6				
Total current financial assets						
Total financial assets						
LIABILITIES						
Non-current financial liabilities						
Non-current derivative financial instruments		15	(0)		(0)	
Total non-current financial liabilities			**(0)**		**(0)**	
Current financial liabilities						
Current derivative financial instruments	FVTPL	24	132		132	
Total current Financial Liabilities			**132**		**132**	
Total Financial Liabilities			**132**		**132**	

Impairment tests as at 31 December 2019

The Group has revised its indicators of impairment as at 31 December 2019, having taken assumptions of impairment and given the continuing high volatility of the market environment, a test of impairment was carried out for the 2 Cash Generating Units (CGUs) of the Foundations sector of the Trevi Group (Trevi CGU and Soilmec CGU) and for the Group as a whole.
The impairment test, under IAS 36, was initially performed by comparing the carrying amount of the asset or group of assets comprising the cash-generating unit (CGU) with its recoverable amount, the greater of fair value (net of selling expenses, if any) and the value of the discounted net cash flows expected to be generated by the asset or group of assets comprising the CGU (value in use).
More specifically, the impairment test of the first level on the CGUs of the Foundations segment (Trevi and Soilmec) was carried out, in continuity with the test of impairment carried out as at 31 December 2018, by first testing the recoverability of the carrying amount of each CGU by the value in use, determined by discounting the plan cash flows of each CGU, or by the financial Discounted Cash Flow method, a method directly referred to in IAS 36.
This method is based on the assumption that the amount of the economic capital of an entity at a given date (in this case, 31 December 2019) is the sum of the following:

- “operational” value, equal to the present value of the cash flows generated by the company’s operations over a defined period of time;
- value of non-core non-strategic or instrumental assets on the reference date.

For the execution of the impairment test the cash flow forecasts from the Actual 2019 and the 2018 - 2022 Plans prepared for the Trevi and Soilmec CGUs with the support of Boston Consulting Group, approved on 1 April 2019, and recently revised to take into account the final data as of 31 December 2019, with the support of Boston Consulting Group, were used.
Considering that the IFRS provide for the possibility of taking into account the positive effects of any restructuring (benefits/savings) in the estimate of the value in use of the CGU only if the financial statements at 31 December 2019 take into account the corresponding costs set aside, since the conditions for the provision at 31 December 2019 are not met, restructuring and related prospective benefits have been excluded from the estimate of the value in use of the CGU.
That said, the expected cash flow has been constructed based on the financial data collected in the 2018 - 2022 Plans of each CGU and based on the Actual 2019 data. More specifically, using the operating profit of each period, taxes charged directly at the full rate have been calculated and subtracted and subsequently the negative components of income that do

not give rise to monetary outflows, such as depreciation and provisions, establishing the "Cash flow from operating activities", which can be interpreted as a "potential" cash flow; in fact, the amount of cash flow actually generate by the current ordinary operations reflects the changes in items that arise and that are extinguished due to the operating cycles (trade receivables, inventories, trade payables, payables to personnel, etc.) - changes in the Net Working Capital. Finally, the cash flow from operating activities was determined taking into account also investments (net of disinvestments) in non-current assets - the so-called CAPEX.

Again in continuity with the method as at 31 December 2018, a weighted average cost of capital "WACC" has been calculated for the discounting of cash flows, determined according to the CAPM economic model (Capital Asset Pricing Model) for the CGU business segment: "Foundations" segment. The WACC was determined at 10.29%, and the individual variables were derived as follows:

- risk-free rate: 2.08%, rate of return on securities of a mature country (United States), equal to the average of 10Y Bonds for the twelve months before 31 December 2019;
- beta levered: 1.40, calculated as an average of the beta unlevered to 3Y of a sample of comparable companies leveraged according to their average D/E ratio comparables;
- equity risk premium: a rate of 5.20% was used (Source: Aswath Damodaran, January 2020 update);
- country risk: 2.67%, this component was added to the Ke after weighing the ERP for the beta, and was determined as the average country risk of the countries of operation of the CGUs in the "Foundations" segment weighted by the percentage of production of operating profit in 2022 in those countries;
- inflation differential: 1.06%, this component was added to the Ke to consider the effect of inflation and determine the real rate. The Plans of the different CGUs have been drawn up in local currency and translated into Euro at the spot rate (a nominal rate that does not take inflation into account);
- prudential execution premium: it was deemed appropriate to increase the Ke by 1.50 percentage points;
- cost of gross debt: 2.87% (post-tax: 2.17%) was determined by adding to the average actual amount of the Group's medium/long-term lines (taking into account the current level of leverage) the present value of the 10-year fixed IRS rate;
- financial structure: D/D+E= 34.61%; E/D+E= 65.39%, determined as the average of the comparables already considered for the definition of beta.

For the years after 2022, the cash flows of the CGUs have been calculated based on a Terminal Value determined by projecting in perpetuity the normalised operating profit of the last explicit plan year (2022), net of imputed tax at the full rate. It was also considered a g growth rate constructed based on the average inflation expected in the countries where these CGUs operate, weighted by the percentage of operating profit in 2022 actually produced by them in those countries. In particular, the g growth rate identified for the Foundations segment is 3.36%. It should be noted that to determine the Terminal Value, prudentially, the WACC was increased by one percentage point (i.e. a WACC of 11.29% was considered).

The impairment test carried out on the scenario, and with the basic parameters shown above, did not lead to evidence of an impairment of the assets of the Trevi and Soilmec CGUs, compared to their carrying amount.

To extend the impairment test to scenarios that considered potential worsening of the reference context, Management carried out some sensitivity analyses, as required by IAS 36.

The Management has, therefore, analysed the variability of the results of the Trevi and Soilmec CGU estimates, as the main input assumptions change, assuming alternatively: the increase in the discount rate (WACC) relevant for the determination of the Terminal Value, the decrease in the g growth rate relevant for the determination of the Terminal Value and the variance of the flows relevant for the determination of the Terminal Value.

In fact, IAS 36 makes it possible to consider the risks involved in implementing the plan both by making adjustments in expected flows and by making adjustments in the discount rate.

A sensitivity analysis was first carried out on the discount rate (WACC) adopted for Terminal Value to identify the rate increase that would bring the recoverable amount of the TREVI and SOILMEC CGUs to be at least equal to the relative carrying amount (i.e. the zeroing of the headroom found in the first level of the test). In that circumstance:

- a precise increase in the WACC of 3.74% (with WACC of 15.03% against a WACC of 11.29% adopted in the base case) would lead to a coincidence between the recoverable amount and the carrying amount of the assets of the TREVI CGU, while
- a precise increase in the WACC of 2.54% (with WACC of 13.83% against a WACC of 11.29% adopted in the base case) would lead to a coincidence between the recoverable amount and the carrying amount of the assets of the SOILMEC CGU.

Subsequently, a sensitivity analysis was carried out on the g growth rate adopted for the Terminal Value to identify the rate decrease that would bring the recoverable amount of the TREVI and SOILMEC CGUs to be at least equal to the relative carrying amount (i.e. the zeroing of the headroom found in the first level of the test). In that circumstance:

- the zeroing of the growth rate adopted for the TREVI CGU (against 3.36% adopted in the base case) would substantially bring the recoverable amount equal to the relative carrying amount. In this case, in fact, a margin of about 100,000.00 Euro would be obtained. While
- a precise decrease in the g growth rate of 2.31% (with g rate equal to 1.05% compared to 3.36% adopted in the base case), would lead to a coincidence between the recoverable amount and the carrying amount of the assets of the SOILMEC CGU.

A sensitivity analysis was then carried out on the change in operating profit relevant to the determination of Terminal Value, keeping all the other estimation criteria and assumptions unchanged, to identify the percentage decrease in operating profit of Terminal Value that would bring the recoverable amount of the assets of the TREVI and SOILMEC CGUs to equal the relative carrying amount.

This percentage of decrease has been identified:

- for the TREVI CGU in 23.96% (corresponding to an operating profit for TV of 25 million Euros compared to operating profit for TV in the basic case of 37 million Euros) and
- for the SOILMEC CGU in 20.81% (corresponding to an operating profit for TV of 14 million Euros compared to operating profit for TV in the basic case of 19 million Euros).

The second level impairment test was performed in the asset side mode, verifying that the recoverable amount of the Group's assets was higher than their carrying amount. The overall enterprise value was calculated using the sum-of-parts method (SOTP), or through the sum of:

- (+) l'Enterprise Value of Trevi and Soilmec CGUs;
- (+) the present value of the operating flows of holding Trevi Finanziaria Industriale;
- (+) the value of assets pertaining to ancillary investments;
- (+) the value of assets available for sale (Oil & Gas segment);
- (-) the carrying amount of non-operating funds similar to financial debt.

The comparative carrying amount is derived (for consistency) on the basis of:

- (+) Group equity at 31 December 2019;
- (+) the net financial position, taken at carrying amount at 31 December 2019.

It should be noted that this comparison shows a positive difference. Still, from a prudential point of view and given the current uncertainty, it was deemed appropriate not to make any reversal.

The Management, under what was done for the first level of the test, analysed the variability of the results of the second level estimates as the main input estimates changed, assuming alternately: the increase in the discount rate (WACC) relevant for the determination of Terminal Value, the decrease in the g growth rate relevant for the determination of Terminal Value and the variance in the flows relevant for the determination of Terminal Value.

A sensitivity analysis was first carried out on the discount rate (WACC) adopted for the Terminal Value to identify the rate increase that would bring the recoverable amount of the Group's assets to be at least equal to the relative carrying amount (i.e. the zeroing of the headroom found in the second level of the test). In this circumstance, a precise increase in the WACC of 2.08% for the TREVI and SOILMEC CGUs (with WACC of 13.37% against a WACC of 11.29% adopted in the base case), would lead to a coincidence between the recoverable amount and the carrying amount of the Group's assets (with a first-level margin): for the TREVI CGU of Euro 31 million compared to Euro 88 million in the base case and for the SOILMEC CGU of Euro 5 million compared to Euro 34 million in the base case).

Subsequently, a sensitivity analysis was carried out on the g growth rate adopted for the Terminal Value to identify the rate decrease that would bring the recoverable amount of the Group's assets to be at least equal to the relative carrying amount (i.e. the zeroing of the headroom found in the second level of the test). In this circumstance, a precise decrease in the growth rate g equal to 1.90% (with g rate equal to 1.46% compared to 3.36% adopted in the base case), would lead to a coincidence between the recoverable amount and the carrying amount of the Group's assets (with a first-level margin: for the TREVI CGU of Euro 31 million compared to Euro 88 million in the base case and the SOILMEC CGU of Euro 5 million compared to Euro 34 million in the base case).

A sensitivity analysis was then carried out on the change in operating profit relevant to the determination of Terminal Value, keeping all the other estimation criteria and assumptions unchanged, to identify the percentage decrease in operating profit of Terminal Value that would bring the recoverable amount of the Group's assets to equal the relative carrying amount.

This percentage of decrease was identified as 16.25% (corresponding to an operating profit for TV equal to: for the TREVI CGU at 29 million Euros against operating profit for TV in the basic case equal to 37 million Euros and the SOILMEC CGU at 15 million Euros against operating profit for TV in the base case equal to 19 million Euros). In this circumstance,

a first-level margin of Euro 28 million would be obtained for the TREVI CGU compared to Euro 88 million in the base case and Euro 7 million for the SOILMEC CGU compared to Euro 34 million in the base case.
Finally, given the health emergency resulting from the virus COVID-19, the uncertainty about the duration of the pandemic and the effects it may have on the global economic situation, it is not possible to exclude possible impacts on the Parent's ability to achieve its short-term financial objectives.
For these reasons, Management has deemed it appropriate to carry out a specific sensitivity that foresees a substantial decrease in flows and, therefore, in operating profit of the first explicit year of the Plan (2020).
In fact, the situation described above could reasonably lead to a postponement of the majority of revenue and receipts in 2020, substantially leading to a lengthening of revenue/collection expectations. The effect of the slippage determines a de facto shift of flows from 2020 to the end of each valuation period considered (i.e., of Terminal Value). It should be noted that the valuation of these amounts at the end of the valuation period, given the significant time lapse, would lead to the determination of amounts that are decidedly negligible and therefore has not been factored in.
In the light of the above, a sensitivity was carried out to take into account only 50% of operating profit in 2020, assuming, as explained above, that each CGU will realise the remaining part of operating profit at the end of the assessment period.
A 50.00% decrease in operating profit in 2020 for each CGU would result:

(i) the TREVI CGU at a first level margin of approximately Euro 82 million (against Euro 88 million in the base case);
(ii) the SOILMEC CGU at a first level margin of approximately Euro 31 million (against Euro 34 million in the base case);
(iii) at a second level margin of approximately Euro 77 million (against Euro 86 million in the base case).

In line with what has already been done as of 31 December 2018, a specific impairment test has been carried out on the Research and Development Projects carried out by the Trevi division and Soilmec division in the past years. This specific test was conducted by discounting the flows attributable to each Project at the WACC rate determined for the Foundations segment, equal to 10.29%. The test did not lead to evidence of any impairment.
It is acknowledged that during 2018 a so-called Joint Venture was established within the CGU and the Trevi division. "JV USA by Boone Dam" or "Boone Dam". This Joint Venture, being a non-controlling interest and accounted for using the equity method, has been treated as an equity investment. The same was then subjected to a separate impairment test carried out by comparing its recoverable amount with the carrying amount recorded in the statement of financial position of the Trevi CGU at 31 December 2019.
In this case, the recoverable amount was considered to be the value in use, determined by discounting Boone Dam's operating cash flows using the Unlevered Discounted Cash Flow or "UDCF" method to identify the Enterprise Value and compare it with the carrying amount. For the discounting of cash flows, a “WACC” weighted average cost of 7.78% was used, calculated according to the following parameters:

- risk-free rate: 2.08%, rate of return on securities of a mature country (United States), equal to the average of 10Y Bonds for the twelve months before 31 December 2019;
- beta levered: 1.39, calculated as a 3Y beta unlevered average of a leveraged sample of comparable companies based on the average D/E ratio of the comparables;
- equity risk premium: a rate of 5.20% was used (Source: Aswath Damodaran, updated in January 2020);
- prudential execution premium depending on the specific small-cap compared to the listed comparables, it was deemed appropriate to increase the Ke by 1.5 percentage points;
- gross debt cost: 2.87% (post-tax: 2.10%) was determined by adding the present value of the 10-year fixed IRS rate to the average actual amount of the Group's medium/long-term lines (which takes account of the current level of leverage);
- financial structure: D/D+E= 34.61%; E/D+E= 65.39%, determined as the average of the comparables already considered for the definition of beta.

The tax rate adopted is the US tax rate, i.e. the country of the actual production of Boone Dam operating profit.
The test conducted did not reveal any impairment.

COMMENT ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

(1) Property, plant and equipment

Property, plant and equipment as at 31 December 2019 amounted to 231.5 million Euro, an increase of 6.6 million Euro compared to their carrying amount as at 31 December 2018 (224.9 million Euro).
The changes in the 2019 financial year are summarised in the table below:

Description	Original cost as at 31/12/2018	accumulated depreciation 31/12/2018	**Carrying amount as at 31/12/2018**	Increases	Increases IFRS 16	Decreases	Depreciation	Depreciation IFRS 16	Use of the provisions	Impairment losses	Other var. orig cost	Exchange rate differences	Original cost as at 31/12/2019	accumulated depreciation 31/12/2019	**carrying amount as at 31/12/2019**
Land	8,589	0	8,589	217	0	(82)	0	0	0	0	0	48	8,772	0	8,772
Buildings	62851	(25,860)	36991	908	9,425	(1,511)	(2,158)	(2,387)	1592	(1,626)	2003	219	72,269	(28,813)	43456
Plant and machinery	349092	(207,483)	141,609	10,376	1,433	(16,136)	(17,295)	(805)	21470	(6,347)	(7,194)	1622	332,846	(204,113)	128733
Commercial and industrial equipment	69741	(47,255)	22,485	5,869	24,009	(5,158)	(4,042)	(10,651)	3021	(6,112)	1300	(161)	89488	(58,927)	30561
Other assets	63769	(48,995)	14,775	5,555	2,606	(4,891)	(5,650)	(1,130)	1523	0	3,854	165	71,058	(54,252)	16806
Assets under construction and payments on account	523	0	523	4,305	0	(283)	0	0	0	(1,380)	39	16	3,220	0	3,220
TOTAL	**554,565**	**(329,593)**	**224,972**	**27,229**	**37,473**	**(28,060)**	**(29,145)**	**(14,973)**	**27606**	**(15,465)**	**0**	**1,909**	**577,651**	**(346,105)**	**231546**

The gross increases for the year amounted to €27.2 million while the decreases for the year amounted to €28 million; the movements shown refer to normal plant and equipment replacement activities.
The exchange rate effect in 2019 was €1.9 million. Some assets are encumbered by mortgages against loans received, as described in the item Payables. During the year, some impairment losses were recognised by subsidiaries, mainly in South America (Venezuela and Colombia), aligning the carrying amounts to the estimated realisable value.

The carrying amount of property, plant and equipment held under lease at 31 December 2019 was Euro 75.1 million (the corresponding balance at 31 December 2018 was Euro 69.9 million). The increase compared to the previous year is mainly due to the application of the new IFRS 16 - Leases from 1 January 2019.

Amounts in Euro '000

Description	31/12/2019	31/12/2018	Changes
Land and buildings	25141	17,747	7,394
Plant and machinery	34351	51,283	(16,932)
Industrial and commercial equipment	14022	600	13,423
Other assets	1632	318	1,314
TOTAL	**75,146**	**69,948**	**5,198**

Assets under finance leases are used as collateral for the relevant liabilities assumed.

(2) Intangible assets

Intangible assets as at 31 December 2019 amounted to 6.8 million Euro, an increase of 0.4 million Euro compared to the amount as at 31 December 2018 (6.4 million Euro).

The changes in the 2019 financial year are summarised in the table below:

Description	Original cost as at 31/12/2018	Accumulated amortisation as at 31/12/2018	Carrying amount as at 31/12/2018	Increases	Decreases	Amortisation	Impairment losses	Exchange rate differences	Original cost as at 31/12/2019	Accumulated Damortisation as at 31/12/2019	Carrying amount as at 31/12/2019
Goodwill	0	0	0						0	0	0
Development costs	59716	(54,837)	4.879	1,780	(175)	(1,224)			61321	(56,062)	5260
Industrial patents and intellectual property rights	7,746	(7,489)	256	223		(190)			7969	(7,679)	290
Concessions, licenses, trademarks and similar rights	3847	(3,731)	115	87		(61)		0	3,934	(3,792)	142
Assets under development and payments on account	0	0	0	218				0	218	0	218
Other intangible assets	17917	(16,770)	1,147	1,466	(16)	(1,122)	(608)	17	18,776	(17,892)	884
TOTAL	**89,226**	**(82,827)**	**6,397**	**3,774**	**(191)**	**(2,597)**	**(608)**	**17**	**92,218**	**(85,424)**	**6794**

The item Increases, amounting to Euro 3.7 million, mainly refers to capitalised costs for the development of technologies and equipment used by Group companies; these costs, which meet the requirements of IAS 38, were capitalised and subsequently amortised from the start of production and over the average useful life of the related products: the carrying amount of development costs at 31 December 2019 amounted to Euro 5.3 million (Euro 4.9 million at 31 December 2018), with a gross increase for the year of Euro 1,781 thousand.

Regarding the item "Industrial patents and intellectual property rights", we point out that the gross increase of Euro 0.2 million is mainly due to the capitalisation relating to licences for the use of programmes.

The gross increase in the item "concessions, licences and trademarks" amounted to Euro 0.08 million (Euro 0.04 million in the previous year).

Other intangible assets amounted to 0.9 million Euro at 31 December 2019, down by 0.2 million Euro compared to the previous year. The increase in this item mainly refers to the Trevi division, also due to the application of IFRS 15 to job orders with durations exceeding one year.

(3) Non-operating investment property

There were no investments in non-operating property.

(4) Equity investments

Equity investments amounted to €4 million, an increase of €1.4 million on the previous year.

A summary of changes in investments in 2019 is given below:

Description	Balance as at 31/12/2018	Increases	Decreases	Impairment gains	Impairment losses	Balance as at 31/12/2019
Associates	687	2,716	(0)			3,403
Other companies	707	31	(0)		(141)	597
TOTAL	**1,394**	**2,747**	**(0)**	**0**	**(141)**	**4,000**

The majority of the increase in the year refers to Trevi Nicholson JV.

Impairment losses for the year relate to investments in other Trevi S.p.A. companies.

(5) Deferred tax assets

This item refers to temporary differences deriving mainly from the elimination of intragroup profits and the relevant tax benefit and to previous tax losses, which on the basis of tax regulations can be recovered in future years.

The net changes in deferred tax assets and deferred tax liabilities are shown in the following tables:

Description	**31/12/2019**	**31/12/2018**	**Changes**
Deferred tax assets	44,163	46,265	(2,102)
Total	**44,163**	**46,265**	**(2,102)**
Deferred tax liabilities	(31,729)	(35,360)	3631
Total	**(31,729)**	**(35,360)**	**3631**
Net deferred tax assets	**12,434**	**10,905**	**1,529**

Net deferred tax assets at the end of the year of Euro 12.4 million refers mainly to a US subsidiary whose tax losses are considered recoverable, as the parent generates sufficient profits to recover the tax credit.

The main components of deferred tax assets and deferred tax liabilities and the changes to both during the current and previous year are shown in the following table: (Euro '000)

	Elimin. Intragroup profits	**Application of IFRS**	**Development costs**	**Adjustment Group rates**	**Financial Statements and other**	**Total**
Balances at 01.01.18	**13,691**	**(10,741)**	**(1,236)**	**(4,789)**	**10837**	**7,762**
Effect on profit or loss	239	774	74	89	4,000	5,176
Effect on Equity	0	247	0	0	0	247
Exchange rate differences	0	0	0	0	0	0
Other changes	0	0	0	0	(2,280)	(2,280)
Balances as at 31/12/2018	**13930**	**(9,720)**	**(1,162)**	**(4,700)**	**12557**	**10,905**
Effect on profit or loss	936	616	205	14	3,073	4,844
Effect on Equity	0	0	0	0	0	0
Exchange rate differences	0	0	0	0	0	0
Other changes	0	0	0	0	(3,315)	(3,315)
Balances as at 31/12/2019	**14866**	**(9,103)**	**(957)**	**(4,686)**	**12315**	**12,434**

The item "Financial statements and other" is mainly composed of deferred tax assets recorded against the tax losses of certain foreign companies of the Group and at 31 December 2019, amounted to approximately Euro 12.3 million.
The losses carried forward as at 31 December 2019 relating to the Italian companies participating in the tax consolidation, on which deferred tax assets have not been recorded, amount to a total of approximately €140 million.

(6) Non-current Derivative Financial Instruments

As at 31 December 2019 there were no non-current derivative financial instruments.

(8) Other long-term financial receivables

Receivables from others at 31 December 2019 amounted to €3.3 million and mainly refer to receivables from associates and guarantee deposits.

Description	**31/12/2019**	**31/12/2018**	**Changes**
Receivables from associates	1353	1,732	(379)
Security deposits	1709	1,237	472
Other	222	248	(26)
TOTAL	**3,283**	**3,217**	**66**

The entry for "Other" includes non-current advances paid in the year for transactions that would not be concluded within the next twelve months.

(9) Trade receivables and other non-current assets

Trade receivables and other non-current assets at 31 December 2019 amounted to 2.9 million Euro.

Description	31/12/2019	31/12/2018	Changes
Trade receivables	2185	5,105	(2,920)
Prepayments and accrued income	760	1,024	(264)
TOTAL	**2,946**	**6,129**	**(3,183)**

Trade receivables from customers refer to trade receivables from third parties due beyond one year, for €1.6 million from the subsidiary Swissboring Overseas Piling Corporation and for €0.5 million from the subsidiary Soilmec S.p.A.
Prepaid expenses refer mainly to a receivable of €0.5 million relating to the subsidiary Trevi Nigeria.

CURRENT ASSETS

(10) Inventories

Total inventories at 31 December 2019 amounted to 118.9 million Euro and were made up as follows:

Description	31/12/2019	31/12/2018	Changes
Raw materials, consumables and supplies	79129	92,978	(13,849)
Work in progress and semi-finished products	11167	10,367	800
Finished goods	28123	41,287	(13,164)
Advances	478	637	(159)
TOTAL INVENTORY	**118897**	**145,269**	**(26,372)**

The Group's closing inventories relate to the production of underground engineering machinery and are represented by materials and spare parts used by the foundation segment; inventories are shown net of the allowance for inventory write-down of €26 million (€37.7 million at 31 December 2018).
Contract work in progress is expressed net of the related advances received from customers and reclassified under trade receivables or other liabilities respectively depending on whether the progress of the work is higher than the down payment received or lower.

The allowance for inventory write-down amounts to Euro 26 million. Changes in this allowance are shown below:

Description	31/12/2018	Increases	Uses of provisions	Reclassifications	Other	31/12/2019
Raw materials, consumables and supplies	26205	387	(2,097)	(35)	(385)	24075
Work in progress and semi-finished products	2778	-	(0)	-	(2,569)	209
Finished goods	8759	172	(896)	-	(6,253)	1782
Advances	-	-				-
TOTAL –ALLOWANCE FOR INVENTORY WRITE-DOWN	**37742**	**559**	**(2,993)**	**(35)**	**(9,207)**	**26066**

The item Other includes almost exclusively the movements attributable to the deconsolidation of Watson Inc. following its sale in 2019.

(11) Trade receivables and other current assets

The total amount at 31 December 2019 was €301.4 million. The item is as follows:

Description	31/12/2019	31/12/2018	Changes
Receivables from customers	229430	263,202	(33,772)
Subtotal receivables from contractors	4,048	5,019	(970)

Sub Total: Customers	**233,478**	**268,220**	**(34,742)**
Receivables from associates	14,711	6,597	8,114
VAT assets	22430	20,312	2,118
Receivables due from others	13,963	29,435	(15,472)
Prepayments and accrued income	4,749	4,401	348
Sub Total: Customers and Other	**289331**	**328,965**	**(39,634)**
Tax assets	12,086	17,009	(4,923)
TOTAL	**301,417**	**345,974**	**(44,557)**

During the year, the Group did not sell without recourse to factoring companies.

Details of receivables from customers and payables to customers are shown in the table below:

Amounts in Euro '000

Description	**31/12/2019**	**31/12/2018**	**Changes**
Current assets:			
Contract work in progress	80506	47,138	33,368
- Allowance for contract losses to complete	(29,928)	(31,269)	1341
Total contract work in progress	***50578***	***15,869***	***34,709***
Advances from customers	(46,530)	(10,850)	(35,680)
Total receivables from contractors	**4,048**	**5,019**	**(970)**
Current liabilities:			
Contract work in progress	61860	47,326	14,533
Receivables from customers	0	0	0
Advances from contractors	(65,877)	(53,917)	(11,960)
Total payables to contractors	**(4,017)**	**(6,591)**	**2574**

The loss allowance amounts to 74.9 million Euro. Changes in this allowance are shown below:

Description	Balance as at 31/12/2018	Accruals	Uses	Releases	Other changes	Balance as at 31/12/2019
Loss allowance	69328	9,919	4,894	0	625	74,979
TOTAL	**69,329**	**9,919**	**4,894**	**0**	**625**	**74,979**

Prepayments and accrued income

These were mainly prepayments and the breakdown was as follows:

Description	**31/12/2019**	**31/12/2018**	**Changes**
Prepaid insurance premiums	502	415	87
Prepaid rental expenses	1,900	730	1,171
Interest as per Sabatini Law	27	53	(27)
Other	2,320	3,203	(883)
TOTAL	**4,749**	**4,401**	**348**

The item Other includes costs incurred by the end of the year but pertaining to subsequent years of a different nature.

The breakdown of receivables by geographical segment at 31 December 2019 is as follows:

31/12/2019	Italy	Europe (excluding Italy)	USA and Canada	Latin America	Africa	Middle East & Asia	Far East	Rest of the world	Total Receivables
Receivables from customers	34768	24,933	32,546	7,819	37,994	63,499	25,048	6,872	**233,478**
Receivables from associates	4248	5,831	4,342	6	0	0	284	0	**14,711**
Tax and VAT assets	19276	3,777	398	4,850	1,570	3,165	1,483	(3)	**34516**
Receivables due from others	5197	762	100	2,242	632	3,211	1,809	10	**13,963**
Prepayments and accrued income	1503	625	747	396	290	710	443	36	**4,749**
TOTAL	**64,992**	**35,928**	**38,134**	**15,313**	**40,486**	**70,585**	**29,067**	**6,915**	**301,417**

31/12/2018	Italy	Europe (excluding Italy)	USA and Canada	Latin America	Africa	Middle East & Asia	Far East	Rest of the world	Total Receivables
Receivables from customers	29552	30,947	32,783	14,911	40,653	77,655	31,218	10,501	268,220
Receivables from associates	5934	336					326		6,596
Tax and VAT assets	22171	1,103	213	5,620	2,512	4,002	1,662	38	37,321
Receivables due from others	15496	767	55	881	670	9,705	1,758	103	29,435
Prepayments and deferred income	1603	183	568	533	278	632	571	33	4,401
TOTAL	**74,756**	**33,336**	**33,619**	**21,945**	**44,113**	**91,994**	**35,535**	**10,676**	**345,974**

Receivables from associates as at 31 December 2019 amounted to 14.7 million Euros; details are provided in Note (36) – Related party transactions.

The breakdown of trade receivables by currency was as follows:

Description	31/12/2019	31/12/2018	Changes
EURO	84,365	112,073	(27,708)
USD	34,253	38,606	(4,353)
AED-OMR-QAR	25972	26,111	(139)
NGN	3,456	3,265	191
GBP	786	950	(164)
OTHER	84,646	87,215	(2,569)
Total	**233,478**	**268,220**	**(34,742)**

In compliance with IFRS 7, an analysis of the trend in past due receivables, grouped into similar risk categories, is given below:

Description	31/12/2019	31/12/2018	Changes
Not expired	116986	129,787	(12,801)
Expired 1 to 3 months	42328	40,222	2,106
Expired 3 to 6 months	24123	27,027	(2,904)
Expired for over 6 months	50041	71,184	(21,143)
Total	**233,478**	**268,220**	**(34,742)**

With a view to a policy of constant credit monitoring by the individual Group companies, standard assessment bands have been identified, made explicit in the following table:

Description	31/12/2019	31/12/2018	Changes
Standard monitoring	17,1615	234,451	(62,836)
Special monitoring	48,279	10,095	38,184
Monitoring for possible legal action	1,378	1,844	(466)
Out-of-court monitoring in progress	1,672	2,033	(361)
Monitoring of legal action in progress	10,535	19,797	(9,262)
Total	**23,3478**	**268,220**	**(34,742)**

Information on “Receivables due from others” is as follows:

Description	31/12/2019	31/12/2018	Changes
Receivables from employees	1,090	1,445	(355)
Advances to suppliers	4,740	10,115	(5,375)
Receivables from factoring companies	0	4,274	(4,274)
Other	8,132	13,601	(5,470)
TOTAL	**13,962**	**29,435**	**(15,473)**

(11.a) Current tax assets

Tax assets are mainly represented by receivables for direct taxes and tax advances.

Description	31/12/2019	31/12/2018	Changes
Direct taxes	12,086	17,009	(4,923)
TOTAL	**12,086**	**17,009**	**(4,923)**

The most significant amounts are represented by receivables for taxes paid abroad and by advances paid to the subsidiaries in Italy.

(12) Short-term derivative financial instruments and financial assets held for trading at fair value

As at 31 December 2019, the balance was 0.

(12.a) Current financial assets

Current financial assets amounted to €10.9 million at 31 December 2019 and refer to the collection of the First Escrow Account relating to the Oil&Gas sale transaction, with a balancing entry under "current financial liabilities" as it is subject to the constraint of unavailability from agreements with the purchaser.

Description	31/12/2019	31/12/2018	Changes
Current financial assets	10,977	-	10,977
Total	**10,977**	**-**	**10,977**

(13) Cash and cash equivalents

The item is as follows:

Description	31/12/2019	31/12/2018	Changes
Bank accounts and post office deposits	76899	87,875	(10,976)
Cash and cash in hand	810	1,037	(227)
TOTAL	**77,709**	**88,912**	**(11,203)**

For an analysis of the net financial position and cash and cash equivalents of the Trevi Group, see the directors’ report and the statement of cash flows.

Cash and cash equivalents include amounts that cannot be transferred without authorisation from the bank with which they are deposited as they guarantee bank credit lines for commercial bond issues; at 31 December 2019, they amounted to approximately 2.5 million Euro in the United Arab Emirates.

There is also a bond of 10 million US Dollars to secure Insurance Bond issues in the United States.

In addition, there are companies in the Group for which cash and cash equivalents on company current accounts are not immediately transferable due to currency restrictions (mainly in Nigeria for Euro 8 million and in Venezuela for Euro 0.2 million). To these must be added €0.3 million in restricted liquidity in foreign companies dormant for political and/or commercial reasons in Libya, as detailed in the previous section "Liquidity risk".

EQUITY AND LIABILITIES

(14) Equity

Statement of changes in equity:

Description	Share capital	Share premium reserve	Legal reserve	Other reserves	Translation Reserve	Retained earnings (losses carried forward)	Loss for the year attributable to the Group	Total deficit attributable to the owners of the parent
Balance as at 01/01/2018	**82,290**	**114,480**	**8,353**	**15,797**	**4,840**	**193,506**	**(432,839)**	**(13,573)**
Allocation of 2017 loss						(432,839)	432839	
Dividends distribution								
Translation differences and other changes					8,787			**8,787**
Actuarial gains or losses and stock grant				241				**241**
Acquisition of non-controlling interests								**0**
Hedging reserve				(104)				**(104)**
Loss for the year attributable to the owners of the parent							(143,427)	**(143,427)**
Balance as at 31/12/2018	**8,2290**	**114,480**	**8,353**	**15,934**	**13,628**	**(239,333)**	**(143,427)**	**(148,075)**
Allocation of 2018 loss						(143,427)	143427	**0**
Dividends distribution								**0**
Translation differences and other changes					3,482			**3,482**
Actuarial gains or losses and stock grant				(268)				**(268)**
Acquisition of non-controlling interests				1,572				**1,572**
Hedging reserve								**0**
Loss for the year attributable to the owners of the parent							(75,802)	**(75,802)**
Balance as at 31/12/2019	**82,290**	**114,480**	**8,353**	**17,238**	**17,110**	**(382,760)**	**(75,802)**	**(219,090)**

At the reporting date, the parent was in the situation envisaged by Article 2447 of the Italian Civil Code. At the end of the successful outcome of the restructuring process, the Parent has been recapitalised for about 400 million Euro so that the Parent's equity has returned positive, with the consequent overcoming of the situation referred to in art. 2447 of the Italian Civil Code.

– *Share capital*

The Parent has issued 164,783,265 shares, of which 204,000 are held as treasury shares. On 19 November, the Parent carried out an initial reverse split, preparatory to the subsequent capital increase, in the ratio of 1 new ordinary share for every 100 (one hundred) existing ordinary shares. For this reverse split, 65 treasury shares were also cancelled. As a result of this reverse split, the Parent's shares are 1,647,832. The treasury shares held by the Parent are 2,039.

The share capital, gross of treasury shares, amounted to Euro 82,391,632 at 31 December 2019.

Below is the current composition of the share capital, net of treasury shares held, which amounted to Euro 82,289,633 at 31 December 2019:

	Number of shares	Share capital	Treasury shares reserve
Balance as at 31/12/2016	**164579265**	**82,289,633**	**(736,078)**
Repurchase and sale of treasury shares	-	-	-
Balance as at 31/12/2017	**164579265**	**82,289,633**	**(736,078)**
Repurchase and sale of treasury shares	-	-	-
Balance as at 31/12/2018	**164,579,265**	**82,289,633**	**(736,078)**
Repurchase and sale of treasury shares	-	-	-
Balance as at 31/12/2019	**164,5793**	**82,289,633**	**(736,078)**

– *Share premium reserve:*
At 31 December 2019, it amounted to 114,480 thousand Euros. Compared to 31 December 2018, the legal reserve has not changed.

– *Legal reserve:*
The legal reserve is the share of profit that pursuant to Article 2430 of the Italian Civil Code may not be distributed as dividends. Compared to 31 December 2018, the legal reserve has not changed. At 31 December 2019, this reserve was Euro 8,353 thousand.

Other reserves:
The other reserves are as follows:

– *Fair value reserve:*
This reserve includes the changes in fair value of derivative financial instruments measured as cash flow hedges under IAS 39.

– *Extraordinary reserve:*
The extraordinary reserve amounts to Euro 15,806 thousand as at 31 December 2019.

– *IFRS transition reserve:*
This item reflects the effects of the transition to IFRS of Group companies as of 1 January 2004.

– *Reserve for treasury shares in Portfolio:*
At 31 December 2019, the reserve for treasury shares in portfolio amounted to Euro 736 thousand, unchanged compared to 31 December 2018.

– *Translation reserve:*
This reserve, equal to a positive amount of Euro 17,110 thousand at 31 December 2019, concerns the exchange differences from the translation into Euro of financial statements expressed in currencies other than the Euro; exchange rate fluctuations, mainly between the Euro and the US Dollar and between the Euro and the currencies of countries in South America.

– *Retained earnings (losses carried forward):*
This item comprises the profit or loss generated in previous financial years which has not been distributed as dividends to shareholders; the decrease compared to 31 December 2018 was due to the allocation of the loss for the previous financial year to this reserve.

NON-CURRENT LIABILITIES

(15) Bank loans and borrowings, loans and borrowings from other financial backers and derivative financial instruments

Description	31/12/2019	31/12/2018	Changes
Bank loans and borrowings	7,656	331	7,325
Lease liabilities	14,998	33,460	(18,462)
Loans and borrowings from other financial backers	10,766	207	10,559
Derivative financial instruments	-	-	-
TOTAL	**33,420**	**33,998**	**(578)**

The breakdown of bank loans and borrowings and loans and borrowings from other financial backers by maturity can be summarised as follows:

Description	From 1 to 5 years	Over 5 years	Total
Bank loans and borrowings	7,656	-	7,656
Lease liabilities	10495	4,503	14,998
Loans and borrowings from other financial backers	10282	484	10,766
TOTAL	**28,433**	**4,987**	**33,420**

Long-term bank loans and borrowings mainly refer to the so-called "new interim finance" which the Group collected during 2019.
Non-current lease liabilities amount to €15 million and refers to finance leases.
Long-term loans and borrowings from other financial backers amounted to €10.8 million, mainly relating to the debt arising from the application of the new IFRS 16 - Leases from 1 January 2019.
Non-current derivative financial instruments are zero.

The terms and conditions of bank loans and borrowings are as follows:

In Euro ‘000	Currency	Spread	Indexing	Year due	31/12/2019		31/12/2018	
					Nominal value	**Carrying amount**	**Nominal value**	**Carrying amount**
Unsecured bonds	Euro	5.25%/2.00%	-	2024	**50,000**	**50,000**	**50,000**	**50,000**
Unsecured bank loan	Euro	0.00%	Euribor at 6 months	2020	**24,667**	**0**	**24,667**	**17,267**
Unsecured bank loan	Euro	4.45%	Euribor at 6 months	2019	**20,000**	**14,000**	**20,000**	**20,000**
Unsecured bank loan	Euro	2.75%	Euribor at 6 months	2019	**38,062**	**38,062**	**38,062**	**38,062**
Unsecured bank loan	Euro	1.80%	Euribor at 6 months	2019	**18,000**	**18,000**	**18,000**	**18,000**
Unsecured bank loan	Euro	0.00%	Euribor at 6 months	2018	**7,000**	**7,000**	**7,000**	**7,000**
Unsecured bank loan	Euro	2.00%	Euribor at 3 months	2020	**12,000**	**12,000**	**12,000**	**12,000**
Unsecured bank loan	Euro	1.35%	Euribor at 3 months	2018	**11,552**	**11,552**	**11,552**	**11,552**
Unsecured bank loan	Euro	3.25%	Euribor at 3 months	2020	**26,250**	**26,250**	**26,250**	**26,250**
Unsecured bank loan	Euro	0.00%	Euribor at 6 months	2025	**40,000**	**0**	**40,000**	**28,000**
Unsecured bank loan	Euro	1.50%	Euribor at 3 months	2019	**12,639**	**12,639**	**12,639**	**12,639**
Unsecured bank loan	Euro	2.00%	Euribor at 3 months	2020	**7,034**	**7,034**	**7,034**	**7,034**
Unsecured bank loan	Euro	1.60%	-	2017	**10,000**	**10,000**	**10,000**	**10,000**
Unsecured bank loan	Euro	2.81%	-	2018	**10,000**	**10,000**	**10,000**	**10,000**
Unsecured bank loan	Euro	4.25%	-	2022	**10,104**	**10,104**	**10,104**	**10,104**
Unsecured bank loan	Euro	2.00%	Euribor at 3 months	2017	**4,167**	**4,167**	**4,167**	**4,167**
Unsecured bank loan	Euro	1.80%	Euribor at 3 months	2019	**40,000**	**40,000**	**40,000**	**40,000**
Unsecured bank loan	Euro	1.80%	Euribor at 3 months	2020	**30,000**	**30,000**	**30,000**	**30,000**
Unsecured bank loan	Euro	1.95%	Euribor at 3 months	2018	**20,000**	**0**	**20,000**	-
Unsecured bank loan	CNY	4.80%	-	2018	**4,317**	**4,317**	**4,317**	**4,287**
Unsecured bank loan	Euro	2.25%	Euribor at 3 months	2018	**30,000**	**30,000**	**30,000**	**30,000**
Unsecured bank loan	Euro	1.30%	-	2017	**0**	**0**	-	-
Unsecured bank loan	Euro	1.30%	-	2017	**0**	**0**	-	-
Unsecured bank loan	Euro	3.60%	Euribor at 3 months	2017	**1,318**	**1,318**	**1,318**	**1,318**
Unsecured bank loan	Euro	2.40%	Euribor at 6 months	2017	**5,500**	**5,500**	**5,500**	**5,500**
Unsecured bank loan	Euro	1.55%	Euribor at 3 months	2020	**7,083**	**7,083**	**7,083**	**7,083**
Unsecured bank loan	Euro	1.55%	Euribor at 3 months	2019	**7,552**	**7,552**	**7,552**	**7,552**
Unsecured bank loan	Euro	2.50%	Euribor at 3 months	2017	**15,000**	**7,500**	**15,000**	**7,500**
Unsecured bank loan	Euro	3.00%	Euribor at 6 months	2017	**0**	**0**	-	-
Unsecured bank loan	Euro	3.60%	Euribor at 3 months	2017	**439.48715**	**439.48715**	**439**	**439**
Unsecured bank loan	Euro	2.70%	Euribor at 3 months	2020	**10,000**	**10,000**	**10,000**	**10,000**
Unsecured bank loan	Euro	1.80%			**236**	**236**		
Unsecured bank loan	Euro	1.80%			**238**	**238**		
Unsecured bank loan	Euro	1.75%		2017	**2,940**	**2,940**		
Unsecured bank loan	Euro	1.75%		2017	**1,136**	**1,136**		
Unsecured bank loan	Euro	6.00%	-	2023	**8,400**	**8,400**		
Unsecured bank loan	Euro	6.00%	-	2023	**3,600**	**3,600**		
Enforced payments / repayments on bank loans	Euro	-	-	-	-	**98275**	-	**46900**
Total non-interest bearing liabilities					**489236**	**489,344**	**472,686**	**472,656**

The banks and the companies of the TREVI Group agreed, in line with the Restructuring Agreement, that the guarantees given by one bank in favour of another bank to guarantee the loan of one or more of the companies of the Group could be enforced without prejudice to the moratorium on the related recourse receivables from the same companies.
Enforced payments/repayments on bank loans are as follows:

1) SACE enforced payment by Deutsche Bank for Euro 7,500,000, with a guarantee contract signed on 1 October 2014, to guarantee the repayment by Drillmec Spa in co-obligation with Trevi Finanziaria Industriale of the MLT loan granted by Deutsche Bank;
2) BPER enforced payment by the European Investment Bank for Euro 7,400,000, under a guarantee agreement signed on 18 June 2010, to guarantee repayment by Trevi Finanziaria Industriale Spa of the MLT loan granted by the European Investment Bank. BPER subsequently sold the position to SC LOWY during 2019;
3) CA-CIB enforced payment by the European Investment Bank for Euro 12,000,00, under a guarantee agreement signed on 13 May 2015, to guarantee repayment by Trevi Finanziaria Industriale Spa of the MLT loan granted by the European Investment Bank,
4) repayment following the revocation of the RCF granted by BPER for Euro 20,000,000.
5) SACE enforced payment Euro 45,266,667 in favour of the EIB loan
6) SACE enforced payment by Unicredit Euro 6,000,000 on a Term Loan for an original amount of Euro 20 million.

(16) Deferred tax liabilities and non-current provisions

Deferred tax liabilities and provisions for risks and charges totalled 31.7 million Euro, down by 3.6 million Euro compared to 31 December 2018, when they amounted to 35.4 million Euro.
Changes in deferred tax liabilities are as follows:

Description	Balance as at 31/12/2018	Accruals	Uses	Releases	Other changes	Balance as at 31/12/2019
Deferred tax liabilities	35,360	2,694	(3,440)	(565)	(2,320)	31728
TOTAL	**35,360**	**2,694**	**(3,440)**	**(565)**	**(2,320)**	**31728**

The deferred tax liabilities reflect the difference in the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases recognised in the Countries in which the Group operates. Details of the deferred tax liabilities are given in Note (5) to the Consolidated Financial Statements.

(17) Contingent liabilities

The balance of "Other non-current provisions" amounted to Euro 7.24 million, an increase of Euro 0.47 million compared to 31 December 2018, equal to Euro 6.7 million. This balance was the result of changes in 2019 as shown below:

Description	Balance as at 31/12/2018	Accruals	Uses	Releases	Other changes	Balance as at 31/12/2019
Other non-current provisions	6,766	2,524	(2,245)		189	7,235
TOTAL	**6,766**	**2,524**	**(2,245)**	**-**	**189**	**7,235**

The breakdown of “Other provisions” was as follows:

Description	31/12/2019	31/12/2018	Changes
Contractual risks	659	35	624
Work carried out under warranty	636	878	(242)
Coverage of losses of investees	1042	822	220
Litigation risks	3110	1,780	1,330
Other non-current provisions for risks	1787	3,250	(1,463)
TOTAL Non-current provisions for risks and charges	**7,235**	**6,766**	**469**
Other current provisions for risks	9,350	13,115	(3,765)
TOTAL Current provisions for risks and charges	**9,350**	**13,115**	**(3,765)**

TOTAL	**16,585**	**19,881**	**(3,296)**

The provision for work carried out under warranty of Euro 0.6 million relates to the provisions for technical guarantees on products that can be serviced by companies in the engineering sector.
The provision for coverage of losses of investees for Euro 1 million refers to minor investments of Trevi S.p.A.
The provision for litigation risks of EUR 3.1 million mainly refers for EUR 1.5 million to Trevigalante SA, for EUR 0.4 million to the parent Trevi Finanziaria S.p.A., for EUR 0.6 million to the subsidiary Trevi Nigeria, for EUR 0.4 million to Trevi S.p.A., for EUR 0.2 million to the subsidiary RCT S.r.l. and for EUR 14 thousand to Pilotes Trevi S.a.c.i.m.s..
This provision represents the management's best estimate of the liabilities that must be accounted for with reference to:

- Legal proceedings arising during the ordinary course of business;
- Legal procedures involving the tax authorities.

The item "other current provisions for risks", amounting to Euro 9,350 thousand at 31 December 2019, mainly includes provisions for risks attributable to the subsidiary Trevi France for approximately Euro 4.1 million, relating to contract work in progress, as well as approximately Euro 1 million attributable to tax and legal disputes.
There are also contingent liabilities of various kinds linked to the current difficult macroeconomic context and attributable to several companies belonging to the Group.

The nature of the Group business reduces the risks to which it is exposed as sales of equipment and services are spread over hundreds of contracts each year. Expenses relating to existing or future legal procedures cannot be estimated with certainty. It is possible that the outcome of such procedures will entail expenses for which provisions have not been made or which are not covered by insurance guarantees and, therefore, may have an impact on the financial position and financial performance of the Group. However, as at 31 December 2019, the Group believed it does not have any contingent liabilities exceeding the amount set aside under the "Other Provisions" item in the category "Work carried out under warranty" as it considers that there is no probable outlay of resources.

With regards to contingent liabilities relating to tax disputes, based on the information currently available and taking into account the existing risk provisions, it is considered that they will not determine significant negative effects on the consolidate financial statements. The main disputes relating to Italian and foreign companies controlled directly or indirectly by Trevi Finanziaria Industriale are shown below:

Italian Subsidiaries

The following three tax disputes are reported with reference to Italian companies:
- Following a tax audit closed in August 2018 relating to an Italian subsidiary, an inspection report was issued concerning disputes regarding direct and indirect taxes amounting to approximately Euro 4.9 million. On the basis of an analysis shared with the legal advisor, the parent set aside Euro 640 thousand for the risk associated with the ongoing dispute. The amount set aside is lower than the amount contested given both the nature of the VAT claim and the presence of tax losses to the extent that they neutralise the IRES (corporate income tax) findings. To date, a notice of assessment has not yet been issued. On 9 December 2019, the parent filed a petition for an assessment to reach a possible agreement and is waiting to receive a proposal from the Treviso tax authorities. As a result of the extension of the terms provided for by the decree-law published in the Official Gazette on 9/4/2020, the parent has time to appeal by 5 June 2020, in the event of failure to define the terms within the scope of the mutually-agreed assessment settlement procedure.

With reference to two Italian consortia, of which Trevi spa holds the majority stake, it must be pointed out that:
- The tax authorities, availing itself of the provisions of article 54, paragraph 5, of Presidential Decree no. 633/1972, have adjusted the VAT returns for 2001 and 2002, submitted by the consortium, recovering the amount of Euro 0.736 million as VAT credit not due, for 2001, and cancelling in full the part of the VAT credit requested for reimbursement, for 2002, equal to Euro 1.6 million. The consortium has quantified, based on an analysis shared with the legal counsel, the risk associated with the matter at 0.4 million Euros and has set aside a specific provision. For the sake of completeness, it should be noted that, in the meantime, the collection agent has also notified two tax collection files on the same case, covering the years 2001-2002, concerning the amounts indicated above. The dispute relating to the two notices of assessment was closed with a ruling of 17 October 2019 in the Court of Cassation, which was partly unfavourable to the parent in that it provided for the application of VAT for 1.6 million Euros on invoices for the recharging of costs to shareholders but also provided for the non-applicability of penalties. The higher VAT charged to members may be requested by the latter for a refund. Before issuing a VAT variation note to the shareholders, the consortium is evaluating the submission of a prior request to the tax

authorities to confirm the effective exercise of the right of recourse by the shareholders. However, the response from the tax authorities cannot be received before 31 August 2020, according to the provisions of the Care Italy Decree. Litigation is still pending on the two tax returns.
- the tax authorities, availing itself of the provisions of Art. 54, paragraph 5, of Italian Presidential Decree No. 633/1972, corrected the VAT returns for the 2013 and 2014 tax years, submitted by a second limited liability consortium owned by Trevi Spa, recovering as VAT credit not due, for the year 2013, the amount of Euro 2,5 million Euro, plus interest and penalties, for the year 2014, and the amount of Euro 4,8 million plus interest and penalties. On 14 December 2017 the provincial tax comission issued a ruling in favour of the parent. The parent, considering the nature of compensation of the VAT and the favourable ruling, after discussion with its legal advisor, has not accrued a provision for the dispute in question. The tax authorities filed an appeal and we are waiting for the hearing to be set in the Regional Court.

Foreign Subsidiaries

The following two tax disputes are reported with reference to foreign companies:

- On 29 December 2018, the Dutch tax authority notified a complaint against the Dutch sub-holding company of the Petreven division concerning the recovery of a higher Corporate Income Tax and interest amounting to approximately Euro 4.3 million regarding the 2014 tax period.
At the end of July 2019, the company filed a defence brief through the tax consultant Deloitte, through which it is believed it has explained to the tax authorities the legitimate tax behaviour adopted.
The company, based also on a fiscal opinion given by a leading Dutch tax consultant, has not set aside anything, although it considers possible a partial unfavourable outcome of the matter, which to date cannot be quantified.

- On 19 January 2018, the tax authorities of the Dominican Republic, where a foreign company in the Trevi division owns a branch, notified a claim for the recovery of higher corporate income tax, in addition to penalties and interest, amounting to approximately €2.3 million for tax periods 2012/13/14/15/16. The company has accrued provisions of approximately 1.3 million Euro and has initiated a dispute which has not yet led to a final ruling. The amount accrued is lower than the one disputed since the disputed amount does not take into account a previous payment made by transferring the credits to the company's debtor public body, recognised by the Dominican tax authority itself.

Civil litigation

Action under Article 2409 by THSE

The parent was a defendant in the claim as per art. 2409 of the Italian Civil Code, submitted to the Court of Bologna by the shareholder THSE, for alleged serious irregularities in the management of the parent, with the simultaneous request for the appointment of a special receiver. The notification was received on 31 July 2019, and the first hearing was scheduled for 11 September 2019. On 5 September 2019 the Court, at THSE's request, ordered the postponement of the deadline for the defendants to report to the court until 21 October 2019 and adjourned the first hearing to 31 October 2019. On 14 October 2019, THSE submitted to the Court of Forlì, which is responsible for the deed of arrangement procedure to which it is subject, an application for authorisation to waive the acts of the proceedings pending before the Court of Bologna. On 18 October 2019, THSE filed a waiver as per Article 306 of the Italian Code of Criminal Procedure with the Court of Bologna. By decree of 30 October 2019, the Court of Bologna declared the proceedings terminated. It should be noted that as a consequence of the termination of this procedure, the Condition precedent provided for in the Restructuring Agreement in this regard has been met.

Injunction from Alfagomma Hydraulic S.p.A.

Soilmec S.p.A. received an injunction for about Euro 127 thousand for overdue and unpaid invoices to Alfagomma Hydraulic S.p.A. Soilmec S.p.A. filed its opposition with the competent Court of Teramo on 2 May 2019, based on the fact that Alfagomme Hydraulic S.p.A. also requested the payment of invoices already paid and others not yet due. Also, in the days preceding notification of the injunction, the two companies were negotiating an agreement as per Article 182 *bis* of the Bankruptcy Law. The invoices actually overdue and not paid would amount to about Euro 48 thousand. Following the hearing of 25 September 2019, the Judge issued the following ruling on 21 January 2020: (i) the request for the granting of the provisional enforcement of the injunction as per art. 648 of the Code of Civil Procedure made by Alfagomma was rejected; (ii) the requests made by Alfagomma as per art. 186 *bis* and 186 *ter* of the Code of Civil Procedure were rejected;

and (iii) the case was adjourned to the hearing of 12 May 2020, for the admission of any investigation requested by the parties.

Injunction from Solution Bank

Soilmec S.p.A. received on 13 November 2018 the notification of an injunction for approximately Euro 3 million, presented to the Court of Forlì by Solution Bank (formerly Credito di Romagna S.p.A.) following the closure of credit lines with a negative balance on the current account. The order was not opposed within 40 days of notification and has, therefore, become enforceable. On 4 July 2019, this bank obtained under the order mentioned above the registration in its favour of a lien concerning its credit on certain real estate owned by Soilmec S.p.A. located in Cesena. In this regard, on 5 August 2019 an agreement was signed with Solution Bank to regulate, in summary: (a) repayment of a principal instalment of Euro 750,000 by the fifth Business Day following the Conversion Date (and in any event no later than 31 December 2019), plus interest accrued in the meantime, and the rescheduling of the remaining amount until 31 December 2023, to be repaid in equal semi-annual instalments, the first of which shall fall due on the fifth Business Day following the Conversion Date, plus interest; and (b) the fixing of an interest rate inclusive of 200 *bps* per annum, payable semi-annually in cash.. The agreement with Solution Bank also provides for the bank's obligation not to (i) take any enforcement action, unless the Restructuring Agreement and/or the agreement with such bank is declared definitively ineffective for the realisation of the events provided for in the same which lead to its termination or the debtor's forfeiture as per art. 1186 of the Italian Civil Code, and (ii) promptly cancel the above-mentioned lien, at equally divided expenses, within and not later than fifteen days from the date of the request made by Soilmec S.p.A., after the Conversion Date and the payment of the amounts due in the meantime.

Compensation Eredi Marino Iannello

Soilmec S.p.A. is a defendant in a dispute with the heirs of the employee Marino Iannello, who died while carrying out maintenance activities on a machine at a construction site in Turkey. The company received requests for compensation: (i) from his wife and children, on 15 May 2017, for Euro 4 million plus expenses equal to 10% of the compensation; (ii) from his parents, on 13 September 2017, without quantification of the claims. Soilmec S.p.A. investigated the requests for compensation asserting its lack of involvement in the matter since Mr. Iannello was not a Soilmec S.p.A. employee, but a Soilmec Honk Kong employee. With respect to Soilmec S.p.A., Mr. Iannello was on unpaid leave. Soilmec S.p.A. has insurance coverage with a maximum of Euro 3,000,000. To ascertain the possible liability of Soilmec S.p.A. and its legal representative *pro tempore* in the fatal accident of Mr Iannello, an investigation has been opened both by the Public Prosecutor's Office of Forlì and by the Turkish authorities.

Agency termination indemnity - Erke Dis Ticaret Ltd Sti

Soilmec S.p.A. is engaged in pre-judicial dispute following the request received from the agent Erke Dis Ticaret Ltd Sti regarding the payment of severance indemnity following the termination of the distribution contract communicated with notice by Soilmec S.p.A. The company considers that it does not have to pay any amount to the counterparty because of the distribution activity carried out prevailing over the agency activity carried out in Turkey. The report of the Legal Department also shows that, should the request for an indemnity for the termination of the agency relationship be accepted, based on the provisions of Article 1751 of the Italian Civil Code, which provides for the calculation of the indemnity based on the average annual salary received by the agent over the last five years and, if the contract is less than five years old, on the average for the period, any amount due would be estimated in a range between Euro 65 thousand and Euro 95 thousand. Soilmec S.p.A. is the holder of a receivable from the counterparty of approximately Euro 126 thousand for invoices that have been overdue for about one year and have not been paid; therefore, even in the event of indemnity payments, the amount could be offset against the higher receivables due to Soilmec S.p.A.

Naples Subway Compensation

Trevi S.p.A. is involved in a dispute for damages for civil disputes brought by 33 counterparties who own shops and apartments affected by the collapse of parts of buildings due to the incorrect execution of the works for the "Line 6" station of the Naples underground, granted by the Municipality of Naples to Ansaldo S.T.S., contracted out to ATI Linea and carried out by Arco Mirelli scarl and, in part, subcontracted to Consorzio TREVI SGF INC. At present, the total claims for damages has been estimated at around € 30 million (including the cases already settled and those whose quantification has not yet been defined), and Trevi's liability is estimated at around 50% (equal to around € 15 million). The transactions closed so far have been carried out by Generali Assicurazioni against insurance coverage for the claim with a maximum of € 5 million. Trevi S.p.A. also has a second-risk policy (i.e. it intervenes secondarily when the first limit is exhausted), equal to Euro 10 million with Allianz which, at the moment, has not expressed any position regarding its activation; in any case, the company has accrued a provision of Euro 7 million assessing the risk that Allianz will make available a maximum amount of Euro 3 million (compared to the maximum of Euro 10 million).

Litigation with Penta Group - Mosul Dam

Trevi S.p.A. is involved in a dispute with Penta Group, a supplier involved in the Mosul (Iraq) contract. On 15 March 2018, the Court of Forlì notified a writ of execution, with a request for payment of Euro 5,470 thousand - resulting from the homologation of a settlement report signed on 23 February 2017 between Trevi and Penta Group concerning the conclusion of 4 contracts for services related to the project and in particular for the recognition of amounts for the so-called *Visa Service* for Iraq. The writ of execution was appealed by Penta Group, which initiated arbitration proceedings at the Milan Chamber of Arbitration. A hearing was held on 23 July 2019 at which the witnesses were also heard, while the closing statements were filed in September and October. The Commission initially set the deadline for the delivery of the award at 15 April 2020; this deadline - also following the suspension of the deadlines due to the emergency of the Coronavirus epidemic - was subsequently postponed to 10 June 2020.

(18) Post-employment benefits

The post-employment benefits and the provision for pensions are defined benefit plans and amounted to €13.7 million at 31 December 2019 and reflect the indemnity accrued at the end of the year by employees of Italian companies under the law and provisions made by foreign subsidiaries to cover liabilities accrued to employees.
They were determined as the present value of the obligation, adjusted to take into account "actuarial gains and losses". The effect recognised was calculated by an external and independent actuary based on the projected unit credit method.

Changes in the financial year are as follows:

Description	Balance as at 31/12/2018	Provisions	curtailment. Effect	Benefits and advances paid	Actuarial gains or losses	Other changes	31/12/2019
Post-employment benefits	5,998	757	-	(388)	(279)	55	6,143
Provisions for pensions and similar obligations	7996	1,387	-	(2,076)	-	232	7,539
TOTAL	**13,994**	**2,144**	**-**	**(2,464)**	**(279)**	**287**	**13,682**

The other changes in the provision for pensions refer to the exchange rate effect of foreign subsidiaries, as well as actuarial gains / losses.

Initial balance	**5,998**	**7,950**
Operating cost of services	261	238
Interest payable	91	84
Compensation paid	(388)	(1,238)
Reclassification of assets held for sale	181	(1,037)
Final balance	**6,143**	**5,998**

The main economic and financial assumptions used by the actuary are set out below:

	31/12/2019	31/12/2018
Annual technical discount rate	0.77%	1.57%
Annual inflation rate	1.00%	1.50%
Annual rate of increase in total salaries	2.50%	2.50%
Annual rate of increase Tfr	2.25%	2.63%

Please note that a discount rate determined regarding a basket of Corporate bonds with an AA rating (iBoxx Eurozone Corporates AA 10+ index) was used for the actuarial calculation, in line with the recommendations of the Association of Actuaries as at 31 December 2019.
The additional assumptions used as the basis for the actuarial calculation are as follows:

- the State General Accounting Office (Ragioneria Generale dello Stato) RG48 gender adjusted assumptions were used for the mortality rate;
- the gender adjusted assumptions in the INPS (Istituto Nazionale della Previdenza Sociale) model for forecasts to 2010 were used for the disability rate;
- for retirement age it was assumed that active employees would stop working as soon as they reach the minimum pensionable age or length of service in order to qualify for a pension from the mandatory general insurance scheme;
- annual rates of between 2.5% and 15% were used for the probability of termination of employment for reasons other than death and were based on Group figures;
- an annual rate of 2% was assumed for early retirements.

Sensitivity analyses of the most important assumptions as at 31 December 2019 are shown below:

Trevi Group		
Past Service Liability Annual discount rate		
	+0.5%	**-0.50%**
Trevi S.p.A.	2082	2,245
Trevi Finanziaria Industriale S.p.A.	816	861
Soilmec S.p.A.	1766	1,962
Drillmec S.p.A.	597	652
PSM S.r.l.	1051	1,160
Petreven S.p.A.	396	441
Total	**6708**	**7,321**

Past Service Liability Inflation rate		
	+0.25%	**-0.25%**
Trevi S.p.A.	2184	2,138
Trevi Finanziaria Industriale S.p.A.	843	833
Soilmec S.p.A.	1889	1,831
Drillmec S.p.A.	632	616
PSM S.r.l.	1115	1092
Petreven S.p.A.	421	405
Total	**7084**	**6,915**

Past Service Liability Annual turnover rate		
	+2.00%	**-2.00%**
Trevi S.p.A.	2,144	2,182
Trevi Finanziaria Industriale S.p.A.	828	848
Soilmec S.p.A.	1833	1,893
Drillmec S.p.A.	616	632
PSM S.r.l.	1075	1,139
Petreven S.p.A.	405	432
Total	**6901**	**7,126**

CURRENT LIABILITIES

They amounted to €1,038 million at 31 December 2019, an increase of €1 million over the previous year.
A breakdown of changes of the various items is provided below:

Description	**31/12/2019**	**31/12/2018**	**Changes**
Short-term loans (bank loans and borrowings)	482777	583,447	(100,670)
Current account overdrafts	25200	24,363	837
Trade advances	45216	50,538	(5,322)
Sub-total short-term loans	**553,193**	**658,348**	**(105,155)**

Lease liabilites	51200	51,560	(360)
Loans and borrowings from other financial backers	187115	37,286	149,829
Sub-total loans and borrowings from other financial backers	**238,316**	**88,846**	**149,470**
Current derivative financial instruments	132	374	(242)
Sub-total current derivative financial instruments	**132**	**374**	**(242)**
Trade payables	168,302	192,561	(24,259)
Advances	15,982	24,447	(8,465)
Payables to contractors	4,017	6,591	(2,574)
Payables to associates	2,363	1,287	1,076
Payables to social security institutions	5,049	3,941	1,108
Accrued expenses and deferred income	4736	10,924	(6,188)
Other liabilities	15,931	15,723	208
VAT liabilities	7900	4,902	2,998
Current provisions	9,350	13,115	(3,765)
Sub-total other current liabilities	**233630**	**273,491**	**(39,861)**
Current tax liabilities	12,631	15,822	(3,191)
Sub-total current tax liabilities	**12631**	**15,822**	**(3,191)**
TOTAL	**1,037,902**	**1,036,881**	**1,021**

Concerning past due trade payables, loans and borrowings and payables to employees at 31 December 2019, overdue trade payables are totalling approximately €96.1 million, overdue loans and borrowings total €524.4 million and overdue tax liabilities approximately €0.6 million. Lastly, there is €0.2 million in overdue payables to employees and social security institutions.

(20) Trade payables and advances: breakdown by geographical segment and currency

There was a decrease in trade payables as at 31 December 2019 (equal to approximately 24.3 million Euro) compared to the corresponding balance as at 31 December 2018 (224.9 million Euro).

The breakdown by geographical segment of short-term trade payables and advances is the following:

31/12/2019	Italy	Europe (excluding Italy)	USA and Canada	Latin America	Africa	Middle East & Asia	Far East	Rest of the world	Total
Suppliers	68939	22,092	21,991	9,249	9,883	28,683	6,260	1,205	**168,302**
Advances from customers	714	4,007	2,084	1,879	4,746	1,653	574	325	**15,982**
Payables to contractors	357	1,433	1,904		151			172	**4,017**
Payables to associates	634	971	0	11	139	608	0	0	**2,363**
TOTAL	**70,644**	**28,503**	**25,979**	**11,139**	**14,919**	**30,944**	**6,834**	**1,702**	**190,664**

31/12/2018	Italy	Europe (excluding Italy)	USA and Canada	Latin America	Africa	Middle East & Asia	Far East	Rest of the world	Total
Suppliers	100408	12,033	25,044	6,997	6,153	32,202	8,884	841	**192,561**
Advance payments	208	551	4,053	3,814	5,994	5,402	2,939	1,484	**24,447**

Payables to contractors	1370	1,393	3,828						**6,591**
Payables to associates	683	0	0	8	0	597	0	0	**1,287**
TOTAL	**102,669**	**13,978**	**32,925**	**10,819**	**12,147**	**38,201**	**11,823**	**2,325**	**224,887**

The breakdown of trade payables by currency was as follows:

Description	31/12/2019	31/12/2018	Changes
EURO	102,252	115,880	(13,628)
USD	27,688	40,293	(12,604)
AED-OMR-QAR	15411	6,619	8,793
NGN	847	31	816
OTHER	22,104	29,739	(7,635)
Total	**168,302**	**192,561**	**(24,259)**

Trade payables and other current liabilities:

Payables to contractors:

This item, for an amount of Euro 4 million, shows contract work in progress net of the related advances.

Payables to associates:

This item totalling EUR 2.4 million refers almost entirely to trade payables of the subsidiary Trevi S.p.A. to consortia, see Note (36) – Related party transactions for details of these amounts.

VAT liabilities:

This item increased compared to the balance at 31 December 2018 (€4.9 million) by approximately €3 million and amounted to €7.9 million at 31 December 2019.

Other payables:

The item "Other payables" mainly includes:

Description	31/12/2019	31/12/2018	Changes
Payables to employees	13578	12,031	1,547
Other	2353	3,692	(1,339)
TOTAL	**15,931**	**15,723**	**208**

Payables to employees relate to wages and salaries for December 2019 and provisions for holidays accrued but not taken.

Accrued expenses and deferred income:

Accrued expenses and deferred income amounted to 4.7 million Euro at 31 December 2019. The item is as follows:

<u>Accrued expenses</u>

Description	31/12/2019	31/12/2018	Changes
Accrues insurance premiums	-	51	(51)
Accrued interest expense	-		-
Other accrued expenses	3,162	4,407	(1,245)
TOTAL	**3,162**	**4,458**	**(1,295)**

<u>Deferred income</u>

Description	31/12/2019	31/12/2018	Changes
Deferred interest income, LL.Sabatini and Ossola	31	165	(134)
Deferred rental income	-	5	(5)
Other deferred income	1543	6,296	(4,753)
TOTAL	**1,574**	**6,466**	**(4,892)**

The above tables mainly include the economic effects of some job orders of subsidiaries in the foundation segemnt to align the economic pertinence of contract revenue.

Also, the balances include the remainder of the lease-back gains made by certain Group companies on sales to leasing companies. These capital gains, under IFRS, are recognised based on the duration of the underlying contracts.

(21) Current tax liabilities

Tax liabilities as at 31 December 2019 amounted to 12.6 million Euro and are broken down as follows:

Description	**31/12/2019**	**31/12/2018**	**Changes**
Direct taxes	9369	11,762	(2,393)
Other	3262	4,060	(798)
TOTAL	**12,631**	**15,822**	**(3,191)**

(22) Short-term loans

Short-term loans amounted to Euro 553 million as at 31 December 2019 and are broken down as follows:

Description	**31/12/2019**	**31/12/2018**	**Changes**
Current account overdrafts	25200	24,363	837
Trades advances	45217	63,569	(18,352)
Bank loans and borrowings	3956	93,281	(89,324)
Share of mortgages and loans expiring within twelve months	478821	477,135	1,686
TOTAL	**553,193**	**658,348**	**(105,155)**

It should be noted that as of 31 December 2019, the majority of bank loans has been reclassified as short-term, as the Group already in 2018, following the failure to comply with the covenants, as part of a broader reflection on the strategic development of its core business and the reduction of activity in the Oil&Gas segment, submitted to the main lending banks a request for a standstill agreement.
Bank loans and borrowings decreased as a result of the reclassification that to short-term loans and borrowings from other financial backers as detailed in paragraph (23) below.

(23) Lease liabilities and loans and borrowings from other financial backers

Lease liabilities and loans and borrowings from other financial backers at 31 December 2019, amounted to €238 million and can be broken down as follows:

Description	**31/12/2019**	**31/12/2018**	**Changes**
Lease liabilities	51200	51,560	(360)
Loans and borrowings from other financial backers	187115	37,286	149,829
TOTAL	**238,316**	**88,846**	**149,469**

Lease liabilities refer to the principal portion of the instalments due within 12 months relating to leases.
Loans and borrowings from other financial backers amounted to 187.1 million Euros at 31 December 2019, an increase of 149.8 million Euros compared to the previous year.

This drastic increase is due to two main reasons:

- The IFRS 16 effect increased the loans and borrowings from other financial backers by €11.7 million;
- The reclassification of approximately €130 million of Short-term loans to short-term loans and borrowings from other financial backers in the financial statements of Trevi Finanziaria S.p.A.:
  - The reclassification of Euro 40.2 million of loans to BPER following their purchase by SC LOWY, of which Euro 32 million consisting of loans to BPER and the remaining Euro 8.2 million consisting of Euro 7.4 million enforced payment from EIB and the remaining Euro 0.8 million of financial expense transferred to SC LOWY converted into a loan;
  - The purchase of €27 million of Banco Do Brasil loans by SC LOWY;
  - The purchase of 11.5 million Euro of CARIGE loans by Amco Asset Management Company S.p.A.
  - Reclassification of the debt to the EIB, approximately EUR 45.3 million, and to Unicredit for EUR 6 million following their action to enforce the guarantee, to SACE S.p.A., which had become the guarantor.

(24) Current derivative financial instruments

At 31 December 2019, there were €0.1 million in current derivative financial instruments

(25) Current provisions

Provisions classified as current at 31 December 2019 amounted to €9.3 million (€13 million at 31 December 2018). The most significant amount of this balance is attributable to Trevi France.

Changes during the year are shown below:

Description	Balance as at 31/12/2018	Provisions	Uses	Releases	Other changes	Balance as at 31/12/2019
Other current provisions	13,115	2,860	(7,952)		1327	9,350
TOTAL	**13,115**	**2,860**	**(7,952)**	**-**	**1326**	**9,350**

Net financial position

Details of net financial indebtedness are provided below.

		Notes	31/12/2019	31/12/2018	Changes
A	Cash	(13)	(810)	(1,036)	226
B	Other cash equivalents	(13)	(76,899)	(87,876)	10,977
C	Securities held for trading		0	0	0
D	**Cash and cash equivalents (A+B+C)**		**(77,709)**	**(88,912)**	**11203**
E	**Current financial assets**	(12.a)	(10,977)	0	(10,977)
F	Current bank loans and borrowings	(22)	74372	181,213	(106,841)
G	Current portion of non-current debt	(22)	478821	477,135	1,686
H	Other current financial debt	(23) (24)	238,448	89,205	149,243
I	**Current financial debt (F+G+H)**		**791640**	**747,553**	**44,088**
J	**Current net financial debt (I+E+D)**		**702954**	**658,641**	**43,862**
K	Non-current bank loans and borrowings	(15)	7,656	331	7,325
L	Bonds issued		0	0	0
M	Other current financial debt	(15)	25,764	33,668	(7,904)
No.	**Non-current financial debt (K+L+M)**		**33419**	**33,998**	**(579)**
O.	**Net financial debt (J+N)**		**736374**	**692,640**	**43,283**

GUARANTEES AND COMMITTMENTS

The guarantees given are listed below:

- Guarantees given to insurance companies (both in Euro and US dollars): these amount to Euro 356,959,078 and refer to the issue of guarantees for VAT refunds by the Parent and its main Italian subsidiaries, other commercial guarantees and guarantees given in favour of leading American insurance companies, in the interest of the sub - subsidiary Trevi Icos Corporation, for the execution of its projects; these guarantees are reduced in proportion to the remainder of the work still to be carried out at the end of each financial year.
- Guarantees given to third parties: these amount to €400,770,601 and refer in particular to:

- Bank guarantees for Euro 266,169,330 to guarantee cash and secured lines and leases for subsidiaries of Trevi Finanziaria Industriale Spa.
- Commercial guarantees (mainly for participation in tenders, performance bonds and contractual advances) for €98,490,830.
- Financial guarantees for Euro 36,110,441 issued to banks for loans received.

It should be noted that at the Trevi Group level, at the date of preparation of these consolidated financial statements, several reminders and injunctions have been received from suppliers Concerning commercial relations. The aggregate amount of these positions is approximately Euro 3.2 million, of which approximately Euro 1.6 million have been the subject of recomposition agreements, and approximately Euro 1.6 million are in the process of being recomposed.

COMMENTS TO THE MAIN ITEMS OF THE STATEMENT OF PROFIT OR LOSS

Below are some details and information relating to the consolidated statement of profit or loss for the year ended 31 December 2019. Further details on the Group performance are given in the Directors' Report.

REVENUE

(26a) Revenue from sales and services and other revenue

This item amounted to €623 million compared to €618 million in 2018, an increase of €5.1 million. The Group operates in various business segments and geographical segments.
The breakdown of revenue from sales and services and other revenue is as follows:

Geographical segment	**2019**	**%**	**2018**	**%**	**Changes**	**%**
Italy	58091	9.3%	45,346	7.3%	12,745	28.1%
Europe (excluding Italy)	110172	17.7%	73,751	11.9%	36,421	49.4%
USA and Canada	135180	21.7%	113,847	18.4%	21,333	18.7%
Latin America	34154	5.5%	36,953	6.0%	(2,799)	-7.6%
Africa	43746	7.0%	51,302	8.3%	(7,556)	-14.7%
Middle East & Asia	138303	22.2%	203,469	32.9%	(65,166)	-32.0%
Far East and Rest of the world	103559	16.6%	93,412	15.1%	10,147	10.9%
TOTAL REVENUE	**623205**	**100%**	**618,080**	**100%**	**5,125**	**1%**

The increase in sales in Italy is mainly due to the sales activities of the Soilmec division.
The decrease in the Middle East area is mainly attributable to the activities of the foundation segment as a result of the completion of some contracts, particularly in Kuwait and Iraq.
In Latin America and Africa, the decrease is mainly due to the activities of the foundation segment.
In the Far East and Oceania, the improvement is largely attributable to the performance of the Soilmec division's sales activities.

The breakdown of revenue between the Foundations segment and the parent is shown below:

	2019	**%**	**2018**	**%**	**Changes**	**% change**
Special foundation works	417227	68%	418,574	68%	(1,347)	-0.3%
Manufacture of special machinery for foundations	209089	34%	204,748	33%	4,341	2.1%
Interdivisional eliminations and adjustments	(11,847)		(7,363)		(4,484)	
Sub-total Special Foundations Sector (Core Business)	**614468**	**100%**	**615,959**	**100%**	**(1,490)**	**-0.2%**
Parent	32,446		27,481		4,965	
Intradivisional and Parent eliminations	(23,710)		(25,359)		1,649	
TREVI GROUP	**623,205**	**100%**	**618,080**	**100%**	**5,125**	**0.8%**

(26b) Other operating revenue

Other operating revenue amounted to 29.2 million Euros as at 31 December 2019, up by 1.3 million Euros compared to the previous year. The item is as follows:

Description	**2019**	**2018**	**Changes**
Operating grants	270	652	(382)
Recovery of expenses and recharges to Consortia	7035	10,511	(3,476)
Release of funds	-	97	(97)
Sales of spare parts and raw materials	3,972	791	3,181
Gains on the sale of capital goods	4149	1,900	2,249
Compensation for damages	3148	3,365	(217)
Rental income	2291	3,632	(1,341)
Prior year income	1921	2,618	(697)
Other	6448	4,307	2,142
TOTAL	**29,234**	**27,873**	**1,361**

In 2019 "Recovery of expenses and recharges to consortia" amounted to 7 million Euros, down by 3.5 million Euros compared to the previous year; "Sales of spare parts" amounted to 3.9 million Euros, up by 3.2 million Euros; “gains on the sale of capital goods " amounted to 4.2 million Euro compared with 2.3 million Euro in the previous year; "Prior year income" amounted to 1.9 million Euro and mainly refer to Trevi S.p.A. for Euro 1.5 million mainly due to the elimination of debt positions.
The item "other" is mainly attributable to the Austrian subsidiary for approximately €3 million for the recovery of costs related to the activities of the yard in Germany, €0.8 million to the Algerian subsidiary following the favourable settlement of some claims and €0.5 million to the subsidiary Swissboring for the recovery of costs related to the activities in the area.

(27) Increase in non-current assets for internal work

The item increases in non-current assets for internal work amounted to €12.2 million in 2019, a decrease of €0.3 million compared to the balance in 2018.

PRODUCTION COSTS

Production costs totalled 660.7 million Euro in 2019 compared to 603.8 million Euro in the previous year, an increase of 56.3 million Euro; the main items are analysed below.

(28) Personnel expense:

This amounted to €166.3 million in 2019, an increase of €1.5 million over the previous year.

Description	**2019**	**2018**	**Changes**
Wages and salaries	127148	128,226	(1,078)
Social security charges	25702	25,923	(221)
Post-employment benefits	1494	682	812
Pension fund	3541	1,837	1,704
Other costs	8448	8,178	271
TOTAL	**166,333**	**164,846**	**1,487**

The number of employees at constant scope of consolidation and the change compared to the previous year is determined as follows:

Description	**31/12/2019**	**31/12/2018**	**Changes**	**Average**
Managers	148	162	(14)	155
Employees and executives	2612	2,820	(208)	2,716
Workers	3,143	3,396	(253)	3,270
Total number of staff	**5,903**	**6,378**	**(475)**	**6,141**

(29) Other operating expenses

Description	**2019**	**2018**	**Changes**
Services	164,213	160,206	4,007
Use of third-party assets	24,185	42,134	(17,949)
Sundry operating costs	13,067	9,635	3,432

TOTAL	**201,465**	**211,975**	**(10,510)**

This caption amounted to 201.5 million Euros in 2019, a decrease of 10.5 million Euros compared with the previous year, please refer to the descriptions below for more details.

Services:
These amounted to €164.2 million in 2019 compared with €160.2 million in 2018. This item mainly includes:

Description	2019	2018	Changes
Outsourcing	6837	2,110	4,727
Technical assistance	9416	4,055	5,361
Driving force	1,616	1,505	111
Sub-contracts	31603	42,630	(11,027)
Administrative services	1,322	2,077	(755)
Entertainment expenses	605	545	60
Technical, legal and fiscal advice	35,254	30,893	4,361
Maintenance and repairs	11288	9,959	1,329
Insurance	10601	9,474	1,127
Shipping, customs and transport costs	13725	14,868	(1,143)
Expenses for energy, telephone, gas, water and postal	3285	4,246	(961)
Commissions and ancillary charges	879	3,513	(2,634)
Food, accommodation and travel expenses	16882	17,264	(382)
Advertisements and promotions	1637	1,884	(247)
Banking services	4526	4,963	(437)
Consortium cost share	95	232	(137)
Other expenses for the provision of services	14642	9,988	4,653
TOTAL	**164,213**	**160,206**	**4,007**

Service costs increased by 2.5% compared to the previous year, an increase of €4 million.

Use of third-party assets:
This item amounted to 24.2 million Euros in 2019, down 17.9 million Euros compared with the previous year, due to the application from 1 January 2019, of the new IFRS 16 - Leases, which had an improved impact on leases and rentals of approximately 15.8 million Euros.
The item mainly refers to:

Description	2019	2018	Changes
Equipment leases	16357	32,366	(16,009)
Rental expenses	7829	9,768	(1,939)
TOTAL	**24,185**	**42,134**	**(17,949)**

The item "equipment leases" includes residual operating lease costs relating to contracts that meet the requirements to be excluded from the accounting treatment provided by IFRS 16.

Sundry operating costs:
They amounted to €13.1 million in 2019, an increase of €3.4 million over the previous year. Their composition is as follows:

Description	2019	2018	Changes

Indirect duties and taxes	2889	3,676	(787)
Ordinary capital losses from asset disposal	2295	1,867	428
Prior year expense	1576	1,274	302
Other sundry expenses	6307	2,818	3,489
TOTAL	**13,067**	**9,635**	**3,432**

Indirect taxes and duties originate principally in the Italian companies for a total of Euro 1.6 million, and the companies in the foundation division operating in South America.

The increase in other sundry expenses is mainly attributable to the French subsidiary of the Trevi division. It is related to the expected loss in the non-consolidated Joint Venture operating on Metro Grand Paris.

(30) Provisions and impairment losses

Description	**2019**	**2018**	**Changes**
Provisions for risks	5385	1,713	3,672
Loss allowance	9142	2,727	6,415
Impairment losses on advances to suppliers	1,736	0	1,736
Impairment losses on non-current assets	16,073	0	16,073
TOTAL	**32,336**	**4,440**	**27,896**

Provisions for risks and charges:
The main components of this account, which amounted to 5.4 million Euros, are provisions for product warranties, legal disputes and contractual risks.

Loss allowance:
The amount of €9.1 million refers almost exclusively to the loss allowances on trade receivables of the individual subsidiaries.

Impairment losses:
Impairment losses on advances to suppliers of €1.7 million and on non-current assets of €16.1 million were recorded.
See note (1) Property, plant and equipment.

(31) Financial income

Financial income amounted to 9.2 million Euro in 2019, down by 1.5 million Euro compared to the previous year.
The entry is as follows:

Description	**2019**	**2018**	**Changes**
Interest income with banks	1109	1,579	(470)
Interest income with customers	327	136	191
Other financial income	7791	9,044	(1,253)
TOTAL	**9,227**	**10,759**	**(1,532)**

The item "Other financial income" includes EUR 6.3 million of interest receivable from the Oil&Gas segment for intragroup loans outstanding during 2019; these amounts are restated under IFRS 5.

(32) Financial expense

Financial expense amounted to 25.7 million Euro in 2019, down by 0.8 million Euro compared to the previous period.

Interest expense with banks represents the costs associated with raising the financial resources necessary for the functioning of the Group's activities, which are mainly affected by the heads of the divisions and the parent, for a combined total of approximately Euro 19 million.
The entry is as follows:

Description	**2019**	**2018**	**Changes**
Interest expense with banks	19882	20,511	(629)

Bank charges and fees	217	1,993	(1,776)
Interest expense on loans	1216	492	724
Interest expense on leases	1545	2,232	(687)
Bank discounts	54	121	(67)
Interest expense on loans and borrowings with other financial backers	2760	1,074	1,686
TOTAL	**25,674**	**26,423**	**(749)**

(33) Exchange gains/(losses)

At 31 December 2019, net exchange losses amounted to Euro 5.1 million, mainly due to the fluctuation between the Euro and the Dinar of the Arab Emirates and between the Euro and the currencies of the countries in South America.
The composition of this item is shown below:

Description	2019	2018	Changes
Realised exchange gains	7623	4,362	3,261
Realised exchange losses	(8,417)	(14,894)	6477
Net realised exchange losses	**(794)**	**(10,532)**	**9738**
Unrealised exchange gains	4367	7,957	(3,590)
Unrealised exchange losses	(8,673)	(13,426)	4753
Net unrealised exchange losses	**(4,306)**	**(5,469)**	**1163**
Net exchange losses	**(5,100)**	**(16,001)**	**10901**

(34) Income taxes

Net taxes for the year decreased by €0.6 million in 2019 compared with the previous year and are broken down as follows:

Description	2019	2018	Changes
Current taxes:			
- I.R.A.P.	493	896	(403)
- Income taxes	10824	11,317	(493)
Deferred tax expense	(1,492)	(1,632)	140
Deferred tax income	(3,353)	(3,544)	191
TOTAL	**6,472**	**7,037**	**(565)**

Income taxes for the year refer to the estimate of direct taxes payable for the year, calculated on the basis of the taxable income of the individual consolidated companies of the Group.
Taxes for foreign companies are calculated according to the rates in force in the respective countries.

Description	2019	2018	Changes
Profit for the year before taxes and non-controlling interests	**(71,492)**	**(137,128)**	**65636**
I.R.E.S. - Italian companies	0	2,448	(2,448)
Deferred taxes of Italian companies and consolidation entries	(5,319)	(5,611)	292
Current and deferred total income taxes on foreign companies	8274	7,571	703
I.R.A.P.	493	896	(403)
Taxes paid abroad	1,958	1,768	190
I.R.E.S.Tax differences from previous years	1067	(35)	1102
Income taxes shown in the consolidated income statement	**6472**	**7,037**	**(565)**
Tax rate	**-9.1%**	**-5.1%**	

(35) Group earnings per share

The calculation of basic and fully diluted earnings/ (losses) per share was as follows:

	Description	2019 Profit (loss) from continuing operations	2019 Profit (loss) from discontinued operations	2018 Profit (loss) from continuing operations	2018 Profit (loss) from discontinued operations
A	Loss for the year (thousands of Euro)	(64,361)	(11,440)	(23,877)	(119,550)
B	Weighted average number of ordinary shares for the determination of basic earnings per share	1,645,793	1,645,793	1,645,793	1,645,793
C	Loss per basic share: (A*1000)/B	(39.106)	(6.951)	(14.508)	(72.640)
D	Loss adjusted for dilution analysis (thousands of Euro)	(64,361)	(11,440)	(23,877)	(119,550)
E	Weighted average number of ordinary shares for calculating basic earnings per share	1,648,884	1,648,884	1,648,884	1,648,884
F	Loss per diluted share: (D*1000)/E	(39.033)	(6.938)	(14.481)	(72.504)

It should be noted that the calculation as at 31 December 2019 and 31 December 2018 took into account the reverse split of shares during the 2019 financial year.
It is also specified that both the basic loss per share and the diluted loss per share would have been (0.005) € using for the calculation the new number of ordinary shares after the capital increase, equal to 15,085,596,328 shares.

(36) Related party transactions

Transactions with key management personnel

Directors' remuneration

For the year 2019, the amount of remuneration due to the Directors of the Parent for the performance of these duties also in other companies included in the consolidation is provided below:

Name	Company	Position	Fees for the office (Euro / 000)	Fees for subsidiaries	Other fees (Euro/000)
Davide Trevisani	**Trevi - Fin. Ind. S.p.A**	**Chairman of the Board of Directors until 30/09/2019**	**226**		
	Trevi S.p.A.	Director		70	
	Drillmec S.p.A.	Director		40	
	Soilmec S.p.A.	Director		38	
	Petreven S.p.A.	Director		30	
Gianluigi Trevisani	**Trevi - Fin. Ind. S.p.A**	**Executive Deputy Chairman until 30/09/2019**	**224**		
	Trevi S.p.A.	Director		70	
	Drillmec S.p.A.	Director		40	
	Soilmec S.p.A.	Director		38	
	Petreven S.p.A.	Director		30	
Cesare Trevisani	**Trevi - Fin. Ind. S.p.A**	**Deputy Chairman until 30/09/2019**	**95**		**35**
	Trevi S.p.A.	PRE and Chief Executive Officer		82	
	Soilmec S.p.A.	Director		38	
	Drillmec S.p.A.	Director		40	
	RCT Srl	Sole Director		0	
	Petreven S.p.A.	PRE and Chief Executive Officer		75	
Stefano Trevisani	**Trevi - Fin. Ind. S.p.A**	**Chief Executive Officer**	**40**		**167**
	Drillmec S.p.A.	Director		40	
	Soilmec S.p.A.	Chairman of the Board of Directors and Chief Executive Officer		64	
	Trevi S.p.A.	Deputy Chairman of the Board of Directors and Chief Executive Officer		142	
	Petreven S.p.A.	Deputy Chairman of the Board of Directors and Chief Executive Officer		30	
Sergio Iasi	**Trevi - Fin. Ind. S.p.A**	**Chief Executive Officer**	**70**		**330**
Marta Dassù	**Trevi - Fin. Ind. S.p.A**	**Non-executive and independent Director**	**40**		**0**
Umberto della Sala	**Trevi - Fin. Ind. S.p.A**	**Non-executive and Independent Director until 30/09/2019**	**30**		**3**
Cristina Finocchi Mahne	**Trevi - Fin. Ind. S.p.A**	**Non-executive and independent Director**	**40**		**11**
Elisabetta Olivieri	**Trevi - Fin. Ind. S.p.A**	**Non-executive and Independent Director since 30/09/2019**	**10**		**0**
Alessandro Piccioni	**Trevi - Fin. Ind. S.p.A**	**Non-executive Director since 30/09/2019**	**10**		**0**
Rita Rolli	**Trevi - Fin. Ind. S.p.A**	**Non-executive and independent Director**	**40**		**11**
Luca D'Agnese	**Trevi - Fin. Ind. S.p.A**	**Chairman of the Board of Directors from 30/09/2019**	**10**		**0**
Giuseppe Caselli	**Trevi - Fin. Ind. S.p.A**	**Chief Executive Officer from 30/09/2019**	**0**		**125**
Luca Caviglia	**Trevi - Fin. Ind. S.p.A**	**Non-executive Director since 30/09/2019**	**10**		**0**
Simone Trevisani	**Trevi - Fin. Ind. S.p.A**	**Executive Director until 30/09/2019**	**30**		**145**
	Trevi S.p.A.	Director		18	
	Drillmec S.p.A.	Chief Executive Officer		175	
	Soilmec S.p.A.	Deputy Chairman of the Board of Directors and Chief Executive Officer		109	
	P.S.M. S.p.A.	Director		15	
	Petreven S.p.A.	Director		30	

Other related party transactions

The Trevi Group's related party transactions mainly consist of the commercial transactions of the subsidiary Trevi S.p.A. with its consortia, regulated at market conditions.
The most significant amounts of these long-term receivables at 31 December 2019 and 31 December 2018 are shown below:

Long-term financial receivables	**31/12/2019**	**31/12/2018**	**Changes**
Porto Messina S.c.a.r.l.	720	720	0
Filippella S.c.a.r.l.	0	225	(225)
Pescara Park S.r.l.	633	515	118
Other	0	272	(272)
TOTAL	**1,353**	**1,732**	**(379)**

The most significant amounts of short-term trade receivables at 31 December 2019 and 31 December 2018 included under "Trade receivables and other current assets" are shown below:

Trade receivables and other current assets	**31/12/2019**	**31/12/2018**	**Changes**
Parcheggi S.p.A.	63	164	(101)
Roma Park Srl	634	634	0
Sofitre S.r.l.	7	1,391	(1,384)
Other	29	29	0
Sub-total	**733**	**2,218**	**(1,485)**
Porto di Messina S.c.a.r.l.	794	764	30
Consorzio Trevi Adanti	0	7	(7)
Nuova Darsena S.c.a.r.l.	822	1,035	(213)
Trevi S.G.F. Inc. per Napoli	1860	1,857	3
Trevi Nicholson JV	4,342	0	4,342
Sep Trevi Sefi	5,812	0	5,812
Other	348	715	(367)
Sub-total	**13,978**	**4,378**	**9,600**
TOTAL	**14,711**	**6,596**	**8,115**
% of total consolidated trade receivables	5.1%	2.3%	

Group revenue generated with these companies are shown in the following table:

Revenue from sales and services	**2019**	**2018**	**Changes**
Roma Park Srl	0	30	(30)
Parcheggi S.p.A.	261	228	34
Sofitre Srl	6	7	(1)
Sub-total	**267**	**265**	**2**
Hercules Foundation AB	15	1,010	(995)
Nuova Darsena	625	30	596
Sep Trevi Sefi	4,066	0	4,066
Trevi Nicholson JV	3,601	0	3,601
Other	615	1,243	(628)
Sub-total	**8922**	**2,283**	**6,639**
TOTAL	**9,189**	**2,548**	**6,641**
as % of total revenue	1.5%	0.3%	

Financial income	**2019**	**2018**	**Changes**
Hercules Foundation AB	933	0	933
Other	13	0	13
Sub-total	**946**	**0**	**946**

The most significant amounts of payables to related companies at 31 December 2019 and 31 December 2018 included under "Trade payables and other current liabilities" are shown below:

Short-term trade payables and other current liabilities	31/12/2019	31/12/2018	Changes
IFC Ltd	139	130	9
Sofitre S.r.l.	0	23	(23)
Sub-total	**139**	**153**	**(14)**
Filippella S.c.a.r.l.	1	0	1
Consorzio Trevi Adanti	9	8	1
Porto di Messina S.c.a.rl.	403	386	17
Trevi S.G.F. Inc. S.c.a.r.l.	43	32	11
Sep Trevi Sefi	971	0	971
Other	797	708	89
Sub-total	**2,224**	**1,134**	**1,090**
TOTAL	**2,363**	**1,287**	**1,076**
% of consolidated trade payables	1.1%	0.5%	

Expenses incurred by the Group with these companies were as follows:

Cost of raw materials and consumables and cost of services	2019	2018	Changes
Sofitre Srl	28	84	(56)
Parcheggi S.p.A.	0	2	(2)
Sub-total	**28**	**86**	**(58)**
Porto di Messina S.c.a.rl.	8	41	(33)
Trevi S.G.F. Inc. S.c.a.r.l	4	8	(4)
Filippella S.c.a.r.l.	1	6	(5)
Nuova Darsena S.c.a.r.l.	172	299	(127)
Sep Trevi Sefi	3,453	0	3,453
Gemac Srl	1,701	0	1,701
Other	15	78	(63)
Sub-total	**5354**	**432**	**4,922**
TOTAL	**5,382**	**518**	**4,864**
% on consumption of raw materials and consolidated external services	*2.7%*	0.1%	

Also to what has already been highlighted in the information on acquisitions during the period, as can be seen from the tables above, the Trevi Group carries out few transactions with the companies headed by Sofitre S.r.l., a company 100% controlled by the Trevisani family. Transactions with companies of the Sofitre Group (qualifying for the TREVI Group as companies subject to common control by the Trevisani family), which took place during 2019 under normal market conditions, are summarised in the table above, which also shows the negligible incidence on the Group's consolidated figures.
Finally, we point out that there were no economic transactions between the companies of the TREVI Group and TREVI Holding S.E., the parent of TREVI - Finanziaria Industriale S.p.A., nor with the parent of the latter, I.F.I.T. S.r.l.

(37) Assets held for sale/liabilities associated with assets held for sale

The items "Assets held for sale/liabilities associated with assets held for sale" and "Profit (loss) from discontinuing operations" include, under the requirements of IFRS 5, the amounts of the scope of sale of the Oil&Gas segment following the sale agreements entered into with the buyer. For further details, please refer to the previous paragraph "Discontinued operations".

Segment disclosure

For purposes of presenting statement of profit or loss and statement of financial position information by segment (Segment Reporting), the Group has identified, as the primary framework for presenting segment data, the breakdown by segment of activity. This representation reflects the organisation of the Group's business and internal reporting structure, based on the consideration that risks and benefits are influenced by the business sectors in which the Group operates.
The management monitors the operating results of its business units separately in order to make decisions regarding the allocation of resources and assessment of performance. Segment performance is evaluated on operating profit or loss,

which, as shown in the tables below, is calculated differently from the operating profit or loss shown in the Consolidated Financial Statements. So far, pending completion of the divestiture process, there are no changes in the structure of the information reviewed by the directors. Therefore, segment reporting continues to be organised for the Foundations and O&G segments, although the latter is presented as Discontinued Operations.
As secondary segment disclosure, only revenue by geographical segment is monitored by management.
Segment statement of profit or loss and statement of financial position figures at 31 December 2019 are provided in the following tables and further information on the performance of the two divisions is given in the Directors' Report.

Special Foundations Division (Core Business)

Summary statement of financial position

	(Euro '000)	31/12/2019	31/12/2018	Changes
A)	**Non-current Assets**	**218563**	**211,524**	**7,039**
B)	**Net working capital**			
	- Inventories	160072	187,639	(27,567)
	- Trade receivables	251120	253,299	(2,179)
	- Trade payables (-)	(205,333)	(195,165)	(10,168)
	- Advances (-)	(25,153)	(30,287)	5134
	- Other assets (liabilities)	(34,724)	(29,967)	(4,757)
		145982	**185,519**	**(39,537)**
C)	**Invested capital less liabilities (A+B)**	**364546**	**397,043**	**(32,497)**
D)	**Post-employment benefits (-)**	**(12,844)**	**(13,241)**	**397**
E)	**NET INVESTED CAPITAL (C+D)**	**351702**	**383,802**	**(32,100)**
	Financed by:			
F)	**Group equity**	**124,828**	**193,212**	**(68,384)**
G)	**Net financial position**	**226874**	**190,590**	**36,283**
H)	**TOTAL SOURCES OF FINANCING (F+G+H)**	**351702**	**383,802**	**(32,100)**

Oil & Gas Division

Summary statement of financial position

	(Euro '000)	31/12/2019	31/12/2018	Changes
A)	**Non-current Assets**	**83,852**	**64,900**	**18,952**
B)	**Net working capital**			
	- Inventories	99,756	124,914	(25,157)
	- Trade receivables	61,996	92,944	(30,948)
	- Trade payables (-)	(81,961)	(93,487)	11,525
	- Advances (-)	(47,267)	(45,300)	(1,967)
	- Other assets (liabilities)	18,126	20,126	(2,000)
		50,650	**99,197**	**(48,547)**
C)	**Invested capital less liabilities (A+B)**	**134,502**	**164,097**	**(29,595)**
D)	**Post-employment benefits (-)**	**(1,419)**	(1,206)	**(213)**
E)	**NET INVESTED CAPITAL (C+D)**	**133,083**	**162,891**	**(29,808)**
	Financed by:			
F)	**Group equity**	**22,263**	**(97,529)**	**119792**
G)	**Net financial position**	**110,820**	**260,421**	**(149,600)**
H)	**TOTAL SOURCES OF FINANCING (F+G+H)**	**133,083**	**162,891**	**(29,808)**

Special Foundations Division (Core Business)

Statement of profit or loss summary

(Euro '000)

	2019	2018	Changes
TOTAL REVENUE	**614468**	**615,960**	**(1,491)**
Changes in inventories of work in progress, semi-finished products and finished goods	(11,646)	13816	(25,462)
Increase in non-current assets for internal work	10599	11,067	(468)
Other operating revenue		1554	1,544
PRODUCTION VALUE	**613421**	**628,581**	**(15,160)**
Cost of raw materials and consumables and cost of services	405932	420,618	(14,686)
Sundry operating costs	11796	8,749	3,047
ADDED VALUE	**195693**	**199,215**	**(3,522)**
as % of Total revenue	**31.8%**	**32.3%**	
Personnel expense	158603	159,584	(980)
GROSS OPERATING PROFIT	**37088**	**39,631**	**(2,542)**
as % of Total revenue	6.0%	6.4%	
Depreciation and amortisation	44,188	27,419	16,769
Provisions and impairment losses	41,335	2,224	39,112
OPERATING PROFIT (LOSS)	**(48,436)**	**9,988**	**(58,423)**
as % of Total revenue	-7.9%	1.6%	

Oil & Gas Division

Statement of profit or loss summary at constant scope of consolidation

(Euro '000)

	2019	2018	Changes
TOTAL REVENUE	**191,345**	**178,885**	**12,460**
Changes in inventories of work in progress, semi-finished products and finished goods	(4,501)	(1,287)	(3,214)
Increase in non-current assets for internal work	11,710	3,411	8,299
Other operating revenue			0
PRODUCTION VALUE	**198,554**	**181,010**	**17,544**
Cost of raw materials and consumables and cost of services	139,379	126,123	13,256
Sundry operating costs	6,807	5,151	1,656
ADDED VALUE	**52,368**	**49,736**	**2,632**
as % of Total revenue	**27.4%**	**27.8%**	
Personnel expense	54,510	50,249	4,261
GROSS OPERATING LOSS	**(2,142)**	**(513)**	**(1,629)**
as % of Total revenue	-1.1%	-0.3%	
Depreciation and amortisation	13,424	7,062	6,362
Provisions and impairment losses	10,411	4,295	6,116
OPERATING LOSS	**(25,977)**	**(11,870)**	**(14,107)**
as % of Total revenue	-13.6%	-6.6%	

It is considered that the primary segment to identify the Group's activities is the subdivision business segment, while for the secondary segment reference is made to the geographical segment; reference should be made to the directors' report for comments on the statement of profit or loss summaries provided by segment reporting.

RECONCILIATION STATEMENT for 2019

Group statement of profit or loss summary

(Euro '000)

	Special Foundations Division (Core Business)	Oil & Gas Segment	TREVI-Fin.Ind.S.p.A.	Adjustments	Reclassifications to Assets held for sale	Trevi Group
TOTAL REVENUE	**614468**	**191,345**	**32,446**	**(31,115)**	**(183,940)**	**623205**
Changes in inventories of work in progress, semi-finished products and finished goods	(11,646)	(4,501)	0	()	4501	(11,646)
Increase in non-current assets for internal work	10599	11,710	0	1	(10,069)	12241
Other operating revenue	0	0	0	0	0	0
PRODUCTION VALUE	**613422**	**198,554**	**32,446**	**(31,114)**	**(189,509)**	**623800**
Cost of raw materials and consumables and cost of services	405,932	139,379	17,721	(30,242)	(130,845)	401,945
Sundry operating costs	11,797	6,808	1,421	(151)	(6,808)	13,067
ADDED VALUE	**195,693**	**52,368**	**13,304**	**(721)**	**(51,855)**	**208788**
Personnel expense	158,604	54,510	7,729	()	(54,510)	166,333
GROSS OPERATING PROFIT (LOSS)	**37088**	**(2,142)**	**5575**	**(721)**	**2654**	**42,454**
Depreciation and amortisation	44,188	13,424	3,142	(444)	(13,296)	47,014
Provisions and impairment losses	41336	10,411	21,412	(23,875)	(16,947)	32,336
OPERATING PROFIT (LOSS)	**(48,436)**	**(25,977)**	**(18,979)**	**23598**	**32,897**	**(36,897)**

Statement of financial position at constant scope of consolidation

(Euro '000)

		Special Foundations Division (Core Business)	Oil & Gas Segmentr	TREVI-Fin.Ind.S.p.A.	Adjustments	Reclassifications to Assets held for sale	Trevi Group
A)	**Non-current Assets**	**218563**	**83,852**	**156,639**	**(95,366)**	**(118,067)**	**245621**
B)	**Net working capital**						
	- Inventories	160072	99,756	0	155	(99,756)	160227
	- Trade receivables	251120	61,996	42,482	(86,814)	(24,488)	244297
	- Trade payables (-)	(205,333)	(81,961)	(39,491)	115978	40,711	(170,096)
	- Advances (-)	(25,153)	(47,267)	0	400	47,267	(24,753)
	- Other assets (liabilities)	(34,724)	18126	(11,913)	15932	(14,793)	(27,372)
		145982	**50,650**	**(8,921)**	**45651**	**(51,059)**	**182303**
C)	**Assets held for sale and liabilities associated with assets held for sale**					99,965	99,965
D)	**Invested capital less liabilities (A+B)**	**364546**	**134,502**	**147,718**	**(49,715)**	**(69,161)**	**527890**
E)	**Post-employment benefits (-)**	(12,844)	(1,419)	(838)	()	1419	(13,682)
F)	**NET INVESTED CAPITAL (C+D)**	**351702**	**133,083**	**146,880**	**(49,715)**	**(67,742)**	**514208**
	Financed by:						
G)	**Group equity**	**124,828**	**22,263**	**(268,633)**	**(40,788)**	**(59,837)**	(222,167)
H)	**Net financial position (debt)**	**226874**	**110,820**	**415,512**	**(8,927)**	**(7,906)**	736373
I)	**TOTAL SOURCES OF FINANCING (F+G+H)**	**351702**	**133,083**	**146,880**	**(49,715)**	**(67,743)**	**514207**

The statement of financial position adjustment column includes for non-current assets the elimination of equity investments and the elimination of intragroup non-current financial receivables, for trade receivables and payables the remaining intragroup eliminations, for Group equity mainly the offsetting entry for the elimination of equity investments.

Events after the reporting period

With specific reference to the aspects pertaining to the process of restructuring and capital reinforcement undertaken by the Group at the beginning of 2017 and extending up to the date of approval of this document, please refer to the " Short overview of the most relevant events up to the date of this report " under the section "Basis of preparation".
Here are the main events of 2020:

- with decrees dated 10 January 2020, notified to Trevifin, Trevi S.p.A. and Soilmec S.p.A. on 21 January 2020, the Court of Appeal of Bologna upheld the complaints against the decisions of the Court of Forlì rejecting the Restructuring Agreement and therefore approved the Restructuring Agreement itself.
- On 31 March 2020, the second part of the Closing was successfully completed for the sale of the Oil & Gas division of Trevi Group to MEIL Global Holdings BV.
- On 29 April 2020, Consob authorised the publication of the Prospectus relating to the offer of Trevifin shares under option.
- On 29 April 2020, the lending banks party to the Restructuring Agreement confirmed that all the conditions precedent provided for in the Restructuring agreement had been fulfilled and that therefore the Restructuring Agreement is to be considered fully effective in all its provisions from that date.
- On 18 May 2020, Trevifin announced that the period for the exercise of rights of first refusal has ended.
- On 29 May 2020, Trevifin announced that the capital increase was successfully completed and 15,083,921,496 newly issued ordinary shares of the Parent were subscribed, for a total amount of Euro 150,839,214.96.

Moreover, in the first four months of the year, orders acquired amounted to approximately 200 million Euro, up 15% compared to the same period of the previous year, and the backlog reached 444 million Euro, up approximately 1% compared to 2019.

Remuneration to Statutory Auditors

For the year 2019, the amount of remuneration due to Statutory Auditors of the Parent for the performance of these duties also in other companies included in the consolidation is provided below:

Name	Position	Length of appointment (months)	Remuneration from the Parent	Other fees	Total
Milena Motta	Standing statutory auditor (Chairman)	12	50	0	50
Marco Vicini	Statutory Auditor from 30/09/2019	3	10	0	10
Raffaele Ferrara	Statutory Auditor from 30/09/2019	3	10	0	10
Adolfo Leonardi	Standing Auditor until 30/09/2019	9	30	0	30
Stefano Leardini	Standing Auditor until 30/09/2019	9	30	0	30
	Total		**130**	**0**	**130**

Audit fees pursuant to Art. 160 par 1-bis no. 303 Law 262 of 28/12/2005 supplemented by Italian Legislative Decree 29/12/2006

(Amounts in Euro)	Audit	Certification services	Other services	Total
Trevi Finanziaria Industriale S.pA.				
KPMG SpA	227,109	235,712		462,821
KPMG network				
	227109	**235,712**	**-**	**462,821**
Subsidiaries:				
KPMG SpA	114417	268,800		383,217
KPMG network	218646	35,200		253,846
	333,063	**304,000**	**-**	**637063**
	560,172	**539,712**	**-**	**1099884**

Additions requested by Consob pursuant to Art. 114 of Italian Legislative Decree no. 58/98

On 10 December 2018, Consob, under Article 114 of Legislative Decree No. 58/98, requested the Parent to communicate, by the end of each month, the following information updated to the end of the previous month:

a) the net financial position of the Parent and of the Group headed by it, highlighting the short-term components separately from the medium-long term ones;
b) the overdue payables of the Parent and of the Group headed by it, broken down by nature (financial, commercial, tax, social security and to employees) and the relevant initiatives of reaction of creditors (reminders, injunctions, suspensions in the supply etc.);
c) the main changes in related party transactions of the Parent and the Group with respect to the last annual or interim financial report approved pursuant to Art. 154-ter of the TUF;

Concerning the situation as at 31 December 2019, the information was communicated to the market through individual Press Releases issued monthly throughout the year. All the Press Releases mentioned are available on the Parent's website at the following address: https://www.trevifin.com/it/comunicati_stampa.

ANNEXES

The following annexes supplement the information contained in the Notes to the Consolidated Financial Statements of which they form an integral part.

1 Companies consolidated in the Consolidated Financial Statements at 31 December 2019 on a line-by-line basis.

1a Companies consolidated in the Consolidated Financial Statements at 31 December 2019 using the equity method.

1b Companies and consortia consolidated in the Consolidated Financial Statements at 31 December 2019 with the cost method.

2 Group organisational chart;

Annex 1

COMPANIES CONSOLIDATED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2019 ON A LINE-BY-LINE BASIS

#	COMPANY NAME	REGISTERED OFFICE	CURRENCY	SHARE/QUOTACAPITAL	% HELD BY THE GROUP
1	TREVI – Finanziaria Industriale S.p.A.	Italy	Euro	82,289,633	Holding company
2	Soilmec S.p.A.	Italy	Euro	25155000	99.90%
3	Soilmec U.K. Ltd	UK	Pounds Sterling	120000	99.90%
4	Soilmec Japan Co. Ltd	Japan	Yen	45000000	92.90%
5	Soilmec France S.a.S.	France	Euro	1100000	99.90%
6	Drillmec S.p.A.	Italy	Euro	5000000	99.90%
7	Soilmec H.K. Ltd.	Hong Kong	Euro	44743	99.90%
8	Drillmec Inc. USA	U.S.A.	U.S. Dollar	5000000	99.80%
9	Pilotes Trevi S.a.c.i.m.s.	Argentina	Pesos	1650000	98.90%
10	Cifuven C.A.	Venezuela	Bolivares	300000	99.80%
11	Petreven C.A.	Venezuela	Bolivares	10504361346	99.90%
12	Trevi S.p.A.	Italy	Euro	32300000	99.80%
13	RCT S.r.L.	Italy	Euro	500000	99.80%
14	Treviicos Corporation	U.S.A.	U.S. Dollar	23500	99.80%
15	Trevi Foundations Canada Inc.	Canada	Canadian Dollar	7	99.80%
16	Trevi Cimentaciones C.A.	Venezuela	Bolivares	12766206370	99.80%
17	Trevi Construction Co. Ltd.	Hong Kong	U.S. Dollar	2051668	99.80%
18	Trevi Foundations Nigeria Ltd.	Nigeria	Naira	402554879	59.90%
19	Trevi Contractors B.V.	The Netherlands	Euro	907600	99.80%
20	Trevi Foundations Philippines Inc.	Philippines	Philippine Peso	52500000	99.80%
21	Swissboring Overseas Piling Corporation	Switzerland	Swiss Franc	100000	99.80%
22	Swissboring & Co. LLC.	Oman	Rials Oman	250000	99.80%
23	Swissboring Qatar WLL	Qatar	Qatari Riyal	250000	99.80%
24	Idt Fzco	United Arab Emirates	Dirhams	1000000	99.80%
25	Treviicos South Inc.	U.S.A.	U.S. Dollar	5	99.80%
26	Wagner Constructions L.L.C.	U.S.A.	U.S. Dollar	5200000	99.80%
27	Trevi Algerie E.U.R.L.	Algeria	Dinar	53000000	99.80%
28	Borde Seco	Venezuela	Bolivares	-	94.90%
29	Trevi Insaat Ve Muhendislik A.S.	Turkey	Turkish Lira	777600	99.80%
30	Petreven S.A.	Argentina	Weight	30,000	99.90%
31	Petreven – U TE – Argentina	Argentina	Weight		99.80%
32	Soilmec F. Equipment Pvt. Ltd.	India	Indian Rupee	500000	79.90%
33	PSM S.p.A.	Italy	Euro	1000000	99.90%
34	Trevi Energy S.p.A.	Italy	Euro	112439	100%
35	Trevi Geotechnik Ges.m.b.H.	Austria	Euro	100000	99.80%
36	Trevi Panamericana S.A.	Republic of Panama	Balboa	10000	99.80%

#	COMPANY NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	% HELD BY THE GROUP
37	Soilmec North America	U.S.A.	U.S. Dollar	10	79.90%
38	Soilmec Deutschland Gmbh	Germany	Euro	100000	99.90%
39	Soilmec Investment Pty Ltd.	Australia	Australian Dollar	100	99.90%
40	Soilmec Australia Pty Ltd.	Australia	Australian Dollar	100	99.90%
41	Soilmec WuJiang Co. Ltd.	China	Renminbi	58305193	51%
42	Soilmec do Brasil S/A	Brazil	Real	5500000	38%
43	Trevi Asasat J.V.	Libya	Libyan Dinar	300000	64.90%
44	Watson Inc. USA	U.S.A.	U.S. Dollar	-	79.90%
45	Arabian Soil Contractors	Saudi Arabia	Ryal Saudita	1000000	84.80%
46	Galante Foundations S.A.	Republic of Panama	Balboa	-	99.80%
47	Trevi Galante S.A.	Colombia	Pesos Colombiano	1000000000	99.80%
48	Trevi Cimentacones y Consolidaciones S.A.	Republic of Panama	Balboa	10000	99.80%
49	Petreven S.p.A.	Italy	Euro	4000000	99.90%
50	Idt Llc	United Arab Emirates	Dirhams	1000000	99.80%
51	Idt Llc Fzc	United Arab Emirates	Dirhams	6000000	99.80%
52	Soilmec Algeria	Algeria	Algerian Dinar	1000000	69.90%
53	Drillmec OOC	Russia	Russian Ruble	153062	99.90%
54	Drillmec International Sales Inc.	U.S.A.	U.S. Dollar	2500	99.90%
55	Watson International Sales Inc.	U.S.A.	U.S. Dollar	2500	79.90%
56	Perforazioni Trevi Energie B.V.	The Netherlands	Euro	18,000	99.90%
57	Trevi Drilling Services	Saudi Arabia	Ryal Saudita	7500000	51.00%
58	Trevi Foundations Saudi Arabia Co. Ltd.	Saudi Arabia	Ryal Saudita	500000	99.80%
59	Petreven Perù SA	Peru	Nuevo Sol	11216041	99.90%
60	Petreven Chile S.p.A.	Chile	Chilean Peso	239550000	99.90%
61	Trevi Foundations Kuwait	Kuwait	Kuwaiti Dinar	100000	99.80%
62	Trevi Foundations Denmark	Denmark	Danish Crown	2000000	99.80%
63	Trevi ITT JV	Thailand	Baht	-	94.90%
64	Soilmec Colombia Sas	Colombia	Pesos Colombiano	335433812	99.90%
65	Petreven do Brasil Ltd	Brazil	Brazilian Real	1000000	99.90%
66	Galante Cimentaciones Sa	Peru	Nuevo Sol	3000	99.80%
67	Trevi SpezialTiefBau GmbH	Germany	Euro	50,000	99.80%
68	Profuro Intern. L.d.a.	Mozambique	Metical	36000000	99.30%
69	Hyper Servicos de Perfuracao AS	Brazil	Brazilian Real	1200000	50.90%
70	Immobiliare SIAB S.r.l.	Italy	Euro	80,000	100%
71	Foundation Construction Ltd	Nigeria	Naira	28006440	80.20%
72	OJSC Seismotekhnika	Belarus	Belarusian ruble	12029000	50.90%
73	Trevi Australia Pty Ltd	Australia	Australian Dollar	10	99.80%
74	Soilmec Singapore Pte Ltd	Singapore	Singaporean Dollar	100109	99.90%
75	Trevi Icos Soletanche JV	United States	U.S. Dollar	-	54.90%
76	TreviGeos Fundacoes Especiais	Brazil	Brazilian Real	5000000	50.90%

#	COMPANY NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	% HELD BY THE GROUP
77	RCT Explore Colombia SAS	Colombia	Colombian Peso	960248914	99.80%
78	6V SRL	Italy	Euro	154700	50.90%
79	Trevi Arabco J.V.	Egypt	Egyptian Pound	-	50.90%
80	Trevi Holding USA	United States	USD	1	99.80%
81	Drillmec Messico S de RL de CV	Mexico	Mexican Peso	-	99.60%
82	Trevi Chile S.p.A	Chile	Chilean Peso	10510930	98.90%
83	Trevi Fondations Spèciales SAS	France	Euro	100000	99.80%
84	Pilotes Uruguay SA	Uruguay	Uruguayan weight	80,000	98.91%

Annex 1a

COMPANIES INCORPORATED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019 USING THE EQUITY METHOD

COMPANY NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL (*)	% HELD BY THE GROUP	CARRYING AMOUNT (Euro/000)
J.V. Rodio-Trevi-Arab Contractor	Switzerland	U.S. Dollar	100000	17.46%	
Dragados y Obras Portuarias S A Pilotes Trevi SACIMS UTE	Argentina	Pesos		49.90%	7
VPP Pilotes Trevi SACIMS Fesa UTE	Argentina	Pesos		49.90%	
Trevi Icos-Nicholson JV	U.S.A.	U.S. Dollar		49.50%	3,396
TOTAL					**3,403**

(*) For consortia located in Argentina, the amount stated is the equity

Annex 1b

COMPANIES AND CONSORTIA CONSOLIDATED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2019 WITH THE COST METHOD

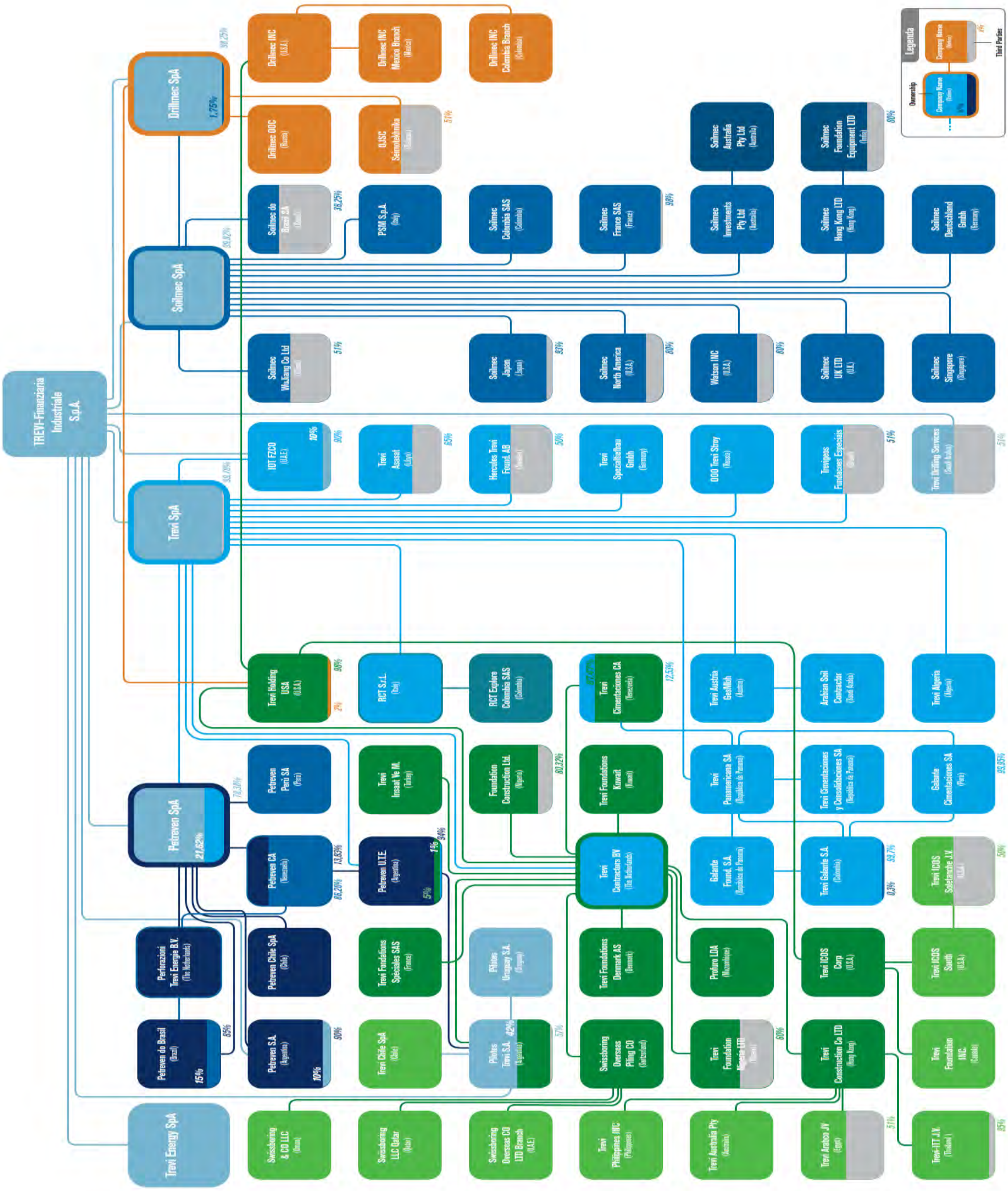
COMPANY NAME	REGISTERED OFFICE	CURRENCY	SHARE/QUOTA CAPITAL	% HELD BY THE GROUP	CARRYING AMOUNT (Euro '000)
CONSORTIA AND CONSORTIUM ENTITIES					
Consorzio Romagna Iniziative	Italy	Euro	41317	12%	0
Consorzio Trevi Adanti	Italy	Euro	10329	48.89%	0
Trevi S.G.F Inc. per Napoli	Italy	Euro	10000	54.88%	6
Consorzio Fondav	Italy	Euro	25823	37.00%	0
Filippella S.c.a.r.l.	Italy	Euro	10000	74.84%	8
Porto di Messina S.c.a.r.l.	Italy	Euro	10200	79.80%	0
Consorzio Water Alliance	Italy	Euro	60000	64.86%	
Compagnia del Sacro Cuore S.r.l.	Italy	Euro			
Consorzio NIM-A	Italy	Euro	60000	66.52%	40
Centuria S.c.a.r.l.	Italy	Euro	308000	1.58%	5
Soilmec Arabia	Saudi Arabia	Rial Saudita		24.25%	44
Nuova Darsena S.C.A.R.L.	Italy	Euro	10000	50.80%	5
OTHER COMPANIES					
Comex S.p.A. (In liquidation)	Italy	Euro	10000	0.69%	0
Credito Cooperativo Romagnolo – BCC di Cesena e Gatteo	Italy	Euro	7474296	0.01%	1
Trevi Park P.l.c.	UK	Sterling U.K.	4,236.98	29.70%	
Italthai Trevi	Thailand	Baht	80000000	2.19%	135
Hercules Trevi Foundation A.B.	Sweden	Crown	100000	49.50%	103
Japan Foundations	Japan	Yen	5907978000	0.00%	97
Bologna Park S.r.l.	Italy	Euro	50,000	56.13%	0
Pescara Park S.r.l.	Italy	Euro	10000	34.92%	
Parma Park SrL	Italy	Euro	200000	29.96%	0
I.F.C	Hong Kong	U.S. Dollar	18933	0.10%	
OOO Trevi Stroy	Russia	Russian Ruble	5000000	100%	
Trevi Cote d'Ivoire Sarl	Ivory Coast	CFA franc	264630000	100%	
Gemac Srl	Romania	New Leu	50,000	24.59%	3
Sviluppo Imprese Romagna S.p.A.	Italy	Euro	1125000	13.33%	150
SEP SEFI JV	France	Euro		50%	
TOTAL					**597**

COMPANIES AND CONSORTIA CONSOLIDATED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019 USING THE COST METHOD RELATING TO THE OIL & GAS SEGMENT

COMPANY NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	% HELD BY THE GROUP	CARRYING AMOUNT (Euro '000)
Drillmec India	India	Rupee			24

Annex 2

GROUP ORGANISATIONAL CHART



Statement on the consolidated financial statements pursuant to Art. 154 of Italian Legislative Decree no. 58/98

1. The undersigned Giuseppe Caselli, Chief Executive Officer, and Massimo Sala, Director of Administration, Finance and Control as Manager in charge of financial reporting of Trevi Group, hereby state, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 24 February 1998, no. 58:
   - the adequacy in relation to the characteristics of the company; and
   - the effective application

   of the administrative and accounting procedures for drafting the consolidated financial statements during the 2019 financial year.

2. It is also stated that:

2.1 The consolidated financial statements at and for the year ended 31 December, 2019:

   a) have been drafted in compliance with the applicable International Financial Reporting Standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) match the results of the ledgers and accounting records;

   c) are suitable for providing a true and fair view of the financial situation, financial performance and cash flow of the issuer and of all companies included in the consolidation.

2.2 The directors' report contains references to important events that occurred during the year and their impact on the consolidated financial statements, together with a description of the main risks and uncertainties of the year as well as information on significant transactions with related parties.

Cesena, 8 June 2020

Giuseppe Caselli
Chief Executive Officer

Massimo Sala
Manager in charge of financial reporting

KPMG S.p.A.
Revisione e organizzazione contabile
Via Innocenzo Malvasia, 6
40131 BOLOGNA BO
Telefono +39 051 4392511
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Trevi Finanziaria Industriale S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Trevi Group (the "group"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Trevi Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

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 "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Trevi Finanziaria Industriale S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty about going concern

We draw attention to that disclosed by the directors in the "Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern" section of the notes to the consolidated financial statements about events and circumstances that indicate that there is a material uncertainty which would cast significant doubts about the parent's and group's ability to continue as a going concern.

Obtaining sufficient audit evidence supporting the parent's directors' use of the going concern basis of accounting was a key audit matter.

Our audit procedures included:

- analysing the process applied by the directors to assess the parent's and group's ability to continue as a going concern;
- understanding and assessing the reasonableness of the main assumptions underlying the 2018-2020 business plan approved by the board of directors and endorsed by the Bologna Court in January 2020 as part of the restructuring agreement as per article 182-bis of the Italian bankruptcy law;
- comparing the key assumptions used to the parent's and group's historical data and external information, where available;
- obtaining and understanding the directors' analysis of COVID-19's estimated impact on the 2018-2022 business plan and, therefore, on the going concern assumption;
- analysing the correspondence with banks;
- analysing the correspondence with the relevant supervisory authorities;
- analysing the minutes of the board of directors' meetings;
- analysing the events which have occurred after the reporting date that provide information supporting the going concern assumption, including the outcome of the capital increase carried out in 2020;
- assessing the appropriateness of the disclosures provided in the notes about the going concern assumption.

We did not qualify our opinion in this respect.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the group's net assets

Notes to the consolidated financial statements: "Impairment of assets", "Use of estimates" and "Impairment test at 31 December 2019"

<table>
<tr><th>Key audit matter</th><th>Audit procedures addressing the key audit matter</th></tr>
<tr><td>
Given the situation of the market in which the group operates, assisted by an external advisor, the directors tested the net assets allocated to the identified cash-generating units (CGUs, Trevi and Soilmec) for impairment by comparing their recoverable amount to their carrying amount.
The directors determined the recoverable amount based on the CGUs' value in use calculated using the discounted cash flow model. A breakdown of these expected cash flows by subsidiary is set out in the 2018-2020 business plan approved by the parent's directors on 19 December 2018 and subsequently updated and approved on 8 May 2019 and endorsed by the Bologna Court on 10 January 2020 as part of the approval of a restructuring agreement pursuant to article 182-bis of the Italian bankruptcy (the "plan").
The directors also carried out a sensitivity analysis, and the results are presented in the notes to the consolidated financial statements, to check the impact of possible variations in the discount rate applied to cash flows and in the growth rate after the explicit period to value in use compared to the forecasts.
Impairment testing requires a high level of judgement, especially in relation to:
— the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector and the actual cash flows generated by the CGUs in recent years;
— the financial parameters to be used to discount the above cash flows.
For the above reasons, we believe that the recoverability of the net assets allocated to the CGUs mentioned above is a key audit matter.
</td><td>
Our audit procedures, which also involved our own specialists, included:
— understanding the process adopted to prepare the impairment test;
— understanding the process adopted to prepare the plan approved by the parent's board of directors which sets out the expected cash flows used for impairment testing;
— analysing the reasonableness of the assumptions used by the directors to prepare the plan;
— comparing the cash flows used for impairment testing to the cash flows forecast in the plan;
— assessing the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information;
— checking any discrepancies between the most recent actual figures and the plan forecasts and understanding the underlying reasons;
— checking the accuracy of the CGUs' scope;
— assessing the appropriateness of the disclosures provided in the notes about net assets and the related impairment test.
</td></tr>
</table>

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' 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 auditors' 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 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 ISA Italia, we exercise professional judgement and maintain professional scepticism 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 the directors' 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 auditors' 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 auditors' 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 the appropriate level 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.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 15 May 2017, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Trevi Finanziaria Industriale S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, other auditors attested the compliance of the non-financial statement separately.

Bologna, 8 June 2020

KPMG S.p.A.

(signed on the original)

Massimo Tamburini
Director of Audit

TREVI - Finanziaria Industriale S.p.A.

Separate Financial Statements at 31 December 2019

TREVI – Finanziaria Industriale S.p.A.

Registered Office in Cesena (FC) - Via Larga 201 - Italy

Share Capital of Euro 82,391,632.50 fully paid-up

Forlì - Cesena Chamber of Commerce Business Register No. 201.271

Tax code, VAT number and Forlì - Cesena Register of Companies No.: 01547370401

Website: www.trevifin.com

STATEMENT OF FINANCIAL POSITION

ASSETS	*Notes*	31/12/2019 (*)	31/12/2018 (*)
Non-current assets			
Property, plant and equipment			
Land and buildings		6,281,314	6,480,134
Plant and machinery		19,061,611	21,952,278
Other assets		128,617	8,374
Total property, plant and equipment	**1)**	**25,471,542**	**28,440,786**
Intangible assets			
Concessions, licences and trademarks		100,856	78,156
Assets under development and payments on account		217,500	-
Total Intangible Assets	**(2)**	**318,356**	**78,156**
Equity investments in other companies	**(3)**	151,205	151,205
Equity investments in subsidiaries	**(3)**	128,266,670	134,141,707
Deferred tax assets	**(4)**	1,416,754	2
Other medium/long-term financial receivables		35,996	-
Other medium/long-term financial receivables from subsidiaries	**(5)**	82,489,602	87,159,460
- of which from related parties		*82,489,602*	*87,159,460*
Trade receivables and other medium/long-term receivables		-	-
Total Financial Assets		**212,360,227**	**221,452,374**
Total non-current Assets		**238,150,125**	**249,971,316**
Assets Held for Sale		**3,395,219**	**2,395,219**
Current assets			
Trade receivables and other short-term receivables	**(6)**	8,969,839	4,915,859
- of which from related parties		*10,037*	*23,035*
Trade receivables and other short-term receivables from subsidiaries	**(7)**	42,472,247	60,690,391
- of which from related parties		*42,472,246*	*60,690,391*
Current tax assets	**(8)**	1,712,665	7,716,930
Current financial assets	**(9)**	10,977,362	-
Cash and cash equivalents	**(10)**	146,231	708,551
Total Current Assets		**64,278,344**	**74,031,731**
TOTAL ASSETS		**305,823,688**	**326,398,266**

EQUITY	***Notes***	***31/12/2019 (*)***	**31/12/2018 (*)**
Share capital and reserves			
Share capital		82,289,633	82,289,633
Other reserves		134,032,585	134,130,376
Losses carried forward including loss for the year		(484,954,764)	(437,123,295)
Total deficit	**(11)**	**(268,632,546)**	**(220,703,286)**

LIABILITIES			
Non-current liabilities			
Long-term bank loans and borrowings	**(12)**	-	-
Long-term loans and borrowings from other financial backers	**(13)**	401,443	2,658,536
Non-current derivative financial instruments	**(14)**	-	-
Deferred tax liabilities	**(15)**	814,505	2,642,293
Post-employment benefits	**(16)**	838,048	753,310
Provisions for risks and charges	**(17)**	18,049,214	17,611,398
Total non-current Liabilities		**20,103,210**	**23,665,537**
Current liabilities			
Trade payables and other short-term liabilities	**(18)**	23,260,577	12,252,213
Trade payables and other short-term liabilities to subsidiaries	**(19)**	20,064,253	33,091,372
- of which to related parties		*20,064,253*	*33,091,372*
Current tax liabilities	**(20)**	-	1,920,590
Short-term bank loans and borrowings	**(21)**	319,663,188	433,028,189
Short-term loans and borrowings from other financial backers	**(22)**	189,931,854	42,781,666
Current derivative financial instruments	**(23)**	129,047	361,985
Total current Liabilities		**553,048,919**	**523,436,015**
TOTAL LIABILITIES		**573,152,129**	**547,101,552**
Liabilities associated with assets held for sale		**1,304,105**	**-**
TOTAL DEFICIT AND LIABILITIES		**305,823,688**	**326,398,266**

STATEMENT OF PROFIT OR LOSS

	Notes	2019	2018
Revenue from sales and services	**(24)**	27,177,528	20,391,906
- of which from related parties		*27,177,457*	*20,320,476*
Other operating revenue	**(25)**	5,268,732	7,088,755
- of which from related parties		*3,119,976*	*6,887,934*
Raw materials and consumables	**(26)**	32,040	43,290
- of which with related parties		-	-
Personnel expense	**(27)**	7,729,286	5,262,483
Other operating expenses	**(28)**	19,110,173	13,080,743
- of which to related parties		*658,642*	*293,294*
Depreciation and amortisation	**(29)**	2,959,330	3,441,177
Provisions		2,747,022	3,072,480
Operating profit/(loss)		**(131,591)**	**2,580,489**
Financial income	**(30)**	10,148,331	13,955,578
- of which from related parties		*10,148,467*	*13,609,527*
Financial expense	**(31)**	17,975,345	19,842,286
Net exchange gains (losses)	**(32)**	(56,315)	1,352,085
Net financial expense		**(7,883,329)**	**(4,534,623)**
Adjustments to financial assets	**(33)**	**(11,724,934)**	**(1,623,759)**
- of which with related parties		-	-
Loss before taxes		**(19,739,855)**	**(3,577,893)**
Income taxes	**(34)**	(1,137,828)	1,419,478
Loss from operating activities		**(18,602,027)**	**(4,997,371)**
Loss from assets held for sale		**(29,229,442)**	**(85,257,434)**
Loss for the year	**(35)**	**(47,831,469)**	**(90,254,805)**

STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
Loss for the year	**(47,831,471)**	**(90,254,805)**
Other Comprehensive Income (expense) that will be subsequently reclassified to profit/(loss) for the year		
Hedging reserve		
Income taxes		
Change in the hedging reserve		
Total Other Comprehensive Income (expense) that will be subsequently reclassified to profit/(loss) for the year after taxes	**0**	**0**
Other Comprehensive Income (expense) that will not be subsequently reclassified to profit/(loss) for the year		
Actuarial gains/(losses)	(97,791)	10,022
Income taxes		(2,888)
Total other Comprehensive Income (expense) that will not be subsequently reclassified to profit/(loss) for the year after taxes	**(97,791)**	**7,134**
Comprehensive income net of taxes	**(47,929,262)**	**(90,247,671)**

STATEMENT OF CHANGES IN EQUITY

DESCRIPTION	Share capital	Other reserves	Retained earnings (losses carried forward)	Loss for the year	Total deficit
Balance at 31/12/2017	**82,289,633**	**137,203,040**	**8,396,403**	**(355,264,894)**	**(127,375,819)**
IFRS 9		(3,051,157)			(3,051,157)
Balance at 01/01/2018	**82,289,633**	**134,151,883**	**8,396,403**	**(355,264,894)**	**(130,426,976)**
Loss allocation	-		(355,264,894)	355,264,894	-
Distribution of dividends	-				-
Capital increase	-				-
Comprehensive expense	-	(21,507)		(90,254,804)	(90,276,311)
Balance at 31/12/2018	**82,289,633**	**134,130,376**	**(346,868,491)**	**(90,254,804)**	**(220,703,287)**
Loss allocation			(90,254,804)	90,254,804	-
Distribution of dividends					-
Capital increase					-
Comprehensive expense		(97,791)		(47,831,471)	(47,929,262)
Balance at 31/12/2019	**82,289,633**	**134,032,585**	**(437,123,296)**	**(47,831,471)**	**(268,632,548)**

Statement of cash flows

	Notes	*2019*	*2018*
Loss for the year	(35)	(47,831,471)	(90,254,804)
Income taxes	(34)	(1,137,827)	1,419,478
Loss before taxes		**(48,969,298)**	**(88,835,326)**
Depreciation and amortisation	(29)	3,142,261	6,183,599
Capital (gains)/losses from disposal of assets	(1) - (2)	(2,018,097)	-
Finance income/(expense)	(30) - (31) - (32)	(4,008,467)	4,534,624
Adjustments to financial assets	(33)	22,106,491	68,341,571
Provisions for risks and post-employment benefits	(16)	201,667	325,852
Use of the provisions for risks and post-employment benefits	(16)	(411,067)	(527,217)
Provisions for risks and charges	(17)	21,461,054	-
Use of the provisions for risks and charges	(17)	-	-
(A) Cash flows used in operating activities before changes in Working Capital		**(8,495,455)**	**(9,976,898)**
(Increase)/Decrease in Trade receivables	(6)	(4,053,980)	3,171,373
(Increase)/Decrease in other assets	(7) - (8) - (4)	24,222,410	(18,962,537)
Increase in Trade payables	(18)	11,008,365	5,629,473
Increase/(Decrease) in Other liabilities	(15) - (19) - (20)	(36,773,556)	15,240,618
(B) Changes in working capital		**(5,596,761)**	**5,078,928**
(C) Financial income/(expense)	(30) - (31) - (32)	4,008,467	(4,534,624)
(D) Adjustments to financial assets	(33)	-	-
(E) Direct taxes (paid)/collected	(8)	-	(150,122)
(F) Cash flows used in operating activities (A+B+C+D+E)		**(10,083,749)**	**(9,582,716)**
(Investments) net of property, plant and equipment	(1) - (29)	1,890,204	39,600,965
(Investments) net of intangible assets	(2) - (29)	(285,325)	(23,075)
Net change in financial assets	(3) - (5)	(12,597,593)	(36,614,855)
(G) Cash flows from (used in) investing activities		**(10,992,715)**	**2,963,035**
Increase/(Decrease) in Share Capital and reserves for the repurchase of treasury shares	(11)	-	-
Other changes	(11)	192,257	(3,051,157)
Decrease in loans	(12) - (14) - (21) - (23)	(113,597,937)	(409,474)
Increase in loans and borrowings from other financial backers	(13) - (22) - (9)	133,915,735	3,719,220
Dividends collected	(30)	4,091	-
Dividends paid	(11)	-	-
(G) Cash flows from financing activities		**20,514,146**	**258,589**
(I) Decrease in cash and cash equivalents(F+G+H)		**(562,318)**	**(6,361,092)**
Cash and cash equivalents at the beginning of period		**708,551**	**7,069,643**
Cash and cash equivalents at the end of period		**146,231**	**708,551**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2019

Company profile and business activities

TREVI – Finanziaria Industriale S.p.A. (hereinafter referred to as the "Company") and the companies that it controls ("TREVI Group" or the "Group") operate in the following two sectors:

- Foundation engineering services for civil works and infrastructure projects and construction of equipment for special foundations ("Foundations - (the Core Business)");
- Construction of drilling rigs for the extraction of hydrocarbons and water exploration and oil drilling services ("Oil & Gas").

These activities are coordinated by the four main operating companies of the Group:

- Trevi S.p.A., which heads the foundation engineering segment;
- Petreven S.p.A., which operates in the drilling sector providing oil drilling services;
- Soilmec S.p.A., which heads the related Division manufacturing and marketing plant and equipment for foundation engineering;
- Drillmec S.p.A., which manufactures and sells drilling equipment for the extraction of hydrocarbons and water exploration.

The Group is also active in the renewable energy sector and primarily the wind sector, through the subsidiary Trevi Energy S.p.A.

TREVI - Finanziaria Industriale S.p.A., controlled by Trevi Holding SE which, in turn, is controlled by I.F.I.T. S.r.l., has been listed on the Milan Stock Exchange since 15 July 1999.

These Separate Financial Statements were approved and authorised for publication by the Board of Directors on 31 May 2020. However, the Shareholders' Meeting is entitled to adjust the Separate Financial Statements as proposed by the Board of Directors.

For further information on the various business segments in which the Group operates, in respect of related party transactions and significant events after the reporting period, reference should be made to the paragraph in the Directors' Report.

Structure and content of the Separate Financial Statements

The Separate Financial Statements of the Parent were prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission according to the procedure referred to in Art. 6 of (EC) Regulation No. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, as implemented by Italian Legislative Decree No. 38, of 28 February 2005, and subsequent amendments, CONSOB communications and resolutions and the related IFRIC interpretations issued by the International Reporting Interpretation Committee and the previous SICs issued by the Standing Interpretations Committee.

The "Basis of preparation" section indicates the IFRSs adopted in the preparation of the Company's Separate Financial Statements at 31 December 2019.

The Company's Separate Financial Statements at 31 December 2019 present the balances as at and for the year ended 31 December 2018, for comparative purposes.

The following classifications were used:

- the “Statement of Financial Position” by current/non-current items;
- the “Statement of Profit or Loss” by nature,
- the “Statement of other Comprehensive Income” that, in addition to the profit/loss for the year, includes other changes in equity movements other than owner transactions;
- the “Statement of Cash Flows” drawn up using the indirect method.

These classifications are considered to provide information that better responds to representing financial position, financial performance and cash flows of the Company.

The functional and presentation currency is the Euro.

The statements contained in these Separate Financial Statements and the related notes, unless otherwise indicated, are shown in units of Euro.

Accounting standards

The Separate Financial Statements were prepared in accordance with the general historical cost principle for all assets and liabilities, with the exception of financial assets available for sale, financial assets held for trading and derivative financial instruments, for which the principle of fair value and the going concern assumption are applied.

Basis of preparation

The preparation of the Separate Financial Statements requires the directors to make discretionary assessments, estimates and hypotheses that influence the carrying amounts of income, expense, assets and liabilities, and the indication of potential liabilities at the reporting date. The main items of the Separate Financial Statements that required the use of estimates are:

- measurement of equity investments, deferred tax assets, in particular in relation to the probability of future repayment of the same;
- loss allowance and provisions for risks;
- main assumptions applied to the actuarial recalculation of post-employment benefits, such as the future turnover rate and the discount rate.

The basis of preparation of the statement of financial position and statement of profit or loss items of the Separate Financial Statements of the Company is indicated below.

ASSESSMENTS OF THE GOING CONCERN ASSUMPTION

Introduction

As is known, the Company as well as the main companies of the Trevi Group, i.e. Trevi S.p.A., Soilmec S.p.A., Drillmec S.p.A. and Petreven S.p.A., have found themselves, starting from 2017, in a situation of financial and equity tension, which has led to significant uncertainties in relation to the going concern of the Group and each of them. These uncertainties are in the process of being overcome thanks to the measures that were and will be put in place in execution of the Restructuring Agreement and the related Plan (as defined below), currently being implemented at the date of preparation of this report. On the one hand, the purpose of this section is to identify such uncertainties in light of the economic, financial and equity situation of the Company and the Group, and on the other, to describe the measures that have been identified and shared by the directors in order to resolve the situation, as well as to report the state of implementation and the reasonable probability that such measures will be taken and implemented within the required time. To this end, considerations regarding the going concern requirement used to prepare these Separate Financial Statements will be developed, by taking into consideration the specific uncertainties characterising the going concern of the Company and the related assessments made. It should be noted that, despite the uncertainties mentioned above, the path approved by the directors is basically described in detail below: the Restructuring Agreement signed with the lending banks of the Company (and the Trevi Group) and approved by the Court of Appeal of Bologna on 10 January 2020, the Sale Agreement of the Oil & Gas Division's activities with the MEIL Group (as defined below) and the capital increase concluded on 29 May 2020. This path is deemed appropriate to allow the Company and the Group as a whole to overcome the current crisis.

Short overview of the most relevant events up to the date of this report

It is worthy to briefly mention the most relevant events that led to the current situation.

- During the months of March and April 2017, in the light of the progressive worsening of the financial results and prospective cash flows of the Group (especially in the Oil & Gas sector), Trevifin required and obtained from the lending banks (as well as from bondholders) some waivers due to the failure to comply with the financial parameters (the so called covenants) provided for by some of the medium/long-term loan agreements (and by the bond issue).
- In this context, Trevifin, also on behalf of the other Group companies, expressed to the main lending banks of the Group, during some plenary meetings and/or through bilateral discussions, the need to: (a) adopt a financial manoeuvre aimed at restructuring its own financial debt in line with the Group's situation and with the expected cash flows; and (b) submit a standstill request until 31 December 2017 to the main lending banks, aimed at enabling the Group to continue to benefit from the financial support necessary to focus its attention on the development of its business plan and on the management of the disposal of the Oil & Gas Division.
- In the same year, the further contraction of orders, particularly in the Oil & Gas Division (which was associated with the cancellation of a very significant order with the customer YPFB in Bolivia), led to the persistence and aggravation of the critical issues related to the financial situation. In the context described above, and also at the request of the banks, the Group had to take some immediate action, such as, in addition to the standstill request mentioned above, the preparation of a forecast for 2017 and the update of the 2017-2021 business plan.
- Additionally, in 2017, the Company granted:

i) an assignment to a “financial advisor” to assist the Group in requesting financial support from banks through the maintenance of credit lines and a moratorium on loan repayments;

ii) an assignment to a “business advisor” to assist the Group in preparing a new business plan; and

iii) an assignment to a “legal advisor” to assist the Group in negotiating the contractual terms with the banks aimed at restructuring the financial debt.

- The discussions - started on 19 May 2017 with the lending banks (which, in turn, appointed a “legal advisor” and a “financial advisor”) for the signing of a standstill agreement - were aimed at allowing the Company and the Group, pending the updating of the business plan and the definition of a proposal for a financial manoeuvre to submit to the lending banks, to continue to operate normally, hence preventing any individual initiatives by the latter and continuing to receive from the lending banks the support to cover their financial requirements for the necessary period.
- During the meetings aimed at discussing the content of the standstill proposal, the lending banks requested an Independent Business Review (IBR) from Trevifin that was carried out by a leading company. The IBR did not initially highlight any critical issues that could jeopardise the aforementioned definition path with the lending banks, that is, of an agreement aimed at restructuring the financial debt in line with the business plan.
- Therefore, on 31 August 2017, the Board of Directors of Trevifin approved the forecast for the 2017 financial year and the update of the Group business plan for the period 2017-2021. Furthermore, on 29 September 2017, the Board approved the condensed interim consolidated financial statements of Trevi Group at 30 June 2017, on which KPMG S.p.A., the statutory auditor, issued an audit report containing an emphasis of matter regarding some significant uncertainties that may raise doubts about the ability of the Group to continue to operate on the basis of the going concern assumption.
- Negotiations with the lending banks, both in relation to the standstill agreement and to the definition of the financial manoeuvre, continued in the following months, during which, however, some significant deviations emerged with respect to the 2017-2021 business plan and the related forecasts of the financial figures, with repercussions on the consistency/viability of the same. Clearly, this also affected the possibility of quickly concluding agreements with the lending banks that required, before considering their adherence to a possible manoeuvre, to have greater visibility on the financial figures and on the industrial and management prospects of Trevifin and the Group.
- Considering these latter circumstances, which had made the path to solving the Group's crisis more uncertain, on 13 November 2017, therefore, the Board of Directors of Trevifin postponed the approval of the financial figures relating to the third quarter of the year in consideration of the uncertainties about the outcome of the negotiations with the lending banks for the definition and subscription of the standstill agreement and of the consequent impossibility to verify the going concern assumption. In light of the above, the Board of Directors of Trevifin also highlighted the need to implement, within the framework of the financial manoeuvre being discussed with the lending banks, and together with it, a more complex operation, which - in addition to a more incisive restructuring of the debt - also entailed the strengthening of capital, in order to allow to restore the financial balance of Trevifin and Trevi Group.
- On 18 December 2017, the Board of Directors of Trevifin approved the appointment of Mr. Sergio Iasi, who was assigned the office of CRO as well as the operating powers for (i) the analysis, structuring and negotiation of the aforementioned debt restructuring and capital strengthening transaction, (ii) the review of the business and financial plan of Trevifin and of the Group, and (iii) the management of the negotiations underway with the lending banks and the related financial manoeuvre.

- Subsequently, in consideration of some sensitivity analyses carried out in the meantime on the 2017-2021 business plan, as well as in light of the preliminary data for the year ended 31 December 2017 and the first data for the 2018 financial year, the Company deemed it appropriate to carry out a further and definitive in-depth study at industrial level, with the contribution of an external and independent consultant, specialised in the sector and appreciated by the lending banks.

- During the first few months of 2018, the management, under the supervision and coordination of the CRO, also initiated discussions with some potential investors interested in the acquisition of all or part of the companies operating in the Oil & Gas Division of Trevi Group.

- Also in April, the CRO, with the support of the management as well as of the legal and financial advisors in charge, started a number of discussions regarding the possible capital strengthening transaction. These discussions concerned, in addition to the lending banks, both potential third parties interested in making an investment intervention to rescue the Group and the main shareholders of Trevifin. At the outcome of these discussions, two binding offers were presented, one by Bain Capital Credit ("BCC") and the other by Sound Point Capital, in addition to an expression of interest by the Quattro R fund. All the offers received envisaged - as for the companies operating in the Oil & Gas sector - the relating disposal and the allocation of the proceeds to the repayment of the existing debt.

- On 17 May 2018, the Company's Board of Directors, after having thoroughly evaluated the offers received from potential third-party investors, from the point of view of their adequacy to the Group's capital and financial needs as well as their feasibility with the lending banks, considered that, among these offers, the preferable one was that presented by BCC and, therefore, focused its activities on negotiations with the latter.

- Despite the positive continuation of the negotiations with BCC, in consideration of the uncertainties that were in any case connected with the hypothesis of the transaction presented by the latter and the possibility that it was approved by the banks, the Board of Directors considered it wise that, simultaneously, also the hypotheses of alternative transactions were examined, namely the so-called "Stand-alone", which did not include the necessary involvement of third parties but which were addressed exclusively to the current stakeholders (banks and shareholders) of Trevifin. These transactions would logically and functionally be closely linked to a capital increase. Therefore, at the same meeting, the Board of Directors of Trevifin also resolved to submit to the approval of a forthcoming Extraordinary Shareholders' Meeting the proposal to grant the directors - pursuant to Article 2443 of the Italian Civil Code - the right to increase the share capital against payment, one or more times, even in divisible form, of up to Euro 400 million (of which, in cash, not exceeding the maximum amount of Euro 150 million).

- On 30 July 2018, the Shareholders' Meeting of Trevifin, convened on second call, adopted a resolution on the proposal of the shareholder Trevi Holding S.E. (subsequently adjusted for the correction of a material error on 7 August 2018 by a notarial deed executed by Marcello Porfiri, Notary Public in Cesena, record No. 11.358 folder No. 5.227 - on the proposal of the Chairman of the Board of Directors approved by the Company's Board of Directors with its resolution of acknowledgement dated 3 August 2018) that established - as per the last text registered in the competent Register of Companies - to "grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the right to increase the share capital against consideration, in one or more times, even in divisible form, for a maximum period of 24 months from the date of the resolution and for a maximum amount of Euro 400 million (of which, in cash, not exceeding the maximum amount of Euro 150 million). This increase is to be made by issuing ordinary shares without nominal value, having the same characteristics as the outstanding shares, subject to verification by the Board of the existence and compliance with the conditions established by law, with the right for the Board to determine the issue price and any share premium, the procedures for the relating subscription, also through the conversion of receivables towards the Company, and the number of new shares from time to time issued. This is subject to an increase made with the right of first refusal and, should banks use receivables to free up financial instruments, they must be participatory financial instruments and not shares, unless the circumstance that banks use receivables to free up shares constitutes a necessary element for the success of the part of the increase to be released by payment in cash, it being understood that the faculty conferred to the Board of Directors may be exercised only in connection with a debt restructuring agreement pursuant to Article 182-bis of the Italian Royal Decree No. 267 dated 16 March 1942".

- By virtue of the approved resolution of the Shareholders' Meeting, in the month of August 2018, and in particular on the 10th, the concerned companies of the Trevi Group established a standstill agreement with the lending banks and started the procedure for collecting subscriptions for adherence of the numerous lending banks of the Trevi Group which are parties to the agreement. The effectiveness of the standstill agreement was subject to the acceptance of the same from a number of lending banks equal to 93% of the financial debt.

- Despite the complex and difficult negotiations aimed at reaching an agreement with BCC, upon the expiry of the deadline for accepting the binding offer (14 September 2018, following the progressive extensions of the term of acceptance of the same), Trevifin notified BCC of its decision not to adhere to the aforementioned offer. In fact, also in light of some worsening changes proposed by BCC compared to the originally hypothesized terms, the transaction outlined as a result of the discussions with this possible third-party investor was deemed, on the one hand, less favourable from the point of view of the company's interest and, comparatively, less protective than the so-called "stand-alone" hypothesis and, on the other hand, less feasible from the point of view of the lending banks. Specifically, in the offer revised by BCC, the amount of the super senior loan was reduced and divided into tranches, the second of which could be disbursed only upon the occurrence of certain assumptions, while providing a complete guarantee package from the beginning. Furthermore, this loan could no longer be used, not even in part, to offer partial reimbursement to banks, making the offer itself less attractive to the latter (whose approval was clearly a condition for the success of the transaction). Finally, the offer was subject to numerous conditions precedent whose occurrence was uncertain. Therefore, this offer proved to be inadequate and did not correspond to the objectives identified by the Board of Directors of the Company, making the achievement of those financial and equity targets identified by Trevifin and aimed at reaching the financial rebalancing of the company and of the Group uncertain, due the foreseeable difficulty of having the lending banks approve the offer finally made by the third investor. The Board considered that the financial support proposed by BCC, also due to the penalising conditions proposed, would have done nothing else than postpone the difficulties experienced by the Group without being able to solve them. Therefore, Trevifin decided to continue only in the process aimed at defining an alternative manoeuvre, according to the so-called "stand-alone" model (that is, without the intervention of third parties but addressed only to its current stakeholders).

- On 17 September 2018, Trevifin received formal confirmation of the effectiveness of the standstill agreement, due to the adherence of the same number of financial creditors as indicated above. The standstill agreement, which is functional to enable Trevifin to continue the ongoing discussions with its stakeholders for the definition of the capital-strengthening manoeuvre and the restructuring of the total debt according to the "stand alone" hypothesis, provided for, among other things and in summary, what follows:

  i) the granting of a moratorium on the obligations to pay the principal amounts of the medium/long-term loans granted to the Trevi Group, until 31 December 2018 and, with reference only to Trevifin, a moratorium on the interest that will accrue on medium/long-term loans;

ii) the maintenance of the existing short-term credit lines within the limit of the amounts currently used for Trevi S.p.A., Soilmec S.p.A. and the other Trevi Group companies operating in the foundation segment; and

iii) the possibility of making new uses of the existing facilities which have been confirmed in the context of the Agreement both in the form of cash advances and of issuance of guarantee facilities, in order to meet cash requirements and to support business development in national and international markets where the Group operates.

On the basis of the assumption and the delays for defining the capital strengthening manoeuvre, on whose full effectiveness the lending banks have reasonably relied, the same lending banks have therefore consented not just to the moratoria but also to new uses in the form of cash and guarantee facilities indispensable to the needs of the Group for a total amount of approximately Euro 17 million for the new cash financing and Euro 59 million for the new financing in the form of guarantee facilities.

- On 8 October 2018, the Board of Directors of Trevifin, taking into account the preliminary indications received from the main shareholders of the Company and from the lending banks, unanimously approved the guidelines of the alternative manoeuvre hypothesis involving the capital reinforcement and the debt restructuring, which included inter alia:
  i) a capital increase against consideration of Euro 130 million, with a right of first refusal for shareholders, on the basis of the powers granted by the Extraordinary Shareholders' Meeting of 30 July 2018 pursuant to Article 2443 of the Italian Civil Code; and
  ii) the conversion of the receivables of the lending banks from Trevifin and from the other companies of Trevi Group for Euro 250 million in shares (or possibly, if accepted, in financial instruments) and the rescheduling of the residual credits;

  All of the above is to be implemented within the framework and in execution of a debt restructuring agreement pursuant to Article 182-bis of the Italian Bankruptcy Law (the “Restructuring Agreement”).

- As for the disposal of the Trevi Group companies operating in the Oil & Gas Division, on 4 December 2018, the Board of Directors of Trevifin resolved to accept the binding offer presented by Megha Engineering & Infrastructures Ltd. (“MEIL Group”) for the acquisition of the Group companies operating in the Oil & Gas Division and, in particular, of Drillmec S.p.A. and Petreven S.p.A. More specifically, as a result of an extensive and prolonged search for potential buyers of the Oil & Gas Division carried out by the CRO with the help of specialised advisors of top international standing, the Board of Directors of Trevifin considered that, in the light of the expressions of interest and offers received from financial or industrial operators potentially interested in the acquisition of the Oil & Gas Division or part of it, the offer presented by MEIL Group was the best and most consistent one with the Company and Group's objectives. For an illustration of the offer received from MEIL and the agreements subsequently reached with the latter, please refer to the subsequent paragraphs of this report.

- The Board of Directors also acknowledged that the acceptance of the offer - based on an equity value of Euro 140 million and subject to some pre-closing price adjustments - led to a significant impairment loss on the carrying amount of the investments and of the financial receivables from the companies belonging to the Oil & Gas Division, as well as the necessary impairment losses on other intangible assets consequent to the foreseeable results of the impairment test based on the new business plan, and that these impairment losses are reflected in the reduction of the Trevifin's equity below the limits set by Article 2447 of the Italian Civil Code.

- On 19 December 2018, the Board of Directors of the Company resolved to approve the 2018-2022 consolidated Business Plan updated on the basis of the data as at 30 September 2018 available to the management (the "Plan") and the related capital strengthening and restructuring of the Trevi Group's debt (the "Transaction").

- At the end of the further discussions with the lending banks, on the one hand, and the main shareholders of the Company, Trevi Holding S.E., FSI Investimenti S.p.A. ("FSI"), a company belonging to the Cassa Depositi e Prestiti Group, and Polaris Capital Management LLC, a leading management company specialised in investments in the construction sector, on behalf of the funds managed by the same shareholders of Trevifin ("Polaris" and, together with FSI, the "Institutional Shareholders"), on the other, the Board of Directors defined the terms essential to the capital strengthening transaction, which was articulated in extreme synthesis in:

  (i) a capital increase against consideration of Euro 130 million, with right of first refusal for shareholders pursuant to Article 2441, paragraph 1 of the Italian Civil Code; and

  (ii) a capital increase reserved to the lending banks to be released by converting part of the receivables due from Trevifin and its subsidiaries for an amount that, on that date, also based on the aforementioned communications received from the advisors of the banks, was calculated at approximately Euro 310 million in newly issued ordinary shares of Trevifin admitted to trading on the MTA.

- To this end, the Institutional Shareholders formally confirmed to the Board of Directors that they would have undertaken, subject to certain conditions (as described in detail below), to subscribe the share of the capital increase due to them because of their respective rights of first refusal, along with guaranteeing the subscription of an additional portion of any unexercised rights up to a maximum amount of Euro 38.7 million each, i.e., for a total of Euro 77.5 million of the total Euro 130 million. The subscription of the remaining portion of the capital increase against consideration amounting to Euro 52.5 million is guaranteed, in the event of unexercised rights, by a consortium organised by the lending banks, using receivables as part of the capital increase reserved for them and to be released by conversion of receivables. The commitments that are assumed by the Institutional Shareholders with reference to the implementation, subscription and payment of the capital increase against consideration are today regulated by the investment agreement that was signed on 5 August 2019 by the said Shareholders and Trevifin, which also governs the principles relating to the governance of the Company (the "Investment Agreement"). On the other hand, subscription agreements of banks as a guarantee of any unexercised rights are regulated by the Restructuring Agreement.

- Said reserved capital increase, as mentioned above, to be subscribed the banks converting receivables (for an agreed total amount of Euro 284.1 million) - in part intended for the subscription of any remaining unexercised rights of first refusal on the capital increase against consideration - would be carried out according to a ratio of 4.5:1, that is to say, through the attribution to the lending banks of newly issued ordinary shares (or fractions thereof, due to the terms of the transaction that will be subsequently identified) for an amount of Euro 1 (at the relevant subscription price) for every Euro 4.5 of converted receivables.

- Within the framework outlined above, taking into account the occurrence of the conditions set out in Article 2447 of the Italian Civil Code as an effect of the acceptance of the offer presented by MEIL Group for the acquisition of the Group companies operating in the Oil & Gas Division, the Board of Directors of Trevifin also gave a mandate to the Chairman and the CRO to arrange, within the terms of the law, the convening of the Shareholders' Meeting for the relevant measures and to fix the date of the meeting taking into account the time necessary for the negotiation concerning the Restructuring Agreement, in any case not exceeding the deadline for the approval of the financial statements, that is, by the month of April 2019.

- During the first few months of 2019, negotiations continued with lending banks and all stakeholders in order to define and agree on the terms of the individual agreements and all the operations envisaged in the context of the Trevi Group capitalisation restructuring process. Although substantial progress were made and the lending banks had de facto extended the conditions of the standstill agreement, also allowing some new uses for cash as well as the issuance of some new guarantees necessary for the financial support of the Group, as there were still some elements to be defined, the Board, on 1 April 2019, resolved to postpone the Extraordinary Meeting already called for 24 and 30 April 2019 (on first and second call respectively) for the adoption of the provisions pursuant to Article 2447 of the Italian Civil Code, in order to make it coincide with the date of the Shareholders' Meeting to be called to approve the 2017 and 2018 financial statements under the terms provided for in Article 2364, paragraph 2, last sentence of the Italian Civil Code. On that date, the Board also approved the Plan in its consolidated and updated version based on the data as at 31 December 2018.
- On 8 May 2019, the Company informed the market that the Board of Directors, after acknowledging the advanced state of the negotiation and drafting of the agreements relating to the Transaction, resolved to approve the proposal for a financial manoeuvre inclusive of the financial plans, which was sent to the lending banks to allow them to complete the preliminary investigation on the Transaction and the related decision-making processes.
- On 15 July 2019, the Board of Directors of Trevifin approved both the separate financial statements and the consolidated financial statements for 2017 and 2018. These financial statements were prepared and approved on a going concern basis, given that the Board of Directors considered that the uncertainties regarding the Group could be reasonably overcome through the implementation of the financial restructuring set out in the agreements that were under definition.
- On 17 July 2019, the Board of Directors of Trevifin, considering the advanced state of negotiations with the banks and of the relating approval processes, resolved to approve the final financial manoeuvre proposal and authorised the execution of the Restructuring Agreement, as well as the other agreements regulating the debt restructuring and capital strengthening transaction, including the Investment Agreement.
- The manoeuvre proposal approved by the Board, which is now reflected in the Plan, the Restructuring Agreement, the Investment Agreement and further agreements signed within the context of the manoeuvre itself, concisely provides for:

  (i) a capital increase to be offered with right of first refusal for an amount of Euro 130 million, at a subscription price per share of Euro 0.01 (considering the reverse split implemented on 18 November 2019), in relation to which the Institutional Shareholders confirmed their willingness to make a commitment of subscription for a total of Euro 77,456,654 million, while the remaining part, whereas it is not subscribed with right of first refusal by the market, will be subscribed by the lending banks by converting the related receivables according to the conversion ratio indicated in the following point (ii);

  (ii) the conversion into newly issued ordinary shares admitted to trading on the MTA of the receivables of the lending banks, according to a ratio of 4.5:1 for a maximum amount of Euro 284,117,589, in part, where necessary, to guarantee the unexercised rights and, for the remaining part, to subscribe and release a reserved capital increase;

(iii) a further capital increase, up to a maximum amount of approximately Euro 20 million, reserved to the shareholders of Trevifin, with a corresponding total issue of 164,783,265 European-type listed “loyalty warrants”, each valid to underwrite 934 conversion shares, to be subscribed in cash, at an exercise price per warrant equal to Euro 0,013 (considering the reverse split implemented on 18 November 2019);

(iv) the Oil & Gas Disposal (as defined and better described below) and the use of the net proceeds deriving from it to repay the financial debt of the Oil & Gas Division, subject to the assumption of these exposures by Trevifin, and the rescheduling of the residual exposure according to the restructured debt referred to in point (vi) below;

(v) in the event of failure to fully subscribe the portion of the capital increase against consideration reserved with right of first refusal for the existing shareholders, the eventual granting and payment in favour of Trevi S.p.A. and Soilmec S.p.A. of a medium-long term syndicated loan in the form of cash for a total maximum amount equal to the lower of (a) Euro 41 million, and (b) the difference between Euro 130 million and the amount of the capital increase against consideration underwritten by the market and the shareholders (including the Institutional Shareholders), from which the net gain on the sale of the Petreven Division in excess of Euro 11.6 million should be further deducted. Of this loan, Euro 12 million were already disbursed in the period between the filing of the appeal and the date on which the decree approving the Restructuring Agreement was finalised (and, therefore, following the authorisation by the competent Court pursuant to Article 182-quinquies, paragraph 1, of the Italian Finance Act);

(vi) the consolidation and rescheduling of the bank debt which will have final maturity date and related repayment balloon on 31 December 2024, except in cases of mandatory early repayment, and modification of the related terms and conditions;

(vii) the confirmation of the existing credit lines and the granting of new unsecured credit lines aimed at allowing the Group to issue the guarantees required by its ordinary business activities, for a total amount of approximately Euro 200 million, a part of which - corresponding to Euro 39.3 million - to be disbursed also during the period between the filing and the approval date of the restructuring agreement pursuant to the Article 182-quinquies of the Italian Finance Act, subject to obtaining authorisation from the competent Court;

(viii) the payment, by Trevifin, of an amount of Euro 8.3 million in favour of SC Lowy - a financial creditor that refused to accept the conversion proposal of ordinary shares referred to in point (ii) above - in full and final settlement of the receivable of Euro 27.8 million (with an implicit elimination of the original receivable equal to 70%); and

(ix) the rescheduling until 31 December 2024 and the modification of the related terms and conditions of the bond loan called “Trevi-Finanziaria Industriale S.p.A. 5.25% 2014 – 2019” issued by Trevifin for Euro 50 million, already approved by the Bondholders' meeting on 2 May 2019.

- On 5 August 2019, agreements were signed for the implementation of the overall Trevifin re-capitalisation and debt restructuring of the Trevi Group and in further detail:

  i) Trevifin and its subsidiaries Trevi S.p.A., Soilmec S.p.A. and Trevi Holding USA Corporation signed binding agreements with MEIL Global Holdings B.V., a company incorporated under the Dutch law and directly controlled by MEIL, for the sale to the latter the Oil & Gas Division of Trevi Group, as described in detail later in this report;

ii) the debt restructuring agreement of Trevi Group between Trevifin and its main subsidiaries, on one hand, and the main lending banks of the Group, on the other hand, that regulates the restructuring transaction of Trevifin and Trevi Group's financial debt, including the commitment of the banks to subscribe ordinary shares of Trevifin as part of the capital increase, by converting receivables for a maximum amount of Euro 284.1 million, with a conversion ratio of 4.5:1;

iii) the Investment Agreement pursuant to which the Institutional Shareholders committed to subscribe shares for approximately Euro 77.5 million in relation to the capital increase with right of first refusal of Euro 130 million, resolved by the Board of Directors of Trevin on 17 July 2019; and

iv) the New Financing Agreement, by which some lending banks undertook to grant a new loan to Trevi S.p.A. and Soilmec S.p.A. to meet the liquidity needs of the Trevi Group in the execution of the Restructuring Agreement and the related business plan, for a maximum amount of Euro 41 million, of which Euro 12 million were made available before the approval of the Restructuring Agreement, subject to the issuance of the authorisation by the Court pursuant to article 182-quinquies of the Italian Bankruptcy Law.

- On 8 August 2019, the Restructuring Agreement was filed with the Court of Forlì, competent for the purpose of requesting its approval pursuant to Article 182-bis of the Italian Bankruptcy Law.
- On 30 September 2019, the Board of Directors that met before the ordinary/extraordinary Shareholders' Meeting of the Company, approved the interim financial report at 30 June 2019. KPMG S.p.A., the independent auditor, issued a disclaimer of opinion concerning the compliance of the condensed interim consolidated financial statements of Trevi Group at 30 June 2019 with the International Financial Reporting Standard applicable to interim financial reporting.
- The Ordinary and Extraordinary Shareholders' Meeting, which met on second call on 30 September 2019, proceeded, inter alia, to:

  a) approve the separate financial statements and examine the consolidated financial statements at 31 December 2017;

  b) approve the separate financial statements and examine the consolidated financial statements at 31 December 2018; and

  c) appoint the Board of Directors and the Board of Statutory Auditors of Trevifin.

  KPMG S.p.A., the independent auditor, issued an audit report including a disclaimer of opinion about the financial statements mentioned above, due to the effects linked to the aforementioned uncertainties.

- The Extraordinary Shareholders' Meeting, called also to apply the provisions as per Article 2447 of the Italian Civil Code, approved the statement of financial position of Trevifin at at 30 June 2019, drawn up pursuant to Articles 2446 and 2447 of the Italian Civil Code, noting the company's recourse to the procedure as per Article 182-bis of Italian Bankruptcy Law and, consequently, the application of Article 182-sexies of Italian Bankruptcy Law, with the consequent suspension of the effects of Article 2446, paragraphs two and three and Article 2447 of the Italian Civil Code. The Shareholders' Meeting, however, acknowledged the appropriateness of the measures set out in the Restructuring Agreement signed by Trevifin and the main lending banks and, in particular, the recapitalisation measures therein included, to cover the losses of Trevifin, complying therefore with the situation established by Article 2447 of the Italian Civil Code.

- On 2 October 2019, the Court of Forlì granted the authorisation pursuant to Article 182-quinquies of Italian Finance Act, for the disbursement by some of the Group's lending banks of new cash financing for a total of Euro 12 million in favour of the subsidiaries Trevi SpA (for Euro 8.4 million) and Soilmec S.p.A. (for Euro 3.6 million). The new financing, as set out following the signing of a specific agreement with some lending banks, was designed to support the Group's cash requirements until the completion of the overall capital strengthening and debt restructuring operation. The Court of Forlì on the same date also authorised the granting to Trevifin, pursuant to article 182-quinquies of the Italian Bankruptcy Law, of new interim financing in the form of bank guarantees for a total amount of Euro 39.3 million.

- By order of 7 November 2019, received by Trevifin on 15 November, the Court of Forlì rejected the request for approval of the Restructuring Agreements. Trevifin and its subsidiaries Trevi S.p.A. and Soilmec SpA, not agreeing with the reasons and the content of the order of the Court of Forlì, promptly filed a complaint with the Court of Appeal of Bologna on 29 November 2019, so that, with revision of the rejection order, the request for approval of the Restructuring Agreement was accepted.

- In addition, in order not to jeopardise the successful outcome of the restructuring manoeuvre, while awaiting the outcome of the aforementioned complaint, Trevifin started discussions for the adoption of all appropriate conservative measures for the restructuring manoeuvre with Institutional Shareholders, who undertook commitments to subscribe the capital increase, with the banks and financial institutions participating in the Restructuring Agreement and, finally, with MEIL in relation to the agreements for the sale of the Oil & Gas Division of the Trevi Group to the latter.

- On 28 November 2019, the Board of Directors of Trevifin approved the consolidated results at 30 September 2019 on a going concern basis in relation to the following elements:

  i) submission to the Bologna Court of Appeal of the complaint against the rejection measure adopted by the Court of Forlì in order to obtain the approval of the Restructuring Agreement;

  ii) the written confirmation received from the Institutional Shareholders that the commitments undertaken by them in relation to the subscription of the planned capital increase were to be considered fully applicable, under the same terms and conditions provided for in the Investment Agreement signed on 5 August 2019;

  iii) the written confirmation received from MEIL in relation to the commitments undertaken by the same under the Sale and Purchase Agreement (as defined below) already signed on 5 August, also confirming its willingness to reach the closing of the transaction at the end of the approval process; and

  iv) the lack, also on the basis of ongoing discussions, by some of the banks participating in the Restructuring Agreement, of any element that might suggest that any of the banks participating in the Restructuring Agreement had no intention of declaring it terminated and/or withdrawing from it.

- With decrees of 10 January 2020, notified to Trevifin, Trevi S.p.A. and Soilmec S.p.A. on 21 January 2020, the Court of Appeal of Bologna accepted the complaints against the provisions of the Court of Forlì that rejected the approval of the Restructuring Agreement, considering the reasons advanced by the claimants well founded, and therefore it approved the Restructuring Agreement.

- Trevifin took therefore prompt action to complete all the transactions provided for in the Restructuring Agreement as quickly as possible, including the sale of the Oil & Gas Division to the Indian group MEIL and the execution of the capital increase. More in detail:

  i) Trevifin, by letters dated 6 February 2020, asked the banks party to the Restructuring Agreement to extend the deadline for the fulfilment of the conditions precedent to the effectiveness of this agreement from 28 February 2020 to 31 March 2020, which formally confirmed this extension on 28 February of the current year; and

  ii) on 18 February 2020, Trevifin and the Institutional Shareholders formalised the extension of the deadline for the fulfilment of the conditions precedent provided by the Investment Agreement until 31 March 2020.

- With reference to the execution of the capital increase and the related application for approving the publication of the IPO prospectus, submitted to the competent Authority, i.e. CONSOB, on 18 October 2019 and on which the relating investigation was underway, Trevifin withdrew the application on 18 November following the rejection measures taken by the Court of Forlì.

- On 27 January 2020, following approval by the Bologna Court of Appeal, a new formal filing of the application for approving the publication of the prospectus was carried out and a new version of the document including the necessary attachments was filed. On 19 March 2020, a new filing was carried out in order to comply with the integration requests received by CONSOB in the meantime.

  - On 24 February 2020, the Board of Directors of Trevifin resolved, inter alia, to approve some technical changes made to the resolution of 17 July 2019 relating to the capital increase. Specifically, reference was made to:

  i) the extension of the deadline for executing the capital increase and issuing the warrants from 31 March to 31 May 2020; and

  ii) in order to achieve an option ratio between integer numbers (avoiding decimals), within the framework of the capital increase with right of first refusal, the increase in the amount of this capital increase to a total amount of Euro 130,001,189.07 (therefore Euro 1,189.07 higher than that already approved), through the issue (taking into account the reverse spit implemented on 18 November 2019) of a total number of 13,000,118,907 ordinary shares (118,907 additional shares).

  - On 28 February 2020, the first step of the closing of the sale of the Trevi Group companies operating in the Oil & Gas segment to Megha Global Holdings BV, a company belonging to the group of companies directly and/or indirectly controlled by Megha Engineering & Infrastructures Ltd ("MEIL Group" or "MEIL") was completed. A first non-controlling interest in Petreven S.p.A ("Petreven") was transferred, against the payment, by MEIL Group, of a portion of the consideration amounting approximately to Euro 20 million. This portion of the sale price was used by Trevifin to redeem in advance certain assets held under lease and used within the Oil & Gas segment to transfer them to the Oil & Gas Division.

  - On 31 March 2020, the second part of the Closing was successfully completed for the sale of the Oil & Gas Division of Trevi Group to MEIL Global Holdings BV. Specifically, pursuant to the sale and purchase agreement signed on 5 August 2019, as subsequently amended ("SPA"), the entire share capital of Drillmec S.p.A., Drillmec Inc. and Petreven S.p.A. (net of a non-controlling interest already sold to MEIL Group on 28 February) was sold to MEIL Group for a total amount of approximately Euro 116.4 million (see also the paragraph "Oil & Gas

Divestment”). Part of the price paid by MEIL Group was used by Trevifin, before the launch of the capital increase, for the repayment of Euro 48.5 million of the bank debt related to the Oil & Gas Division, which had already been taken on by the Company for approximately Euro 107.2 million, in accordance with the restructuring agreement signed on 5 August 2019 and approved by the Court of Appeal of Bologna on 10 January 2020 (the “Restructuring Agreement”).

- On 23 April 2020, the Board of Directors confirmed the final terms of the capital increase approved by the Board of Directors on 17 July 2019 and 24 February 2020, based on the powers received by the Extraordinary Shareholders' Meeting held on 30 July 2018. The Board of Directors also approved the timetable of the Notice of Rights and the structure of Warrants. More in detail:

  I. With reference to the Capital Increase

  pursuant to the above-mentioned powers, on 17 July 2019 and on 24 February 2020, the Board of Directors resolved an increase in the share capital of the Issuer for a total amount of Euro 213 million, broken down as follows: (i) an indivisable capital increase against consideration, for a total amount of Euro 130,001,189.07 inclusive of share premium, by issue of a total of 13,000,118,907 shares, without nominal value, having the same characteristics as the outstanding shares, at an issue price per share of Euro 0.01 (the “Issue Price”), of which Euro 0.001 to be attributed to capital and Euro 0.009 to be attributed as a share premium and to be offered with right of first refusal to the shareholders pursuant to Art. 2441, paragraph 1, of the Italian Civil Code, by 31 May 2020 (the “Right of First Refusal Increase”); (ii) a capital increase against consideration for a total amount of Euro 63,137,242.00, to be paid in one instalment up to the amount of Euro 10,593,896.00, through the issue of a total of 6,313,724,200 ordinary shares, without nominal value, having the same characteristics as the outstanding shares, at an issue price per share of Euro 0.01, of which Euro 0.001 to be attributed to capital and Euro 0.009 to be attributed to share premium (the “Conversion Shares”), to be offered, with the exclusion of the right of first refusal pursuant to Art. 2441, paragraph 5, of the Italian Civil Code, to banks to be paid by voluntarily converting certain, liquid and collectible receivables, by 31 May 2020, at a ratio of conversion of the receivable to capital of 4.5 to 1 (the “Conversion Capital Increase” and together with the Right of First Refusal Increase , the “Capital Increase”); and (iii) a divisable capital increase against consideration, for a maximum total amount of Euro 19,986,562.21 inclusive of the share premium, which will be implemented through the future issue of maximum of 1,537,170,662 ordinary shares (the “Conversion Shares”) serving the exercise of a maximum of 1,647,832 warrants (the “Warrants”) that will be assigned free of charge to the shareholders before the detachment of the Right of first refusal relating to the Right of First Refusal Increase (i.e., 4 May 2020) (the “Capital Increase for the Conversion of Warrants”). These Warrants can be exercised on the expiry date of the Warrants, which will fall on the fifth anniversary of the issue date, that is to say 5 May 2025.

  It should also be noted that, within the context of the Financial Manoeuvre, the Institutional Shareholders FSI Investimenti S.p.A. and Polaris Capital Management LLC undertook to subscribe the Capital Increase with Right of first refusal for a total amount of approximately Euro 77.5 million. In particular:

  a) FSII made an irrevocable subscription commitment up to a maximum amount of Euro 38,728,327.00, of which: (a) for an amount equal to Euro 21,907,237 (of which Euro 2,190,724 as capital and Euro 19,716,513 as share premium) for the subscription of all newly issued shares due to it on the basis of the rights of first refusal; as well as (b) for the maximum amount of Euro 16,821,090 (of which Euro

1,682,109 as capital and Euro 15,138,981 as share premium) for the subscription of any unexercised rights of first refusal.

b) Polaris, in its capacity as asset management company, made an irrevocable subscription commitment up to a maximum subscription amount of Euro 38,728,327.00, of which: (a) for an amount equal to Euro 13,879,745 (of which Euro 1,387,974 as capital and Euro 12,491,770 as share premium) for the subscription of all newly issued shares due to it on the basis of the rights of first refusal; as well as (b) for the maximum amount of Euro 24,848,582 (of which Euro 2,484,858 as capital and Euro 22,363,724 as share premium) for the subscription of any unexercised rights of first refusal.

On the other hand, banks made a commitment, subject to the full compliance with the subscription commitments mentioned above by the Institutional Shareholders, to subscribe any unexercised rights of first refusal of the Right of First Refusal Increase and/or the Conversion Shares, freeing them up by voluntarily converting its receivables due from Trevifin for a total of Euro 284.1 million, at a receivable conversion ratio of 4.5 to 1, for an equivalent amount of approximately Euro 63.1 million.

II. With reference to the timetable of the Notice of rights issue

The timetable for the execution of the offer of the total No. 13,000,118,907 shares, without nominal value, having the same characteristics as the outstanding shares and deriving from the Right of First Refusal Increase, to be offered for subscription to Trevifin shareholders at the Issue Price and in the ratio of 7,899 shares on offer for each share held (the "Notice of Rights"). The maximum counter value of the Notice of Rights will be equal to Euro 130,001,189.07, including share premium. Having obtained the authorisation for the publication of the Information Prospectus by CONSOB (see below), the rights of first refusal that will entitle to subscribe for the shares subject to the Notice of Rights (the "Rights of first refusal") must be exercised under penalty of forfeiture in the period from 4 May 2020 to 18 May 2020 included (the "Subscription Period"). The Rights of first refusal will be negotiable on the Stock Exchange from 4 May to 12 May 2020 included. Rights of first refusal not exercised by the end of the Subscription period will be offered on the stock exchange by the Issuer within the month following the end of the Subscription period for at least five open market days, pursuant to Article 2441, third paragraph, of the Italian Civil Code (the "Initial Public Offering").

III. With reference to Warrants

The Warrants admitted to listing on the MTA are No. 1,645,793 European-type warrants exercisable on expiry, with ISIN code IT0005402885. The Warrants were assigned free of charge to the shareholders before the detachment of the right of first refusal relating to the Right of first refusal increase, i.e., on 4 May 2020 (the "Issue Date"), at the rate of No. 1 Warrant per each share held. No Warrants were assigned to treasury shares held by Trevifin, equal to No. 2,039. Warrants have the ordinary Trevifin share as underlying financial instrument, giving the holder the right to subscribe - under the terms and conditions provided in the Warrant Regulation - for newly issued shares in the ratio of No. 934 Conversion Shares per each Warrant held, at the exercise price for each Conversion Share subscribed equal to Euro 0.013. The exercise of the subscription right can only take place on the expiry date of the Warrants, which will fall on the fifth anniversary of the issue date, i.e., 5 May 2025. The holders of the Warrants who have continuously maintained ownership of these financial instruments between the sixth month following the issue date and the expiry date (i.e., between 4 November 2020 and 5 May 2025), will also have the subscription right of No. 1 additional share (the "Bonus

Share") every No. 5 Conversion Shares subscribed through the exercise of the Warrants. For the purpose of identifying uninterrupted possession for this period of time, starting from the sixth month following the issue date (i.e., from 4 November 2020), the Warrants will be identified by the ISIN code IT0005402935. If the Warrants are transferred before the aforementioned term, they will take the ISIN code IT0005402885 and in this case, if exercised, they will not entitle to subscribe the Bonus Shares. It should be noted that the Italian Stock Exchange admitted the Warrants to listing on the MTA with provision No. 8646 dated 20 April 2020; the start date of trading is expected to coincide with the assignment date, i.e., 4 May 2020.

- On 29 April 2020, the Board of Directors of Trevifin announced that CONSOB had authorised by Note prot. No. 0393199/20 the publication of the Prospectus relating to the Trevifin offer of rights (the "Notice of Rights") and the admission to trading of newly issued shares and warrants denominated "Loyalty Warrant Trevi Finanziaria Industriale S.p.A." (the "Warrants") on the MTA (Italian Electronic Stock Exchange), organised and managed by Borsa Italiana S.p.A. Newly issued shares will result from the share capital increase approved by the Board of Directors on 17 July 2019 and 24 February 2020, based on the powers received by the Extraordinary Shareholders' Meeting held on 30 July 2018 (the "Capital Increase"). The Prospectus was filed with CONSOB in the forms and terms required by law. Trevifin made available the Key Investor Documents (KIDs) relating to rights of first refusal and warrants, prepared in accordance with Regulation (EU) No. 1286/2014 and the related implementing legislation.
- On 29 April 2020, the lending banks that are contracting party to the Restructuring Agreement, through the agent, confirmed that all the conditions precedent provided by the same had been met, and that therefore this agreement must be considered fully effective in all its provisions. Through this communication, the banks also confirmed that the commitments to subscribe and pay up the Capital Increase undertaken by them under the Restructuring Agreement are to be understood as irrevocable and unconditional, with the sole exception of the condition relating to the full compliance of FSII and Polaris with all the commitments to subscribe and pay up the cash Capital Increase undertaken by them under the Investment Agreement.
- On 18 May 2020, Trevifin announced the conclusion of the period for exercising the rights of first refusal (the "Rights of first refusal") relating to the Notice of Rights (the "Subscription period") to the shareholders of a total of No. 13,000,118,907 newly issued ordinary shares of the Company, without nominal value, having the same characteristics as the outstanding shares, with regular dividend entitlement (the "Shares on Offer"). During the Subscription period (from 4 May 2020 to 18 May 2020 included), following the exercise of No. 580,357 Rights of first refusal, a total of No. 4,584,239,943 Shares on Offer were subscribed, for a total value of Euro 45,842,399.43. It should also be noted that, within the context of the Financial Manoeuvre, the Institutional Shareholders FSI and Polaris Capital Management LLC exercised all the rights of first refusal to which they were entitled under the Notice of Rights for a total No. of 13,000,118,907 Trevifin ordinary shares, by subscribing and paying up all the related shares for a total value of approximately Euro 35.8 million, in compliance with the subscription obligations assumed by the same and pursuant to the investment agreement signed on 5 August 2019. At the end of the Subscription period, 1,065,436 Rights of first refusal were not exercised, which relate to the subscription of No. 8,415,878,964 Shares on Offer, for a total amount of Euro 84,158,789,64.
- On 29 May 2020, Trevifin announced that the capital increase approved by the Board of Directors on 17 July 2019 and 24 February 2020 was successfully completed, in the context of which No. 15,083,921,496 newly issued ordinary shares of the Company were subscribed, for a total amount of Euro 150,839,214.96. In particular:

- the tranche of the capital increase offered with rights of first refusal to shareholders was fully subscribed for Euro 130,001,189.07, of which Euro 87,701,972.96 through cash payment and Euro 42,299,216.02 by the main banks converting financial receivables due from the Company, at a conversion ratio of 4.5: 1 (the "Right of First Refusal Increase").
- the tranche of capital increase reserved to the lending banks, with the exclusion of the right of first refusal, was subscribed for Euro 20,838,025.89 by converting financial receivables due by the Company to the same banks, at the same conversion ratio equal to at 4.5: 1 ("Capital Increase by Conversion").

The financial manoeuvre illustrated above would entail an overall recapitalisation of the Company estimated at approximately Euro 440 million and a final net financial position of approximately Euro 270 million.

Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern

The current conditions of the markets in which the Trevi Group operates, related to the Group's complex situation that has been fully described in the consolidated financial statements, have required the Company Management to carry out particularly accurate assessments with reference to the going concern assumption.

Specifically, at the time of the approval of the 2019 financial statements, the Board of Directors carried out all the necessary assessments relating to the going concern assumptions also taking into account, to this end, all the available information referring to foreseeable future events.

In assessing whether the going concern assumption was appropriate or not, all the available information about the future were taken into account, relating at least - without limitation - to 12 months following the reference date of the consolidated financial statements at 31 December 2019.

The assessment of the going concern assumption as well as the outlook analysis are necessarily linked to the effects of the Transaction for the capital strengthening and debt restructuring of the Group, as well as of the predictable results deriving from the implementation of the Plan. In particular, the existence of the going concern assumption required the analysis of the progress of the following circumstances:

A. the signing of: (**i**) the Restructuring Agreement by all the related parties to be filed with the competent Court by the applicant companies (i.e., Trevifin, Trevi S.p.A. and Soilmec S.p.A.) to obtain the approval pursuant to article 182-*bis* of Italian Finance Act; (**ii**) the restructuring agreement under article 67, paragraph 3, lett. d) of Italian Finance Act between PSM S.p.A. and the relating lending banks; (**iii**) the Investment Agreement and the commitments undertaken by the Institutional Shareholders; and (**iv**) the Oil & Gas Divestment Agreements with MEIL, as well as the fulfilment of the obligations undertaken by the relevant counterparties under the agreements from (i) to (iv);

B. the obtainment of the authorisation from the competent Court pursuant to article 182-*quinquies* of Italian Finance Act, necessary to grant new financing, both cash and unsecured financings, in the period running from the filing date of the appeals and the approval of the Restructuring Agreement, as well as the actual disbursement of the same by the lending banks; and

C. the effectiveness of the arrangements described under A, following the occurrence of all the conditions precedent contained in the same, including: (**i**) the approval of the Restructuring Agreement, as well as of the other agreements for which approval is requested, by decree of the competent Court towards all the applicant companies pursuant to article 182-*bis* of Italian Finance Act; (**ii**) the adoption by the Shareholders' Meeting of the resolutions envisaged for the implementation of the Transaction as illustrated in the Restructuring Agreement and in the Investment Agreement, including the one relating to the appointment of the new Board of Directors, a circumstance that constituted a condition precedent under the Restructuring Agreement; and (**iii**) the closing, including the actual collection of the agreed considerations, of the Oil & Gas Divestment following the fulfilment of the related conditions precedent;

D. the achievement of the objectives set in the Business Plan, as approved by the Board of Directors on 19 December 2018 (see above) and the attainment of financial and equity targets that will mark the definitive recovery of the Group according to the forecasts of the same Plan. Said targets, however, also depend on future factors that, by their very nature, are uncertain and uncontrollable beforehand.

In light of the above, the Board of Directors duly requested and obtained the information necessary to analyse the above circumstances. At the date of preparation of these separate financial statements all the circumstances from A. to C. were positively resolved, as will be explained in detail below, while the only remaining uncertainty that may cast doubt on the ability of the Company and the Group to continue to operate as a going concern is the achievement of the objectives set out in the Plan, which are the repayment of financial debts in December 2024 or the refinancing of the remaining debts at the best market conditions. Based on the analyses carried out, the Company and the Group deemed it appropriate to use the going concern assumption in the preparation of these separate financial statements.

Specifically, the Board of Directors based its conclusions on what follows, with reference to each of the uncertainty elements mentioned above:

(i) With decrees of 10 January 2020, notified to Trevifin, Trevi S.p.A. and Soilmec S.p.A. on 21 January 2020, the Court of Appeal of Bologna accepted the complaints against the provisions of the Court of Forlì that rejected the approval of the Restructuring Agreement, considering the reasons advanced by the claimants well founded, and therefore it approved the Restructuring Agreement.

(ii) On 31 March 2020, the second part of the Closing was successfully completed for the sale of the Oil & Gas Division of the Trevi Group to MEIL Global Holdings BV.

(iii) On 29 April 2020, CONSOB authorised by Note prot. No. 0393199/20 the publication of the Prospectus relating to the Trevifin offer of rights (the "Notice of Rights") and the admission to trading of newly issued shares and warrants denominated "Loyalty Warrant Trevi Finanziaria Industriale S.p.A.". (the "Warrants") on the MTA (Italian Electronic Stock Exchange), organised and managed by Borsa Italiana S.p.A.

(iv) On 29 April 2020, the lending banks that are contracting party to the Restructuring Agreement, through the agent, confirmed that all the conditions precedent provided by the same had been met, and that therefore this agreement must be considered fully effective in all its provisions starting from that date. Through this communication, the banks also confirmed that the commitments to subscribe and pay up the Capital Increase undertaken by them under the Restructuring Agreement are to be understood as irrevocable and unconditional as well as those envisaged by the Investment Agreement.

(v) On 18 May 2020, Trevifin announced the conclusion of the period for exercising the rights of first refusal (the "Rights of first refusal") relating to the Notice of Rights (the "Subscription period") to the shareholders of a total of 13,000,118,907 newly issued ordinary shares of the Company, without nominal value, having the same characteristics as the outstanding shares, with regular dividend rights (the "Share Offer").

(vi) On 29 May 2020, Trevifin announced that the capital increase approved by the Board of Directors on 17 July 2019 and 24 February 2020 was successfully completed, in the context of which 15,083,921,496 newly issued ordinary shares of the Company were subscribed, for a total amount of Euro 150,839,214.96.

(vii) Finally, with reference to the uncertainty factors associated with the Plan, it should be noted that said Plan has been drawn up on a prudent basis with the assistance of leading industrial and financial advisors. The Plan has been examined several times by the Board of Directors and has been certified by the expert appointed pursuant to art. 182 *bis* and approved by the court of Bologna.

The Directors, in light of the considerations set out above, adopted the going concern assumption to prepare the separate financial statements as at and for the year ended 31 December 2019, as considering it reasonable that the Group's current difficulties may be overcome through the above-stated actions undertaken. In summary, in June 2020, the financial manoeuvre will allow obtaining a significant recapitalisation (for a total amount of Euro 400 million) linked to the capital increase of Euro 130 million, to the conversion of a part of receivables claimed by the lending banks totalling Euro 284 million and to the capital benefit of about Euro 19 million associated with full and final settlement transactions with some financial creditors. Furthermore, benefits will be generated from the consolidation and rescheduling of the bank debt that will have final maturity date and related bullet repayment on 31 December 2024, with the amendment of the relating terms and conditions.

The existence and the overcoming of these uncertainties relating to the implementation of the plan depend only in part on internal variables and factors controllable by the Company Management, while those remaining depend on external factors which are assessed according to criteria of reasonableness as mentioned above.

With regard to the spread of the COVID-19 epidemiological emergency in Italy and in other European and non-European countries, which occurred after the end of the financial year, it should be noted that the Board of Directors had assumed that the state of national and international emergency would have last for a full quarter (1 March 2020 - 31 May 2020) in relation to the geographical areas in which the Group operates, with confinements and limitations to transport and industrial activities. A gradual recovery and the carrying out of the Group operations were also assumed for the following period, avoiding unnecessary costs and aiming not to lose possible sales in countries that were not affected by the Coronavirus emergency and in countries that seem to have overcome the emergency, showing some signs of recovery. The negative impact on the Group's results expected for 2020, deriving from the pandemic, falls in any case within the range envisaged by the sensitivity analyses carried out on the Business Plan by the Expert as part of the Certification, also considering it along with the changes recorded for the year 2019.

Key financial indicators of the Group

To date, to sum up, the Company's main financial indicators are as follows:

(in thousands of Euro)	**31/12/2019**
Production revenues	32,446,260
Total revenues	**32,446,260**
Value added	13,304,047
% of Total revenues	*41.00%*
Gross Operating Profit	**5,574,761**
% of Total revenues	*17.18%*
Operating Loss	**(131,591)**
% of Total Revenues	*(0.41)%*
Loss for the year	**(18,602,027)**
% of Total revenues	*(57.33)%*
Gross investments	387,370
Net invested capital	147,879,791
Net financial position	**416,512,337**
Deficit	(268,632,546)
Operating profit/(loss) / Net invested capital (ROI)	*(0.09)%*
Profit/(loss) / Equity (ROE)	*6.92%*
Operating profit/(loss) / Total revenues (ROS)	*(0.41)%*
Net financial position / Deficit (Debt / Deficit)	*(155.05)%*

These indicators confirm that, in order to overcome the current crisis that is affecting the Company and the Group in general, it is necessary to implement the Transaction described above aimed at ensuring the going concern assumption.

Based on the Business Plan, the implementation of the transaction is expected to result, by the 2020 financial year, in the achievement for the Group of financial and equity targets consistent with those of the main market competitors, as identified by the Board of Directors.

Property, plant and equipment

Property, plant and equipment are recognised at acquisition or production cost. The acquisition or production cost is represented by the fair value of the price paid to acquire or build the asset and any other direct cost incurred in preparing the asset for use. The capitalisation of the costs related to the expansion, modernisation or improvement of structural components owned or used by third parties is performed exclusively within the limits in which they meet the requirements to be classified separately as an asset, or as part of an asset.

Property, plant and equipment are recorded at cost, net of accumulated depreciation and any impairment losses. The depreciable value of each significant component of an asset, having a different useful life, is allocated on a straight-line basis over its estimated useful life. The useful lives per category of assets are as follows:

ASSET CATEGORY	RATE
Land	Indefinite useful life
Industrial and civil buildings	5%
Furniture and fittings	12%
Office machinery	20%
Drilling and foundation equipment	7.50%
Generic equipment	10%
Motor vehicles	18.75%
Miscellaneous various equipment	20%

The depreciation criteria used, the useful life and the residual value are re-examined and recalculated at least as often as at the end of each financial year in order to take into account any significant changes.

The capitalised costs for leasehold improvements are recognised in the relevant asset category and depreciated for the shorter of either the residual lease term or the residual useful life.

The carrying amount of property, plant and equipment is maintained in the financial statements as long as that amount can be recovered from their use. If indicators are found that highlight the difficulty of recovering the carrying amount, the impairment test is performed. Impairment losses are reversed if the underlying reasons are no longer valid.

Leases

Finance leases are accounted for in accordance with IAS 17. The definition of an agreement as a lease (or containing a lease) depends on the substance of the transaction and requires a judgement on whether it depends on the use of one or more specific assets or if the agreement transfers the right to use these assets. An assessment of whether an agreement is a lease is made at the inception of the lease. This requires that:

- The cost of leased assets is recognised under non-current assets and is depreciated on a straight-line basis for the estimated useful life of the asset; there is a balancing entry for financial liabilities with the lessor for an amount equal to the amount of the leased asset;
- Lease payments are recognised in such a way as to separate the financial element from the capital element, considered as repayment of the outstanding to the lessor, in order to obtain a constant interest rate on the residual balance of the debt. The financial expense is recognised in the Statement of Profit or Loss.

Leased assets are depreciated over their useful life. However, if there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the lease term, the asset will be depreciated over the shorter period between the estimated useful life of the asset and the duration of the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases, and the lease payments are recognised in the Statement of Profit or Loss on a straight-line basis over the lease term.

Leases where the lessor is substantially responsible for all the risks and rewards of ownership of the asset are classified as operating leases.

Intangible assets

Intangible assets are recognised at acquisition or development cost. The acquisition cost is represented by the fair value of the price paid to acquire the asset and any other direct cost incurred in preparing the asset for use.

Industrial patents and intellectual property rights, concessions, licences, trademarks and software are measured at cost net of accumulated amortisation, determined on the basis of the straight-line method over the expected useful life of 5 years barring any significant impairment. The amortisation criteria used, the useful life and the residual value are examined and measured at least as often as the end of each financial year in order to take account of any significant changes, as required by IAS 38.

Equity investments in subsidiaries and associates

Subsidiaries are the companies over which TREVI - Finanziaria Industriale S.p.A. has the independent power to determine strategic corporate choices in order to obtain the corresponding benefits. Generally, control is presumed to exist when more than half of the voting rights that may be exercised at the ordinary shareholders' meeting are directly or indirectly held, also taking into consideration the so-called potential votes, i.e. the voting rights derived from convertible instruments.

Associates are the companies over which TREVI - Finanziaria Industriale S.p.A. exercises a significant influence in determining the strategic choices of the company, even though it does not have control over them, also taking into consideration the so-called potential votes, i.e. the voting rights derived from convertible instruments; the significant influence is presumed when Trevi – Finanziaria Industriale S.p.A. directly or indirectly holds more than 20% of the voting rights that can be exercised at the ordinary shareholders' meeting.

Equity investments in subsidiaries and associates are measured at acquisition cost and reduced, if necessary, in case of distribution of capital or capital reserves, or in the presence of impairment losses determined by applying the so-called "impairment test." The cost is reinstated in subsequent years if the reasons that gave rise to the impairment losses no longer exist.

The carrying amounts of these investments is tested to detect any impairment losses when events or changes indicate that the carrying amount may not be recoverable.

Equity investments in other companies

Equity investments in other companies for which a market quotation is not available are recognised at cost, net of any impairment losses.

Impairment of assets

An impairment loss arises each time the carrying amount of an asset exceeds its recoverable amount. At each reporting date, the presence of indicators suggesting the existence of impairment is ascertained. In the presence of these indicators, the asset's recoverable amount is estimated (impairment test) and the possible impairment loss is accounted for. For assets not yet available for use and assets recognised in the current year, the impairment test is carried out at least once every year, irrespective of the presence of these indicators.

Financial assets and financial liabilities

Financial assets and liabilities are processed in accordance with IFRS 9, with the first application from 1 January 2018.

Depending on the characteristics of the instrument and the business model adopted for its management, financial assets, which represent debt instruments, are classified into the following three categories:

(i) Amortised cost, for financial assets held with the aim of collecting the contractual cash flows that pass the SPPI test as the cash flows exclusively represent payments of principal and interest. This category includes trade receivables, other operating receivables included in other current and non-current assets, and financial receivables included in other current and non-current financial assets.

(ii) Fair value through other comprehensive income (FVOCI), for financial assets held in order to collect contractual cash flows, represented exclusively by the payment of principal and interest, and to realise their value through transfer (so-called hold to collect and sell business model). Changes in fair value are recognised with a balancing entry in OCI, to then be released to the Statement of Profit or Loss at the time of the derecognition.

(iii) Fair value through profit or loss (FVTPL), as a residual category, for assets that are not held in one of the above-mentioned business models. In this case, changes in fair value are recognised with a balancing entry in the Statement of Profit or Loss.

Initial recognition takes place at fair value. For trade receivables without a significant financial component, the initial carrying amount is represented by the transaction price. After initial recognition, financial assets that generate contractual cash flows that represent exclusively principal and interest payments are measured at amortised cost, if held for the purpose of collecting the contractual cash flows (the so-called hold to collect business model). In accordance with the amortised cost method, the initial recognition amount is subsequently adjusted to take into account principal repayments, any impairment losses and the amortisation of the difference between the repayment amount and the initial carrying amount. Amortisation is based on the effective interest rate which represents the rate that makes the present value of expected cash flows and the initial carrying amount equal at the time of initial recognition. Receivables and other financial assets measured at amortised cost are presented in the statement of financial position, net of the corresponding loss allowance. The financial assets representing debt instruments whose business model includes the possibility of collecting contractual cash flows and the possibility of realising capital gains on disposal (the so-called hold to collect and-sell business model), are measured at fair value through other comprehensive income (hereinafter the "FVTOCI"). In this case, changes in the fair value of the instrument are recognised under equity among other comprehensive income. The cumulative amount of changes in fair value, recognised in the equity reserve which includes the other comprehensive income, is reversed to the statement of profit or loss when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and impairment losses is recognised in the statement of profit or loss. A financial asset representing a debt instrument that is not measured at amortised cost or at FVTOCI is measured at fair value through profit or loss (hereinafter the "FVTPL"). Transferred financial assets are derecognised when the contractual rights to receive the cash flows of the financial assets expire, or when they are transferred to third parties. Regarding impairment losses of financial assets, the assessment of the recoverability of the financial assets representing debt instruments not measured at fair value through profit or loss is made on the basis of the so-called "Expected Credit Loss model". For more details on the introduction of the new standard and its effects, reference should be made to the specific paragraph "Effects of the application of the new accounting standards - IFRS 9".

Loans and borrowings and bonds

Loans and borrowings and bonds are initially recognised at cost, corresponding to the fair value of the consideration received net of the ancillary charges related to obtaining the instrument. After initial recognition, loans and borrowings are measured using the amortised cost method. This method requires amortisation to be determined using the effective interest rate, represented by the rate that makes the amount of the expected cash flows and the initial carrying amount equal at the time of initial recognition. The ancillary charges for financing transactions are classified under liabilities in the statement of financial position as a reduction of the loan granted and the amortised cost is calculated by taking into account these charges and any discount or premium included at the time of adjustment. The statement of profit or loss effects of the measurement according to the amortised cost method are recognised in the item "Financial income/(expense)."

For further details, reference should be made to the table included in paragraph "**IFRS 9 – *Impairment***".

Trade receivables, financial receivables and other non-current financial assets

Receivables and other long-term financial assets are initially recognised at fair value and subsequently measured at amortised cost.

Measurements are regularly carried out in order to check if there is objective evidence that financial assets may have been impaired that were taken individually or as part of a group of assets. Any impairment loss is recognised as an expense in profit or loss for the year. For further details, reference should be made to the paragraph "*IFRS 9 – Measurement and Classification*" and "*IFRS 9 – Impairment*".

Trade receivables and other current assets

Receivables due within normal credit terms or which carry interest at market rates are not discounted but are recognised at nominal amount net of the loss allowance, with direct deduction of the receivables themselves, so their carrying amount is in line with the estimated realisable value.

Receivables are recognised at their estimated realisable value: this value approximates the amortised cost. If expressed in foreign currency, the receivables are measured at the closing exchange rate.

This item of the Statement of Financial Position also includes the portions of costs and revenue spread over two or more years on an accruals basis.

Receivable factoring with recourse and without recourse that do not comply with the requirements of IFRS 9 for the derecognition of the assets from the Statement of Financial Position, as the related risks and rewards have not been substantially transferred, remain recorded in the Company's Separate Financial Statements, although they have been legally transferred to third parties.

Cash and cash equivalents

Cash and cash equivalents are represented by the cash balance, demand deposits at the associated banks and short-term investments (with an original maturity not exceeding 3 months) which can easily be converted into known amounts of money and are not subject to a significant risk of value changes.

Cash and cash equivalents are recognised at fair value.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash, demand deposits with banks, other current high-liquidity financial assets, with original maturity not exceeding 3 months, and current account overdrafts. In the Statement of Financial Position, bank overdrafts are included in financial liabilities as part of current liabilities.

Equity

- *Share capital*

This item is the subscribed and fully paid up share capital and is shown at nominal value. The share buy-back, measured at cost and including ancillary charges, is accounted for as a change in equity and treasury shares which are deducted from the share capital by the nominal value and the reserves are reduced by the difference between the cost and the nominal value.

- *Treasury shares reserve*

Treasury shares are recognised as a deduction from equity. In particular, the nominal value of treasury shares is recognised as a reduction of the issued share capital, while the excess of the purchase amount over the nominal value is recorded in a specific equity reserve. No profit (loss) is recognised in the statement of profit or loss for the purchase, sale, issue or cancellation of treasury shares.

- *Fair value reserve*

This item includes changes in fair value, net of the tax effect, of the items accounted for at fair value with a balancing entry in equity.

- *Other reserves*

The items consist of capital reserves for specific purposes, the legal reserve, the extraordinary reserve and the reserve for bond conversion.

- *Retained earnings (losses carried forward) including profit (loss) for the year*

This item includes the profit or loss for previous financial years, for the part not distributed or allocated to a reserve and the transfers from other equity reserves when the constraint to which they were subjected is released. This item includes also the profit or loss for the year.

Short/long-term loans

These are initially recognised at cost which, at the time of activation, is equal to the fair value of the payment received, net of transaction costs. Subsequently, the loans are measured using the criteria for amortised cost and the effective interest rate method.

Employee benefits

Defined benefit plans

The Company grants its employees benefits after the termination of the employment (post-employment benefits). These benefits fall into the category of defined benefits, verifiable as to their existence and quantifiable as regards the amount payable but uncertain as to when payment will be required. Under IAS 19, the liability is measured using the projected unit credit method and calculated by independent actuaries. This calculation consists in discounting the amount of the benefit that an employee will receive on the estimated date for employment termination by using demographic assumptions (such as mortality rate and staff turnover rate) and financial assumptions (such as discount rate). The amount of the defined benefit obligation is calculated each year by an independent external actuary. Actuarial gains and losses are recognised in full in profit or loss in the year in which they are realised. The Company did not use the so-called “corridor” approach for recognising actuarial gains and losses.

Starting from 1 January 2007, the financial law and related implementing decrees introduced significant changes to the regulation of post-employment benefits, including the employee’s choice regarding the destination of his/her accruing benefits. In particular, the new post-employment benefits flows can be directed by the workers to supplementary pension schemes chosen by them or maintained in the company.

It is specified that for the purposes of the actuarial calculation, with reference to both 2017 and 2018, a discount rate was used on the basis of a pool of Corporate bonds with AA rating (iBoxx Eurozone Corporates AA 10+), in line with the recommendations of the Association of Actuaries, as at 31 December 2016.

Share-based payments

Top executives and some managers of the Company may receive part of the remuneration in the form of share-based payments. Under IFRS 2 these are considered plans regulated by equity instruments (so-called “equity settled”). The vesting of the right to payment is related to a vesting period during which the managers must perform their work as employees. Therefore, during the vesting period, the present value of share-based payments at the grant date is recognised in the statement of profit or loss as cost with a balancing entry under a specific equity reserve. Changes in the present value after the grant date have no effect on the initial measurement. In particular, the cost corresponds to the present value of the options at the grant date and is recognised under personnel expense, based on a straight-line method over the period between the grant date and the vesting date, with a balancing entry recognised as equity.

Provisions for risks and charges, contingent assets and liabilities

Provisions for risks and charges represent probable liabilities of uncertain amount and/or maturity derived from past events whose fulfilment will involve the use of financial resources. Provisions are made exclusively for an existing obligation, either legal or implicit, which makes it necessary to use financial resources, provided that a reliable estimate of the obligation can be given. The amount taken as a provision is the best estimate of the necessary cost to meet the obligation at the reporting date. The provisions made are re-assessed on each reporting date and adjusted in order to represent the best current estimate. Where it is envisaged that the financial disbursement related to the obligation will take place beyond the normal payment terms and the effect of discounting is relevant, the amount of the provision is represented by the present value of future payments expected for the settlement of the obligation.

Contingent assets and liabilities are not recognised in the separate financial statements. However, information is provided for those of a significant amount.

Derivative instruments

The Company adopted a Group Risk Policy. The measurement of changes in the fair value alters according to the designation of the derivative instrument (trading or hedging) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge). For contracts designated as held-for-trading, changes in fair value are recognised directly in profit or loss.

If the hedging instrument is designated as a Fair Value Hedge, both the fair value changes of the hedging instrument and the hedged item are accounted for in the statement of profit or loss, regardless of the measurement criterion adopted for the latter.

If the hedging instrument is designated as Cash Flow Hedge, changes in fair value are recognised directly in Equity if the hedging instrument is held to be an effective hedge whilst the portion held to be ineffective is recognised in profit or loss.

Changes recognised directly in Equity are released to the statement of profit or loss in the same year, or in the years in which the hedged asset or liability affects profit or loss. Purchases and sales of financial assets are accounted for on the negotiation date.

Revenue and costs

The recognition of revenue from contracts with customers is performed by applying a model based on five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations provided for by the contract; (iii) determination of the consideration for the transaction; (iv) allocation of the consideration for the transaction to the performance obligation; (v) recognition of revenue when (or as) the individual performance obligation is satisfied. In application of these criteria, this means for the Company that the revenue derived from the sale of the assets is normally recognised at the time of satisfaction of the performance obligation that usually occurs with the consignment, while the revenue derived from the provision of services is determined with reference to the stage of completion, which is defined on the basis of the work performed.

Costs are allocated according to criteria similar to those of revenue recognition and according to the accruals principle.

Interest income and expense are recognised based on the accruals method, taking into account the applicable effective rate.

Dividends are recognised in the year in which the shareholders' right to receive payment arises.

Taxes

Taxes for the year are determined based on the presumable charges that will be paid in accordance with current tax legislation.

Deferred tax assets and liabilities are also recognised in the temporary differences between the amounts recognised in the separate financial statements and the corresponding amounts that are recognised for tax purposes, the carryforward of tax losses or unused tax credits, provided that it is probable that the recovery (settlement) could reduce (increase) future tax payments compared to those that would have arisen if such recovery (settlement) had no tax effects. The tax effects of transactions or other events are recognised in the statement of profit or loss, or directly in equity, with the same procedures as the transactions or events that give rise to taxation. Other taxes not related to income are included under "Other operating expenses".

Starting from the 2006 financial year and to date, for three-year renewals, Trevi - Finanziaria Industriale S.p.A. and almost all of its direct and indirect Italian subsidiaries have decided to adhere to the national tax consolidation pursuant to articles 117/129 of the Italian Consolidated Tax Act (T.U.I.R.).

TREVI - Finanziaria Industriale S.p.A. operates as a consolidating Company and determines a single taxable basis for the group of Companies adhering to the national tax consolidation, which therefore benefits from the possibility of offsetting taxable income against tax losses in a single declaration. Each company adhering to the national tax consolidation transfers the tax income (taxable income or tax loss) to the consolidating company. TREVI - Finanziaria Industriale S.p.A. recognises a receivable from the Companies that provide taxable income, equal to the IRES to be paid. On the other hand, Trevi - Finanziaria Industriale S.p.A. recognises a payable equal to the IRES tax on the part of the loss effectively offset at group level with respect to companies that provide tax losses.

Currency

Foreign currency transactions are translated into the functional currency, at the exchange rate on the transaction date. Foreign exchange gains and losses derived from the liquidation of these transactions and from translation on the reporting date of monetary assets and liabilities in foreign currency are recognised in the statement of profit or loss.

Use of estimates

The preparation of Financial Statements requires the Directors to apply accounting standards and methods which, in certain circumstances, are based on difficult and subjective assessments and estimates related to historical experience and assumptions that are periodically considered reasonable and realistic, depending on the circumstances. Taking into account the joint document from the Bank of Italy/Consob/Isvap No. 2 of 6 February 2009, it is specified that estimates are based on the most recent information available to Directors at the time these Separate Financial Statements were drawn up without undermining their reliability.

The application of these estimates and assumptions affects the figures in the Separate Financial Statements - the Statement of Financial Position, the Statement of Profit or Loss and the Statement of Cash Flows, as well as those given as additional information. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions on which the estimates are based.

The Separate Financial Statements items listed below are those that require more subjectivity than others from the Directors when preparing the estimates and for which a change in the conditions underlying the assumptions used may have a significant impact on the Separate Financial Statements:

- Impairment losses on non-current assets;
- Measurement of equity investments;
- Measurement of the recoverability of receivables;
- Deferred tax assets;
- Loss allowance;
- Employee benefits;
- Provisions for risks and charges.

Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in profit or loss for the year in which the change occurred.

Financial Statements

A copy of these Separate Financial Statements, the Consolidated Financial Statements, the Directors' Report, the Report on Corporate Governance and the Ownership Structure, the Report on Remuneration and the Report of the Supervisory Bodies will be deposited at the registered office, on the website www.trevifin.com, at Borsa Italiana S.p.A. and at the Register of Companies, under the terms set out by current regulations.

IFRS 9

Following the consequences of the financial crisis, the IASB considered that the provisions of IAS 39 on impairment were

no longer sufficient for a rapid, objective and predictive measurement of losses. Therefore, this critical aspect led to the need to have new rules for the recognition and accounting of losses that would give greater importance to a forward-looking view in the estimate, as well as an anticipation of their effects in a Company's financial statements.
The board, therefore, changed the impairment approach from an "Incurred Loss" model provided by IAS 39 to an "Expected Credit Loss" model. The first one provided for the recognition of the loss only when the default event occurred; the second, on the contrary, anticipates the recognition of the loss by estimating, through the use of forward-looking variables, the probability that the default event will occur.
IFRS 9 § 5.5.1 and 5.5.2: Impairment applies to all financial assets measured at Amortised Cost and Fair Value through Other Comprehensive Income (FVOCI), while those at Fair Value through Profit or Loss are excluded. In addition, the following types of instruments also fall within the scope of application:

- Loan Commitments;
- Lease receivables;
- Contract assets;
- Financial guarantees included in IFRS 9.

Among the elements of discontinuity with respect to the past, there is also the inclusion of financial guarantees not measured at Fair Value through profit or loss within the scope of the provisions of IFRS 9 regarding impairment.
The definition of financial guarantee remains unchanged with respect to what was already provided for in IAS 39:
"*A financial guarantee represents a contract in which the Company is required to honour the contractual obligations of a third party when the latter fails to reimburse its creditor.*"
The Company recognises financial guarantees in the Financial Statements at fair value on the date of initial recognition or on the date on which they become part of the contractual clauses. Financial guarantees are then subject to impairment; therefore, at subsequent measurement dates, their carrying amount will be equal to the higher of the initial carrying amount, net of any amortisation of costs, and the expected credit loss determined in accordance with the new provisions of IFRS 9.
The general rule of impairment provided for by IFRS 9 aims at representing the deterioration or improvement in credit quality in the financial assets held by the Company. The way in which the amount of expected loss recognised is calculated depends, therefore, on the change in credit risk from the initial recognition of the asset to the measurement date.
Therefore, at each reporting date, the Company will recognise the loss allowance by distinguishing between different placement stages that reflect the creditworthiness of the counterparty, in particular:

- **Stage 1** - for assets that have not significantly increased credit risk compared to what was recorded at the time of initial recognition, an allowance must be recognised to reflect the 12-months ECL, i.e. the probability that default events will occur in the following 12 months (IFRS 9 § 5.5.5);
- **Stage 2** - for assets that, on the other hand, have undergone a significant increase in credit risk compared to what was recorded at the time of initial recognition, an allowance must be recognised that reflects the lifetime ECL, i.e. the probability that default events will occur over the life of the instrument (IFRS 9 § 5.5.3).
- **Stage 3** - for assets with actual evidence of impairment, the allowance must reflect an impairment representative of an ECL on a lifetime basis, with a probability of default of 100% (IFRS 9 § 5.5.3).

In addition, IFRS 9 § 5.5.15 also provides for the possibility of adopting a simplified approach to the calculation of expected losses exclusively for the following categories:

- Trade receivables and Contract Assets that:
    - do not contain a significant financing component; or
    - contain a significant financing component but the Company chooses as its accounting policy to measure the expected credit losses on a lifetime basis.

- Lease receivables.

The simplified approach starts with the general approach, but does not require the Company to monitor changes in counterparty credit risk as the expected loss is always calculated on a lifetime basis.

FIRST-TIME APPLICATION OF IFRS 9

Trevi Group adopted the new requirements provided for by IFRS 9 on financial instruments starting from 1 January 2018, with the exception of the provisions for hedge accounting for which the Group made use of the possibility provided by IFRS 9 § 7.2.21 not to apply these new rules and to continue to adopt the provisions of IAS 39.

Therefore, for the purposes of the consolidated financial statements, an impairment test was carried out on the balances of financial assets falling within the scope of application as at 1 January 2018 and 31 December 2018 for all Group companies, using the model summarised in this note. In addition, the same test was made for the Separate Financial Statements of the holding company Trevi Finanziaria Industriale Spa.

The recognition of the initial effects, i.e. the higher impairment resulting from the application of the new standard, has been recorded in an Equity reserve - First Time Adoption Reserve.

OPERATING PROCEDURES FOR THE APPLICATION OF THE NEW IMPAIRMENT MODEL

The impairment model described in this operating instruction was applied to all financial assets as defined by IFRS 9. Below are the main features of the approaches adopted by the Group and envisaged by IFRS 9: Simplified Approach and General Approach.

Simplified Approach

The simplified approach was adopted by the Group with regard to:

- trade receivables (including invoices to be issued);
- contract assets ("work in progress" assets net of advances received);
- receivables for advances to suppliers.

For these cases, the rules of the simplified approach set out in IFRS 9 were applied, calculating the loss allowance using the product of the following factors:

- **EAD - *Exposure At Default***: accounting exposure at the measurement date;
- **PD** - ***Probability of Default***: the probability that the exposure may go into default and therefore not be repaid. The counterparty-specific probability of default was taken into account as the driver for determining the probability of default of the exposure. In particular, the PD was determined using external sources (info-providers) and where the specific data of the counterparty being assessed was not present, an expressive PD of the market segment to which the counterparty belongs or, in the case of an unrepresentative sample, the average PD representative of the loan portfolio was applied as the last alternative. For exposures to government counterparties, the PD used is that relating to the reference country of the counterparty;
- **LGD - *Loss Given Default***: expected percentage of loss in case of creditor default. The IFRS 9 impairment model provides for the possibility to calculate internally the identified parameter of the expected loss in case of default. As an alternative to the latter, given the impossibility of reconstructing a historical database adequate for the calculation of LGD, the Group decided to adopt the standard parameter defined for banking regulations and equal to 45%.

For financial assets falling under the simplified approach, the default period was identified on the basis of the collection statistics for the assets falling under the scope. Therefore:

- for "performing" positions, i.e. those not past due, with exclusive reference to trade receivables and invoices to be issued, the PD is defined over a reference time horizon of 60 days, consistent with the average payment term horizon agreed by the Group on the basis of:

- the different geographical areas in which the individual legal entities of each division operate whose average payment terms differ but deviate from an average Group horizon of 2 months;
- the characteristics of the business in which the Company operates and the characteristics of the trade receivables which, for the majority of the receivables issued, require a delay of payment in the short term;

- for positions past due within the default period (set at a threshold of 360 days from the due date of the receivable), the PD is expressed with a time horizon of 1 year. The Group agreed to apply a default threshold different from that defined by IFRS 9 (i.e. 90 days past due), rejecting this presumption (see IFRS 9, paragraph B5.5.37) on the basis of:
  - the obvious delays in payments by its customers, which very often occur more than 90 days after the expiry of the document;
  - any delays in payments due to the characteristics of the business in which the company operates and, more specifically, from potential delays in the supply of goods and services that the Group offers its customers, generating a balance from customers only at the conclusion of a service, rather than the physical delivery of a good. Specifically:
    - temporary payment difficulties of public administrations;
    - a slowdown in sales of goods under construction;
    - objective difficulties in collecting payments from customers in certain countries dictated by contingent situations of a legislative or currency nature;
    - temporary impediments due to the relationship between customer and supplier that develops during a job order;
    - a due date that is not easy to determine in the case of payments of retentions or sums previously subject to litigation;

  With regard to the individual divisions of the group: for the Soilmec division, sales are mainly made through dealers/agents with whom there is a “credit line” that is regularly monitored. Expired items are in any case subject to warranty by means of the machines in stock at the dealer's yard. On sales, moreover, except for a few cases, payment is made at the same time as the delivery of the equipment or with an agreed extension for particular customers with whom there is a “historical” relationship.

  With reference to the Trevi division, on the other hand, and more in detail to “temporary payment difficulties by public administrations” as well as “objective difficulties in collecting payments from customers in certain countries dictated by contingent situations of a legislative or currency nature”, the following are some edifying examples of payment delays of more than 90 days:
    - Collection in May 2019 from the Port Authority of Naples of receivables for invoices issued in July 2018. These receivables relate to the final Progress report. The delay was due to several factors, including an internal analysis by the Port Authority of the correct accounting of the entire contract, and the verification of the fulfilment of the payments of the various subcontractors.
    - Collection on various dates in 2019 of receivables from the Algerian customer Cosider also for invoices dating 2017. The delay was due to 2 main factors: the delay with which Trevi S.p.A. issued some contractual sureties and the level of greater bureaucracy in the controls by the Algerian Central Bank for remittances abroad than in the past.

For these reasons, the Group extended the recognition of a default by opting for the application of a threshold of 1 year, considering the exceeding of this threshold as an identification of the counterparty's real difficulty in meeting its debtor commitments, generating a failure to collect the receivable for Group companies.

- for positions past due beyond the default period, on the other hand, the PD has been set at 100%.

The model for measuring the impairment of contract assets and advances to suppliers, similar to that defined for trade receivables past due but not in default, provides for the application of an expressive PD with a time horizon of 1 year.

However, the application of quantitative rules for the calculation of the loss allowance may be followed by the application of a specific allowance percentage for certain positions (i.e. customers) based on management experience and/or specific qualitative information available.

General Approach

On the other hand, with regard to the items subject to IFRS 9 impairment that present the conditions for the application of the General Approach, the Company defined an Expected Credit Loss method for each credit quality cluster defined for these exposures.

Financial Guarantees

For the purposes of the IFRS financial statements, the General Approach method defined by the Group is designed to quantify the impairment of financial guarantees issued/granted by the Holding Trevi Finanziaria SpA in favour of the Trevi Group Divisions.

As mentioned above, the general approach provides that the definition of the parameters used to calculate the amount of expected loss recognised depends on the change in the credit risk that the asset has undergone since initial recognition at the measurement date.

In assessing the increase in credit risk, the Group took into account all reasonable and acceptable information that was available or that can be obtained without incurring excessive costs.

The Standard[1] also provides an illustrative list of variables that can be considered as drivers for the increase in credit risk and that can be divided into: macroeconomic data (changes in regulations, political instability), counterparty data (deterioration in financial results, credit rating downgrade), market data (CDS, credit spread, rating) and contract data (collateral impairment, unfavourable contract changes).

Consequently, the calculation of impairment on these items was carried out in accordance with the following rules:

- ***Stage Allocation***: the stage allocation of the Holding's financial guarantees was driven by qualitative and quantitative drivers. Specifically, the Group used the rating provided by the Italian rating agency (ECAI - External Credit Assessment Institutions) Cerved SpA and the change in the probability of default as the primary parameter. As qualitative parameters, on the other hand, the Company made use of the debt restructuring and "freezing" agreements established with the Group's lending banks.
    - On the basis of the parameters used for stage allocation purposes, the financial guarantees provided by Holding Trevi Finanziaria SpA to the divisions, belonging to the entire Trevi Group, were classified as Stage 3[2], i.e. within the cluster identifying an increase in credit risk from the initial recognition date ("significant increase in credit risk from initial recognition date") such as to show an actual impairment loss. For the purpose of calculating IFRS 9 impairment, therefore, the PD was set at 100%.
    - The observations and analyses carried out by the Group derive from the application of IFRS 9, which requires, in addition to the use of quantitative indicators for the assessment of "significant increase in credit risk since initial recognition", to consider "qualitative and non-statistical quantitative information" (IFRS

[1] IFRS 9 § B.5.5.17.

[2] The classification as stage 3, with consequent lifetime incurred loss measurement of the impairment, of the guarantees granted to the Divisions belonging to the Construction sector (Trevi SpA and Soilmec SpA) and to the Oil & Gas segment (Petreven and Drillmec) of the Group, derives from the withdrawal of the rating of July 2018, by the rating company Cerved, previously downgraded to the last class of rating on the scale of the same agency (C2. 1).
Moreover, the definition of a pre-agreement (so called "*de facto*") with the lending banks aimed at "freezing" the debt in 2017 (subsequently signed in August 2018 with validity of 4 months and subsequent *de facto*), with the planning of a path that will lead to the restructuring of Trevi Group's payables by 2024, confirms the actual financial difficulties that the Company has been experiencing in recent years.

9, art. B5.5.18[3]) which, alone, may be sufficient to assess the degree of risk achieved by the instruments being assessed.

The objective evidence used by the Company for the purposes of classification as Stage 3 derives from a progressive worsening of the financial results which required the start of a complex and articulated negotiation with the Group's main lending banks (for further details see Appendix 1 of the following document - “Restructuring Agreement”).

- **Calculation of the expected loss**: as described for the Group's trade receivables, the calculation of the Expected Credit Loss for the positions relating to the financial guarantees issued was carried out using the product of the three risk parameters:
    - **PD – *Probability of Default*** expressive of a time horizon equal to the residual duration of the financial guarantee (so-called Lifetime) for financial guarantees allocated to stage 2 or equal to 100% for positions allocated to stage 3 (i.e., in default);
    - **LGD – *Loss Given Default***: the impairment calculation model allows the application of a specific parameter for the Group that contemplates the effective recovery capacity of exposures in default. In this regard, the company prepared an ad hoc analysis to estimate the potential loss at the time of default of the Group's divisions, as discussed in the following paragraph;
    - **EAD – *Exposure at Default***: equal to the amount of the guarantee issued by applying a conversion factor for off-balance positions of 100%.

Financial Guarantees – Loss Given Default

Loss Given Default (LGD) is the parameter that identifies the percentage of loss that the Company actually estimates it will incur in the event of a counterparty default, whose complement is the recovery rate (RR), i.e. the percentage of the exposure that the Company expects to recover from the position's recovery activity.

With specific reference to the financial guarantees provided by the Holding Trevi Finanziaria SpA in favour of the Trevi Group's divisions, the Company carried out an analysis based on the quantification of this parameter in the event of the assets being disposed of in the event of default by the same divisions.

The recovery value, therefore, is based on the amount of the assets aggregated by business segment (Construction and Oil & Gas) that the Holding would liquidate, should it actually meet the cash outflow due from the collection of the guarantees given to financial intermediaries.

In particular, in determining the amount of the assets under analysis, both working capital (trade receivables, payments on account, inventories, work in progress and other receivables) and the amount of non-current assets were considered. This amount was then netted of the amount of the financial liabilities that will have to be honoured in the event of liquidation, i.e.: post-employment benefits and financial liabilities not covered by the guarantee.

Intercompany items, both assets and liabilities, were excluded from the calculation because, in view of a liquidation process and financial management at “divisional” level, it was deemed appropriate to focus the analysis only on investments and liabilities to entities outside the Group.

In the process of determining the amount of the assets under analysis, the impairment already calculated for some financial statements items was also taken into account to the extent that the amount of the impairment was deducted from the amount of the assets (for details, see Appendix 2 of the following document - “Recovery identification”).

[3] IFRS 9, art. B5.5.18: “*In some cases, the qualitative and non-statistical quantitative information available may be sufficient to determine that a financial instrument has met the criterion for the recognition of a loss allowance at an amount equal to lifetime expected credit losses. That is, the information does not need to flow through a statistical model or credit ratings process in order to determine whether there has been a significant increase in the credit risk of the financial instrument. […] Alternatively, the entity may base the assessment on both types of information, i.e. qualitative factors that are not captured through the internal ratings process and a specific internal rating category at the reporting date, taking into consideration the credit risk characteristics at initial recognition, if both types of information are relevant.*”

Financial Guarantees – Oil & Gas considerations

When preparing the separate financial statements at 31 December 2018 with reference to the Oil & Gas Division, some additional considerations were made in relation to the evolution of the sale process.

More specifically, on 4 December 2018 the Board of Directors of Trevi Finanziaria resolved to accept the binding offer submitted by Megha Engineering & Infrastructures Ltd. ('MEIL') for the acquisition of the Group companies in the Oil & Gas segment, namely Drillmec SpA and Petreven SpA.

In summary, the consideration agreed for the sale of the Oil & Gas division is Euro 140 million, determined on a "debt free" basis, i.e. assuming that Drillmec, Petreven and the companies of the Oil & Gas division to be sold are transferred at the closing date of the transaction without financial liabilities. Therefore, this approach implies that all the financial liabilities currently owned by the companies that are part of the Oil & Gas division, including the bank liabilities and those due to Trevi Finanziaria Industriale Spa and the other Trevi Group companies that are not included within the scope of the Oil & Gas Divestment, are settled and/or waived with respect to Drillmec S.p.A. and Petreven S.p.A.

The agreement also provides that there may be a price adjustment up to a maximum amount equal to 10% of the Disposal Price and that an amount equal to 10% of the price is to be deposited in a restricted account for a period of 12 months to guarantee the seller's obligations to pay compensation.

In view of the estimated costs of the transaction, as well as the items related to the price adjustment and the amount pledged as guarantee, when the 2018 financial statements were prepared, a total cash flow of Euro 111 million (compared with Euro 140 million agreed upon) was conservatively estimated, against Euro 120 million taken over by Trevi Finanziaria Industriale. It is therefore clear that at the closing of the transaction there will be an imbalance of approximately Euro 9 million. A special provision was prudently set aside to cover this imbalance, which will be released upon completion of the sale.

In this perspective, in order to avoid a double coverage of the financial risks associated with the transaction, the provision set aside for the purposes of IFRS 9 related to Oil & Gas guarantees was released as substantially already included in the loss allowance.

Trevi Fin - 31/12/2019	***EAD IFRS 9 EURO***	***Loss allowance (Local accounting standard) EURO (F)***	***Loss allowance(B) IFRS 9 EURO***	***Delta (B-F) EURO***
Trade receivables	37,251,670	-	4,713,997	4,713,997
Construction contracts				
Advances to suppliers				
Invoices to be issued				
Financial guarantees	111,860,503	-	2,123,888	2,123,888
Other financial assets	95,042	-	215	215
Total	***149,207,216***	***-***	***6,838,100***	***6,838,100***

IFRS 15

The new IFRS 15 was issued in May 2014 by the FASB, with the aim of replacing the following standards:

- IAS 11 *"Construction contracts",*
- IAS18 "*Revenue*",
- IFRIC 13, IFRIC 15, IFRIC 18, SIC 31.

The objective of the introduction of IFRS 15 "Revenue from Contracts with Customers", is to create a complete and uniform framework for the recognition of revenue, applicable to all commercial contracts (with the exception of leases, insurance contracts and financial instruments).

This creates a concentration of revenue rules in a single principle, called the "Five step model framework":

1) Identification of the contract with the customer, to identify the set of contractual rights and obligations to which the model

applies. In this context, the Board defined the criteria that must be met to include contracts with customers in the scope of the standard.
(2) Identification of performance obligations under the contract, identifying goods and services promised within the contract to determine whether or not they may be separate and distinct "performance obligations" in the contract. The assessment must be made at the "inception date" in order to identify the POs and, in this context, separate POs must be determined.
(3) Determination of the transaction consideration: the amount of consideration that the entity expects to receive in exchange for goods or services transferred to the customer, which includes any type of variable consideration.
(4) Allocation of the transaction consideration to performance obligations;
(5) Recognition of revenue when (or as) the individual performance obligation is satisfied: the Group must recognise revenue at the time when the POs are satisfied through the transfer of goods or services to the customer, and, in this context, the assets are transferred at the time when the customer obtains control of the asset.
The standard states that this assessment should be carried out for each PO.
This introduces a model based on the concept of transfer of control.
IFRS 15.23 also requires an entity to provide information about judgements made, and their changes, in the application of the standard that significantly affect the determination of the amount and timing of recognition of revenue from contracts with customers.
As part of the disclosure of the accounting standards applied, the Group provided a description of the judgements that significantly affect the determination of the amount and timing of recognition of revenue from contracts with customers. Entities shall exercise a professional judgement in ensuring that the information provided is sufficient to meet the disclosure objectives in the standard.
Applying the standard, therefore, entities must recognise revenue to faithfully represent the transfer of the goods and services provided to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services.

1.1 Variable consideration

At the same time, specific rules are also introduced for the accounting of "variable" or "potential" considerations.
If the consideration promised in a contract includes a variable amount, the Group shall estimate the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer.
The variable consideration is estimated at the inception of the contract and it cannot be recognised until it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

1.2 Non-cash consideration

IFRS 15.48 requires that, when determining the transaction price, an entity shall take into account the effects of variable consideration, the constraining estimates of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and the consideration payable to the customer. Consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity (IFRS 15.20). The entity shall include this in the disclosure of the standards applied, if material.

1.3 Warranties

The Group typically provides warranties for the repair of defects existing at the time of sale, as required by law. These standard quality warranties are recognised as provisions for risks and charges.
If the customer has the option to purchase the warranty separately or if the warranty provides a separate service to the customer, in addition to correcting defects existing at the time of sale, IFRS 15.B29 requires the entity to provide a service

that is a separate performance obligation. Otherwise, it is a standard quality warranty, which provides the customer with the assurance that the product complies with the agreed-upon specifications.
In 2018, the Group decided to apply the new standard from the mandatory effective date, using the modified retrospective application method, permitted by IFRS 15.C3 b.
Using this transition method, the Group has chosen to recognise the cumulative effect of the initial application of this standard as an adjustment to the opening balance of retained earnings (or, depending on the case, of another component of the equity) for the financial year that includes the date of the initial application. Additionally, under this transitional method, the Group chose to apply this Standard retroactively, but only to contracts that are not completed on the date of the initial application.
IFRS 15 also introduced a prohibition on offsetting asset positions with liability positions for work in progress and related payments on account, if not related to the same contract. As a result of this change, and following the introduction in 2018 of two new statement of financial position items for the separate presentation of assets for work in progress and related payments on account, no general offsets were made between work in progress and the corresponding payments on account as at 31 December 2019.
The Group applied the IFRS 15 model to each of the revenue streams identified at Group level, which share the same economic factors, including nature, timing and execution risks, as well as contractual terms and conditions that are consistent by revenue category (IFRS 15 paragraph 114), respectively:

a) Foundation & Construction contract;
b) Full Package;
c) Machine & Equipment;
d) Drilling Services;
e) Spare Parts;
f) Technical Assistance;
g) Other Services (Rental);
h) Services provided by Trevi Finanziaria Industriale S.p.A.

For the purposes of IFRS 15, the main impacts registered by Trevi Group are connected to the revenue stream “Foundation & Construction contract”, through the presence of incremental costs to be capitalised and amortised, such as, respectively, MOB costs, and commissions paid to agents (Costs to obtain a contract).
The revenue stream “Foundation & Construction contract” includes costs and revenue related to mobilisation and job site setup (MOB), which, under IFRS 15, are regulated within the “Costs to fulfil a contract”.
It has been observed that in most of the contracts signed by the Group, these costs are explicitly recognised by the customer with the identification of a specific consideration for these activities, while in other less frequent cases, especially for smaller contracts, these costs are not explicitly recognised and are remunerated through the total contract margin.
On the basis of the analyses carried out, it was assessed that the explicit recognition of these costs involves the effective transfer of control of the work covered by the contract to the counterparty at the time they are incurred.
Consequently, these costs must contribute to the determination of the contractual progress both in the case of the adoption of an output-based over-time revenue recognition method and in the case of the adoption of an input-based over-time revenue recognition method. Only in the event that the average contract margin is significantly higher than the margin generated by the first phases of mobilisation and jobsite setup, these costs are prudentially recognised within the revenue limit in relation to the efforts made by the Group to obtain on site the necessary resources (uninstalled materials) to carry out the contractual object (the foundation).
For the purposes of IFRS 15, only in the event that the contract does not provide for explicit recognition of these costs, they

must be capitalised and subsequently amortised in line with the transfer of control of the asset, provided that they are (i) inherent to the contract, (ii) recoverable and regularly subjected to an impairment process to verify their recoverability.
At the same time, Trevi Group highlights the presence of Demob's costs, related to the last phase of the work in which the dismantlement of the jobsite takes place, recorded in accordance with IAS 37 “Provisions, contingent liabilities and contingent assets”. In the light of this, the Group shall allocate the annual share of these costs to an ad hoc provision.
In addition to the costs of MOB and DEMOB, it was pointed out that some contracts included commissions paid to agents, identified as 'costs to obtain a contract'. In accordance with IFRS 15, these costs are capitalised and amortised over the term of the contract.

In some contracts, in particular, relating to the revenue stream “Full Package”, moreover, clauses have been identified that could lead to a change in price, particularly liquidated damages (penalties for delays). Management must therefore consider whether such penalties should be activated and must, if they are more than likely, record the proceeds directly net of these penalties, so as to reflect the consideration that the company will receive in exchange for its services

IFRS 16

Leases

The company assesses at the inception of the contract whether it is, or contains, a lease. In other words, it shall assess if the contract provides the right to control the use of an identified asset for a period of time in exchange for consideration.

The company as lessee

The company adopts a single recognition and measurement model for all leases except for short-term leases and leases of low value. The company recognises the liabilities relating to lease payments and the right-of-use asset representing the right to use the asset underlying the contract.

i) Right-of-use asset

The Company recognises the right-of-use asset on the inception date of the lease (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, net of any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made at or before the commencement date, less any incentives received.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

Right-of-use assets are subject to Impairment. Reference should be made to section s) Impairment of non-financial assets

ii) Lease liabilities

At the commencement date, the company shall recognise the lease liability measuring the present value of the lease payments that are not paid at that date. Lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that depend on an index or a rate, and the amounts expected to be payable under residual value guarantees. Lease payments include also the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease. Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period (unless they were incurred to produce inventories) in which the event or condition giving rise to the payment occurs.

In calculating the present value of the payments due, the Company uses the incremental borrowing rate at the commencement date, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of the lease liability increases to account for interest on the lease liability and decreases to account for payments made. In addition, the carrying amount of lease liabilities is restated in the event of any changes in the lease or for changes in the contractual terms for the change in payments; it is also restated in the event of changes in the assessment of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments.

The Company's lease liabilities are included under Loans and borrowings (see note 21.2).

Short-term leases or leases of low-value assets

The Company applies the exemption for the recognition of short-term leases (i.e., leases that have a duration of 12 months or less from the inception date and do not contain a purchase option). The Company also applied the exemption for leases relating to low-value assets with reference to leases of equipment whose value is considered low. Short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Changes in accounting policies and disclosure

IFRS 16 supersedes IAS 17 (Leases), IFRIC 4 (Determining whether an Arrangement contains a Lease), SIC 15 (Operating Leases–Incentives) and SIC-27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases in the Financial Statements based on a single model.

Lessor accounting as indicated in IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify leases by distinguishing between operating and finance leases using the same classification principle as in IAS 17. Therefore, IFRS 16 will have no impact on leases where the Company is a lessor.

The Company adopted IFRS 16 using the retrospective adoption method as amended with the initial application date of 1 January 2019. Under this method, the standard is applied retroactively with the cumulative effect of first-time application recognised on the date of initial application. The Company chose to use the practical expedient of transition whereby it is not required to reassess whether the contract is, or contains, a lease at the date of initial application of 1 January 2019. Instead, the Company applied the standard only to contracts, which at the date of initial application, were previously identified as leases by applying IAS 17 and IFRIC 4.

Below is the effect of the adoption of IFRS 16 at 1 January 2019 (increase/(decrease)):

	€000
Assets	
Right-of-use assets	609
Total assets	**609**
Liabilities	609

Lease Liabilities	
Total liabilities	**609**
Total equity adjustments:	**-**

The Company has leases for various types of property, vehicles and equipment. Prior to the adoption of IFRS 16, the Company classified each of its leases (as a lessee) at the inception date of the lease, distinguishing between operating and finance leases. For more information see Note *1. Leases for accounting standards prior to 1 January 2019.*

On first-time adoption of IFRS 16, the company adopted a single recognition and measurement model for all leases except for short-term and low-value leases. For more information see Note *1. Leases for accounting standards adopted as of 1 January 2019*. The standard contains specific first-time adoption requirements and practical expedients, which have been applied by the Company.

- *Leases previously classified as finance leases*

The Company did not change the carrying amount of assets and liabilities at the date of first-time adoption for leases previously classified as finance leases (e.g. right-of-use assets and lease liabilities are measured at the same amount applied under IAS 17). IFRS 16 were applied to those leases as from 1 January 2019.

- *Leases previously classified as operating leases*

The Company recorded right-of-use assets and lease liabilities for those contracts that were previously classified as operating, except for short-term and low-value leases. Right-of-use assets were recorded at an amount equal to that of the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

In addition, the Company applied the following practical IFRS 16 expedients allowing it to:

- Choose to apply the accounting policies established for short-term leases in IFRS 16 to leases for which the term ends within 12 months after the date of initial application.
- Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

On the basis of what previously indicated, as from 1 January 2019:

- Right-of-use assets of Euro 609 thousand were recognised and presented separately in the statement of financial position.
- Lease liabilities for Euro 609 thousand were recognised and included under Loans and borrowings.

1. *Leases*

The Company has leases for buildings and vehicles used in operating activities.
The Company has also certain leases with a duration of 12 months or less and low-value equipment. For these contracts, the Company chose to apply the exemptions provided for by IFRS16 with regard to short-term or low-value leases.

Information on the carrying amounts of right-of-use assets is provided below:

	Vehicles	**Motor vehicles**	**Equipment**	**Total Right-of-use assets**
	€000	**€000**	**€000**	**€000**
At 1 January 2019	**368**	**178**	**63**	**609**
Increases	9	0	0	**9**
Depreciation costs	(123)	(65)	(29)	**(217)**
At 31 December 2019	254	113	**34**	**401**

Information on the carrying amounts of lease liabilities (included in the item Loans and borrowings) and the relating changes are provided below.

	2019
	€000
At 1 January	609
Increases	9
Interest increase	11
Payments	(238)
At 31 December	**391**
Current	153
Non-current	238

Below are the amounts recognised in profit/(loss) for the year:

	2019
	€000
Cost for right-of-use depreciation	217
Financial expense on lease liabilities	11
Total amount recognised in profit/(loss) for the year	**228**

Accounting standards, amendments and interpretations soon to be applied

New pronouncements	Date*
Business Definition - Amendments to IFRS 3	1 Jan 2020
Interest Rate Benchmark Reform - Amendments to IFRS 7, IFRS 9 and IAS 39	1 Jan 2020
Definition of material - Amendments to IAS 1 and IAS 8	1 Jan 2020
The Conceptual Framework for Financial Reporting	1 Jan 2020
IFRS 17 Insurance contracts	1 Jan 2021**
Classification of current and non-current financial liabilities - Amendments to IAS 1	1 Jan 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Note (1)

** Effective for the period starting from the dates indicated.*

*** On 20 March, the IASB decided to delay the application of IFRS 17 until 1 January 2023.*

Note 1: on December 2015 the IASB postponed the application of the amendment indefinitely, pending the results of research projects on accounting using the Equity Method.

Management and coordination of the company

According to Art. 93 of the Consolidated Act, it is reported that as at 31 December 2019 and on the date of drawing up these financial statements, TREVI - Finanziaria Industriale S.p.A. is indirectly controlled by I.F.I.T. S.r.l. (Company based in Cesena) and directly controlled by the Italian company TREVI Holding SE, a subsidiary of I.F.I.T. S.r.l.

With regard to reporting, pursuant to Art. 2497 of the Italian Civil Code, relating to management and coordination activities possibly performed by parents, it is reported that as at 31 December 2019 and on the date of these separate financial statements the Company had not made any statements regarding any management and coordination activities on behalf of Parents, as the Board of Directors of TREVI - Finanziaria Industriale S.p.A. considers that, in the context of an audit of the strategies and company policies of the TREVI Group indirectly conducted by IFIT S.r.l., the Company is completely independent of its parent from an operational and financial perspective and, in any case, did not execute any corporate transactions with the parent in 2019 or in previous years.

On the date of preparation of these Separate Financial Statements, TREVI - Finanziaria Industriale S.p.A. is the Parent of TREVI Group (and therefore it is the reporting entity of the Group’s consolidated Financial Statements) and, pursuant to Art. 2497 of the Italian Civil Code, it manages and coordinates the directly controlled companies:

- Trevi S.p.A., 99.78% directly held.
- Soilmec S.p.A., 99.92% directly held.
- R.C.T. S.r.l., 99.78% indirectly held (100% owned by TREVI S.p.A.).
- Trevi Energy S.p.A with 100% as a single shareholder company;
- PSM S.p.A., 99.92% indirectly held (100% owned by Soilmec S.p.A.).
- Immobiliare SIAB S.r.l. with 100 % as a single quotaholder company.

Organisational, Management & Control Model

The Company adopted an organisational, management and control model (known as the 231 Model) aimed at:

- Preventing the commission of crimes pursuant to Italian Legislative Decree 231/01;
- Defining and incorporating a corporate culture based on respect and transparency;
- Increasing awareness among employees and stakeholders.

The Model operates through the monitoring of transactions subject to risks of administrative liability of legal entities, introducing specific controls that are referred to and made operational within the company procedures/policies. The Model contains measures designed to detect and reduce potential risks of non-compliance with the provisions of Italian Legislative Decree 231/01. With regard to corruption risks, the controls envisaged by the Model are coordinated and consistent with the Anti-Corruption Compliance System.

An independent control body, the Supervisory Body, monitors the effective implementation and compliance with the Model. The Company made an e-mail address available to employees to directly contact the Supervisory Body, guaranteeing confidentiality and protection of the informant against any form of retaliation.

The system adopted complies with the provisions of Law No. 179/2017.

Privacy and protection of personal data

General Data Protection Regulation (GDPR)

On 25 May 2018, the General Regulation for the protection of personal data became effective (EU Regulation No. 2016/679 - General Data Protection Regulation – GDPR). The Regulation is applicable to all the Countries of the European Union and to Italy and supersedes the incompatible provisions of the privacy code. In order to guarantee - within the context of Group Companies - compliance of personal data processing with the GDPR, the Company carried out the interventions envisaged by the adjustment plan.

In particular, the activities carried out involved:

- definition and dissemination of a privacy organisational chart (functional chart);
- definition and dissemination of information for employees, visitors, customers and suppliers, pursuant to articles 12, 13 and 14 of the GDPR.
- definition and dissemination of assignment standards pursuant to Art. 28 GDPR called Data Processor Agreement (DPA) to third parties that process personal data on the data controller's behalf (e.g. service providers such as the relevant doctor, IT service manager, etc.). The main suppliers of the Company and the Group have already signed the above mentioned DPAs;
- definition and dissemination of the general operating instructions for technical and organisational measures for data processing (pursuant to Art. 32 GDPR).
- definition and dissemination of the following procedures: (i) data breach relating to the management of the breach of security of personal data; (ii) exercise of the interested party's rights, relevant to the procedures for managing these requests; (iii) use of IT tools; (iv) procedures for carrying out any inspection visits by the Control Authority;
- definition and dissemination of the IT and HR management template in the event of hiring, absences, change of duties and resignation of employees.
- implementation of the Personal Data Processing Register.
- appointment of the DPO (Data Protection Officer) by the Board of Directors on 25 September 2019.

A specific training project was therefore defined aimed at raising awareness among the various company departments and at explaining the policies and procedures issued for the application of the GDPR.

Risk management

Aims, management strategies and identification of financial risks

The Parent's Finance Department and the Finance Managers of the individual subsidiaries manage the finance risks to which the Company is exposed, in accordance with the directives contained in the Group's Treasury Risks Policy.

The Company's financial assets are mainly represented by cash and short-term deposits, directly derived from operating activities.

Financial liabilities, on the other hand, include bank loans and finance leases, the main function of which is to finance operating and international development tasks.

The risks generated by these financial instruments are represented by interest rate risk, currency risk, liquidity risk and credit risk.

The Company only carries out a systematic monitoring of the financial risks described above, since, pursuant to the Restructuring Agreement, it not authorised to use derivative financial instruments in order to reduce these risks to a minimum.

The definition of the optimal composition of debt structure between the fixed rate component and the variable rate component is identified by the Company at a consolidated level.

Some sensitivity analyses are shown in the following paragraphs, the purpose of which is to measure the impact of potential scenarios on some of the risks to which the Company is exposed.

Liquidity risk

This is the risk that the company will be unable to meet the expected payments, due to its inability to find new funds or to liquidate assets on the market, thus causing an impact on profit or loss if it is forced to incur additional costs in order to meet its commitments or, as an extreme consequence, leading to a situation of insolvency that exposes the company's business to a high risk.

Following the signing of the Restructuring Agreement on 5 August 2019, the liquidity management was guaranteed and regulated by the said agreement.

A Steering Committee was also established to evaluate the performance of the Bank, giving a permanent boost to financial planning tasks.

In response to the aforementioned situation, the Directors of Trevi-Finanziaria Industriale S.p.A. confirmed the prudential principles used in the 2018 Separate Financial Statements by reclassifying almost all short-term loan contracts (mortgages).

The bank loans of Trevi-Finanziaria Industriale S.p.A. at the end of the year are broken down as follows:

Short-term loans			
	31/12/2019	**31/12/2018**	**Changes**
Total	319,663,190	433,028,189	(113,364,999)

Medium/long-term loans			
	31/12/2019	**31/12/2018**	**Changes**
Total	-	-	-

The carrying amount of medium/long-term bank loans in the statement of financial position corresponds to their fair value.

The following table shows the total financial liabilities including bank loans, derivative liabilities, finance leases and loans and borrowings from other financial backers:

Current financial liabilities			
	31/12/2019	31/12/2018	Changes
Total	509,724,091	476,171,840	33,552,251

Non-current financial liabilities			
	31/12/2019	31/12/2018	Changes
Total	401,443	2,658,536	(2,257,093)

Interest rate risk

The exposure to risk of interest rates changes in the market is connected to short-term and long-term financing transactions, with a variable interest rate.

It is the Group's policy to conclude variable rate funding operations and subsequently to evaluate whether to hedge interest rate risk by converting a variable rate exposure into a fixed rate exposure through a derivative contract.

On 1 July 2014, the Board of Directors of Trevi - Finanziaria Industriale S.p.A. authorised the structuring and execution of an issue of a bond loan called "Minibond 2014-2019," for Euro 50 million. The instrument was placed on the Italian Stock Exchange EXTRA MOT PRO market from 28 July 2014 and is at a fixed rate. The changes to the loan regulation concern, inter alia, the maturity date of the loan that has been postponed to 31 December 2024, the rescheduling of the interest that have been recalculated by 2% starting from 2 May, and the redefinition of some contractual obligations and of certain significant events in order to adapt them to the current situation of the Company and to the new Plan.

For more details on the agreement with bondholders in 2019, see the paragraph "subsequent events".

In thousands of Euro

31/12/2019			
	Fixed rate	**Variable rate**	**Total**
Loans and Leases	54,422	404,608	**459,029**
Bonds	50,000	0	**50,000**
Total Financial liabilities	**104,422**	**404,608**	**509,029**
%	21%	79%	100%

31/12/2019			
	Fixed rate	**Variable rate**	**Total**
Cash and cash equivalents	-	11,123,593	11,123,593
Other financial receivables	87,414,519	-	87,414,519
Total financial assets	87,414,519	11,123,593	98,538,112
%	**89%**	**11%**	**100%**

As at 31 December 2019, taking into consideration the effect of these contracts, 21% of the Company's loans are fixed-rate loans. In order to measure the risk connected to the interest rate, a stress test was simulated to show the performance of the Euribor of reference in relation to variable-rate loans and to deposits in place as at 31 December 2019.

From this exercise, it emerged that an increase of 50 bps in the Euribor curve, with all other conditions being equal, would have led to a worsening of net financial expense by approximately Euro 2,077 thousand, as well as a lowering of the Euribor curve by 50 bps, with all other conditions being equal, resulting in net financial expense improving by approximately Euro 2,077 thousand.

Below is a detail of this analysis:

In thousands of Euro

Interest rate risk		
Euro	-50 bps	+50 bps
Deposits and liquid assets	(468)	468
Bank loans	2.319	(2,319)
Loans and borrowings from other financial backers	227	(227)
TOTAL	2,077	(2,077)

Currency risk

The Company is exposed to the risk of fluctuations in exchange rates which can affect its financial position and financial performance. The Company's exposure to currency risk is of a transactional nature, or is derived from changes in the exchange rate between the date on which a financial commitment between counterparties becomes highly probable and/or certain, and/or the date of settlement of the commitment, changes that determine a variance between expected cash flows and actual cash flows.

The Company regularly assesses its exposure to currency risk; the instruments used are the correlation of cash flows in foreign currency but with a contrasting positive or negative sign, financing contracts in foreign currencies, and forward sales of currency and derivative instruments.

The Company does not use instruments of an explicitly speculative nature for its hedging against the risk of exchange rates. However, if the derivative financial instruments do not meet the conditions required for the accounting treatment of the hedging instruments required by IAS 39, their changes in fair value are recognised in the statement of profit or loss as financial expense/income.

Specifically, the Company manages the transaction risk described above. Exposure to the risk of changes in exchange rates mostly arises from intra-group relationships that the Company has. In particular, the greatest risk is determined by the presence of relationships in US dollars and in currencies linked to them.

The fair value of a forward contract is determined as the difference between a forward exchange rate of the contract and that of a transaction of the opposite sign of the same amount and with the same maturity, assumed at exchange rates and interest rate differentials as at 31 December.

In order to assess the impact of a variation in the Euro/USD exchange rate, a sensitivity analysis was conducted by simulating likely changes to the above-mentioned exchange rate.

The accounting entries considered significant for the purposes of the analysis are: Trade Receivables, Intra-group Receivables and Payables, Trade Payables, Financial Liabilities, Cash and Cash Equivalents, and Derivative Financial Instruments.

The amounts of these items on which the sensitivity analysis was performed are those as at 31 December 2019.

The analysis focused only on items denominated in currencies other than the Euro.

Considering a depreciation of the US Dollar of 5% against the Euro, the impact on the Profit/(loss) before Taxes derived from this devaluation would, with all other conditions being equal, be a loss of approximately 253 thousand USD.

An appreciation of the US Dollar of 5% would determine, with all other conditions being equal, an impact on the Profit/(loss) before Taxes of a gain of approximately 229 thousand USD.

This impact is mostly attributable to the changes of intra-group trade relationships.

Below is a detail of this analysis:

In thousands of Euro

EURUSD currency risk		
	USD + 5%	USD - 5%
Trade receivables in foreign currency	-	-
Intra-group receivables and payables	229	(253)
Financial items with third parties	(0)	0
Trade Payables in foreign currency	0,5	(0,5)
Hedging in foreign currency	-	-
TOTAL	**229**	**(253)**

Credit risk

Credit risk is the possibility that the debtor is unable to fulfil its obligation to pay interest and repay the principal.

Almost all of the Company's trade receivables are represented by receivables from Subsidiaries.

Additional information on financial instruments

With regard to derivative instruments recognised in the Statement of Financial Position at fair value, IFRS 7 requires that they are classified according to a fair value hierarchy that reflects the significance of the inputs used in determining the fair value. Specifically, the fair value hierarchy is made up as follows:

- Level 1: corresponds to quoted prices in active markets.
- Level 2: corresponds to prices calculated through elements taken from observable market data.
- Level 3: corresponds to prices calculated through data elements other than observable market data.

The following tables for assets and liabilities as at 31 December 2019 show, based on the categories provided for by IAS 39/IFRS 9, additional information on financial instruments in accordance with IFRS 7 and the statements of profit or loss. Discontinued operations/non-current assets held for sale and Liabilities directly associated with Discontinued operations/non-current assets held for sale are excluded.

IAS 39 Categories Key

	Loans and Receivables	LaR
	Held-to-Maturity Investments	HtM
	Available-for-Sale Financial assets	AfS
	Assets Held for Trading /Liabilities directly associated with assets held for trading	FAHfT and FLHfT
	Financial Liabilities at Amortised Cost	FLAC
	Hedging Derivatives	HD
	Not applicable	n/a

Items recognised in compliance with IAS 39

DESCRIPTION	IAS 39 Classes	Notes	31/12/2019	Amortised cost	Cost	Fair Value in Equity	Fair value in the Statement of Profit or Loss	Effect on the Statement of Profit or Loss
Equity investments	HtM	3	151,205		151,205			-
Other long-term financial receivables	LaR	5	82,525,598	82,525,598				9,911,214
Total non-current financial assets			**82,676,803**	**82,525,598**	**151,205**	**-**	**-**	**9,911,214**
Current financial assets	LaR	9	10,977,362	10,977,362				
Cash and cash equivalents	LaR	10	146,231	146,231				237,117
Total current financial assets			**11,123,593**	**11,123,593**	**-**	**-**	**-**	**237,117**
TOTAL FINANCIAL ASSETS			**94,800,396**	**94,649,192**	**151,205**	**-**	**-**	**10,148,331**
Long-term loans	LaR	12	-	-				-
Long-term loans and borrowings from other financial backers	LaR	13	401,443	401,443				1,717
Non-current derivative financial instruments	HD	14	-			-		-
Total non-current financial liabilities			**401,443**	**401,443**	**-**	**-**	**-**	**1,717**
Short-term loans	LaR	21	319,663,190	319,663,190				15,700,728
Short-term loans and borrowings from other financial backers	LaR	22	189,931,855	189,931,855				812,177
Current derivative financial instruments	HD	23	129,047			129,047		219,666
Total current financial liabilities			**509,724,093**	**509,595,046**	**-**	**129,047**	**-**	**16,732,571**
TOTAL FINANCIAL LIABILITIES			**510,125,536**	**509,996,489**	**-**	**129,047**	**-**	**16,734,287**

The following table shows the assets and liabilities that are measured at fair value, as at 31 December 2019, by hierarchical level of fair value measurement.

DESCRIPTION	IFRS 9 CLASSES	Notes	31/12/2019	Fair value hierarchy		
				Level 1	Level 2	Level 3
ASSETS						
Non-current derivative financial instruments	HD	-	-			-
Total non-current financial assets			**-**			**-**
LIABILITIES						
Non-current derivative financial instruments	HD	14	-		-	
Total non-current financial liabilities			**-**		**-**	
Current derivative financial instruments	FLHfT	22	129,047			129,047
Total current financial liabilities			**129,047**			**129,047**
Total financial liabilities			**129,047**			**129,047**

Impairment test on controlling equity investments

With reference to the Separate Financial Statements at 31 December 2019 of the Parent Trevi Finanziaria Industriale S.p.A., in line with 31 December 2018, the management proceeded to check the carrying amounts of the equity investments held in Trevi S.p.A. (equal to 99.78%), and in Soilmec S.p.A. (equal to 99.92%).

To this regard, it is necessary to first observe how there is a substantial alignment between the Cash Generating Units of the Group and the respective Legal Entities. In view of the above, the impairment test on the controlling equity investments recorded in the separate Financial Statements of Trevi Finanziaria Industriale S.p.A. was performed by starting from the recoverable amount, in the sense of the value in use and estimating the Equity Values of individual Legal Entities, taking into consideration the Surplus Assets recorded and the Net Financial Position, including the provisions for risks assimilated to debt. Subsequently, the Equity Value determined in this way was compared with the carrying amount of each investment.

The impairment test on the equity investments in the Foundations segment (Trevi S.p.A. and Soilmec S.p.A.) was carried out by starting from the recoverable value, in the sense of value in use, determined by discounting the cash flows from the business plan of each Legal Entity, or by using the Discounted Cash Flow financial method, a method directly referred to by IAS 36.

This method is based on the assumption that the amount of a company's economic capital on a certain date (in this case, 31 December 2019) is represented by the algebraic sum of the following items:

- "operational" value, equivalent to the present value of the cash flows generated by the company's operations over a defined period of time.
- Value of non-core non-strategic or instrumental activities on the reference date.

For purposes of carrying out impairment tests, cash flow forecasts resulting from 2019 Actual results and the 2018-2022 Plans were used, the preparation of which involved the support of the business advisor Boston Consulting Group. The said forecasts were approved on 1 April 2019 and recently were updated to consider actual results at 31 December 2019.

Given that International Financial Reporting Standards include the option to take into account the positive effects of any restructuring (benefits/savings) when estimating the value in use of the Legal Entity provided that the Financial Statements at 31 December 2019 take into account the corresponding costs accrued, in the absence of the prerequisites for the provision as at 31 December 2019, the restructuring and the corresponding prospective benefits have been excluded from the estimate of the Companies' value in use.

Given the above, the expected cash flow was created using the operating profit of each period, while taxes charged directly at the full rate were calculated and subtracted. Subsequently, the negative components of income that do not give rise to monetary outflows, such as depreciation and provisions were added, establishing the "Cash flow from operating activities" that can be interpreted as a "potential" cash flow. The amount of cash flow actually generated by current ordinary operations reflects the changes in items that arise and that are extinguished due to the operating cycles (trade receivables, inventories, trade payables, payables due to personnel, etc.). - changes in the Net Working Capital. Finally, the cash flow from operating activities was determined taking into account also investments (net of disinvestments) in non-current assets - the so-called CAPEX.

For the discounting of cash flows, a weighted average cost of capital "WACC" was calculated, determined according to the economic model of the CAPM (Capital Asset Pricing Model), equal to 10.29%.

The individual variables were established as follows:

- risk-free rate: 2.08%, rate of return on securities of a mature country (United States), equal to the average of 10Y Bonds relating to the twelve months prior to 31 December 2019;
- beta levered: 1.40, calculated as an average of the unlevered beta at 3Y of a sample of comparable companies written based on the average D/E ratio of the comparables themselves;

- equity risk premium: used at a rate equal to 5.20% (Source: *Aswath Damodaran,* update of 2020);
- country risk: 2.67%, this component was added to Ke after weighing the ERP for the beta, and was calculated as an average of the country risk of countries where the CGU of the "Foundations" sector operate, weighted by the percentage of production of operating profit in 2022 in these countries;
- inflation differential: 1.06%, this component was added to Ke in order to consider the effect of inflation and determine the real rate. The Plans of the different CGUs were drawn up in local currency and converted into Euro at the spot rate (nominal rate that does not take inflation into account);
- prudence premium of execution: it was considered appropriate to increase the Ke by 1.50 percentage points;
- cost of the gross debt: equal to 2.87% (post tax: 2.17%) determined by adding to the average actual value of the group's medium/long-term lines (which takes into account the current level of leverage) the present value of the fixed 10-year IRS rate;
- financial structure: D/D+E= 34.61%; E/D+E= 65.39%, determined as the average of the comparables already considered for the definition of the beta.

For the years after 2022, cash flows of Companies have been calculated on the basis of a Terminal Value determined by projecting in perpetuity the normalised operating profit for the last year of the explicit plan (2022), net of the full withholding tax. Furthermore, a growth rate g was considered, based on the average expected inflation rate in countries where these CGUs operate, weighted by the percentage of operating profit in 2022 actually produced by these CGUs in those countries. In particular, the growth rate "g" identified for the Foundations sector is 3.36%. It is specified that for the purposes of determining the Terminal Value, on a prudential basis, the WACC was increased by 1 percentage point (namely a WACC equal to 11.29%).

Subsequently, the Equity Value of the Companies Trevi S.p.A. and Soilmec S.p.A. was determined by adding to the Enterprise Value, calculated as above, the identified Surplus Assets and subtracting the non-controlling interests and the Net Financial Position as at 31 December 2019 inclusive of the provisions for risks assimilated to debt.

Finally, the Equity Value thus determined was compared with the carrying amount of each investment.

The test carried out in this way did not reveal any impairment of the investments, with the exception of the Argentine subsidiary Pilotes Trevi Sacims (57% held). Having found indicators of impairment, the impairment test carried out showed a total impairment loss of Euro 4.15 million when comparing the Equity Value with the carrying amount.

It should be noted that, although the test relating to the Soilmec SpA investment had a positive outcome and showed positive margins, from a prudential point of view and in the light of the current uncertainty, it was considered appropriate not to carry out any reversal on an impairment loss.

Receivables

In accordance with the provisions of IFRS 7, the following is an analysis of the dynamics of past due loans, divided into homogeneous risk classes:

DESCRIPTION	31/12/2019	31/12/2018	Changes
Not past due	30,016,598	13,301,633	16,714,965
Past due from 1 to 3 months	5,841,269	9,283,190	(3,441,921)
Past due from 3 to 6 months	5,876,190	8,786,908	(2,910,718)
Past due from more than 6 months	14,589,813	19,336,784	(4,746,971)
TOTAL	**56,323,870**	**50,708,515**	**5,615,356**

Receivables refer to trade receivables from subsidiaries for commercial activities and services performed for Euro 56,324 thousand. Additionally, the Company presents receivables from related parties of Euro 10,000 thousand, VAT credit of Euro 6,585 thousand and other receivables of Euro 1,697 thousand.

This item does not include tax consolidation receivables of Euro 10,202 thousand and prepayments of Euro 676 thousand.

Furthermore, it should also be noted that the analysis relating to the ageing of trade receivables was conducted on the gross amounts thereof.

During the 2019 financial year they were written down for a total of Euro 4,714 thousand in compliance with the provisions of IFRS 9. For further details, see paragraph IFRS 9 - Impairment.

To classify receivables as past due, the conditions in the terms of payment were used and amended for any subsequent agreements between the parties; those receivables shown as past due were also regulated by agreements between the parties. For the above-mentioned receivables, no special monitoring bands were identified, since they all fall within the standard category.

DESCRIPTION	31/12/2019	31/12/2018	Changes
Standard monitoring	56,323,870	50,708,515	5,615,355
Special monitoring	-	-	-
Monitoring for possible legal action	-	-	-
Out-of-court monitoring in progress	-	-	-
Monitoring for ongoing legal proceedings	-	-	-
TOTAL	**56,323,870**	**50,708,515**	**5,615,355**

NOTES ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

Non-current assets

(1) Property, plant and equipment

Property, plant and equipment totalled Euro 27,500 thousand at 31 December 2019, marking a decrease of Euro 3,336 thousand compared to the previous financial year.

Changes relating to the 2019 financial year are summarised in the table below:

DESCRIPTION	HISTORICAL COST				DEPRECIATION				ALIGNMENT PROVISION FOR REALISABLE VALUE			NET ASSETS AT
	Balance at 31/12/2018	Increases	Decreases	Balance at 31/12/2019	Balance at 31/12/18	Increases	Decreases	Balance at 31/12/19	Balance at 31/12/18	Changes	Balance at 31/12/19	31/12/2019
Land and buildings	37,819,065	-	-	37,819,065	11,316,199	150,016	-	11,466,215	18,874,981	303,137	19,178,118	7,174,732
Plant and machinery	65,726,301	92,380	6,606,284	59,212,396	22,011,717	2,752,822	(2,514,183)	22,250,356	20,514,838	(3,861,877)	16,652,961	20,309,079
Other assets	270,717	9,666	2,151	278,232	262,343	2,274	(2,151)	262,465			-	15,766
TOTAL	**103,816,083**	**102,045**	**6,608,436**	**97,309,693**	**33,590,259**	**2,905,111**	**(2,516,334)**	**33,979,036**	**39,389,819**	**(3,558,740)**	**35,831,079**	**27,499,578**

The item Land and Buildings refers to the land and buildings in Via Larga in the locality of Pievesestina (Forlì-Cesena), adjacent to the manufacturing facility of Soilmec S.p.A. and Trevi S.p.A. and to the industrial area in Gariga di Podenzano (PC), where the production operations of the subsidiary Drillmec S.p.A. take place. The amount shown in the changes column refers to the release of the provision due to the redemption by Petreven SpA of some rigs, as part of the agreement for the sale of the Oil & Gas division which had been previously impaired.

No capitalisation of financial expense was carried out in the closing year or the previous year.

(2) Intangible assets

Intangible assets as at 31 December 2019 amounted to Euro 318,000 thousand, up by Euro 240 thousand compared to 31 December 2018.

Changes relating to the 2019 financial year are summarised in the table below:

DESCRIPTION	HISTORICAL COST				AMORTISATION				NET ASSETS AT 31/12/18	NET ASSETS AT 31/12/19
	Balance at 31/12/18	Increases	Decreases	Balance at 31/12/19	Balance at 31/12/18	Amortisation in the year	Provision use	Balance at 31/12/19		
Licences and trademarks	1,544,029	67,825	-	1,611,854	1,465,873	45,125	-	1,510,998	**78,156**	**100,856**
Assets under development and payments on account	-	217,500	-	217,500	-	-	-	-	**-**	**217,500**
TOTAL	**1,544,029**	**285,325**	**-**	**1,829,354**	**1,465,873**	**45,125**	**-**	**1,510,998**	**78,156**	**318,356**

The increases recorded in the Licences and Trademarks section refer mostly to the acquisition of IT licences and application software and to the consultancy that took place during the implementation phase for Italian and foreign subsidiaries.

(3) Equity investments

Investments amounted to Euro 128,418 thousand at 31 December 2019 with a decrease of Euro 5,875 thousand compared to the previous year.

The following table shows the breakdown of equity investments between subsidiaries and other companies:

DESCRIPTION	Balance at 31/12/18	Increases	Impairment losses	Balance at 31/12/19
Subsidiaries	134,141,707	-	5,875,037	128,266,669
Other companies	151,205	-	-	151,205
TOTAL	**134,292,911**	**-**	**5,875,037**	**128,417,874**

The breakdown of equity investments in subsidiaries is shown below:

SUBSIDIARIES	Balance at 31/12/18	Increases	Impairment losses	Balance at 31/12/19
TREVI S.p.A.	127,645,817	-	-	127,645,817
SOILMEC S.p.A.	-	-	-	-
PILOTES TREVI S.a.c.i.m.s.	3,483,457	-	3,483,457	-
IMMOBILIARE SIAB S.R.L.	2,224,314	-	1,625,339	598,975
INTERNATIONAL DRILLING TECHNOLOGIES FZCO	21,877	-	-	21,877
TREVI ENERGY S.p.A.	-	-	-	-
PETREVEN S.A.	-	-	-	-
TREVI FUNDACOES ANGOLA LDA	-	-	-	-
TREVI DRILLING SERVICES SAUDI ARABIA CO.	766,241	-	766,241	-
DRILLMEC S.p.A.	-	-	-	-
TOTAL SUBSIDIARIES	**134,141,707**	**-**	**5,875,037**	**128,266,670**

With regard to the equity investments held directly, it must be noted that two impairment losses were recognised during the year under review. The investment in the subsidiary Trevi Drilling Services Saudi Arabia CO. was impaired by Euro 766 thousand and the investment in the subsidiary Pilotes Trevi S.a.c.i.m.s. was impaired by Euro 3,483 thousand, bringing the carrying amount of both investments to 0.

Some subsidiaries recognised a deficit, resulting from the comparison between the carrying amount of the equity investments and the corresponding "portion of Equity". In this case, the company fully impaired the investment and recognised an impairment loss on financial receivables corresponding to the amount required for the recapitalisation.

Finally, the investment in the subsidiary Immobiliare SIAB S.r.l. was impaired by Euro 1,625 thousand, bringing the carrying amount to Euro 599 thousand.

The balance of other equity investments is Euro 151 thousand.

The breakdown of equity investments in other companies is shown below:

INVESTMENTS	Balance at 31/12/18	Increases	Decreases	Balance at 31/12/19
INVESTMENTS IN COMEX SPA	69	-	-	69
BANCA DI CESENA S.P.A.	1,136	-	-	1,136
SVILUPPO IMPRESE ROMAGNA S.P.A.	150,000	-	-	150,000
TOTAL INVESTMENTS	**151,205**	**-**	**-**	**151,205**

Sviluppo Imprese Romagna S.p.a. is a company whose business is aimed at favouring the dissemination and development of small and medium-sized entrepreneurs in Romagna and the Company's Financial Statements are being approved at the date of preparation of this document.

The list and the main figures of the equity investments in subsidiaries as at 31 December 2019 are shown below:

SUBSIDIARIES	Registered office	Share/quota capital (1)	Total equity (deficit) (1) 2019	Profit/(loss) for the year (1) 2019	%	Carrying amount (2)	Our portion of Equity (2)
TREVI S.p.A.	Italy	32,300,000	9,669,036	(13,095,410)	100%	127,645,817	9,649,698
SOILMEC S.p.A.	Italy	25,155,000	(15,952,562)	(18,148,028)	100%	0	(15,920,657)
DRILLMEC S.p.A.	Italy	5,000,000	(38,413,749)	(40,565,524)	100%	0	(38,336,922)
PILOTES TREVI S.a.c.i.m.s.(*)	Argentina	6,129,227	3,460,373	(224,331)	100%	0	3,074,108
INTERNATIONAL DRILLING TECHNOLOGIES FZCO	UAE	1,000,000	122,206,458	(23,445,832)	100%	21,877	29,561,526
TREVI ENERGY S.p.A.	Italy	112,439	145,297	32,858	100%	0	145,297
PETREVEN S.p.A.	Italy	4,000,000	6,231,076	(39,953,611)	100%	0	6,218,614
PETREVEN S.A.	Argentina	9,615	7,766,548	(5,048,992)	100%	0	6,899,605
IMMOBILIARE SIAB S.R.L.	Italy	80,000	598,975	(3,904)	100%	598,975	598,975
TREVI DRILLING SERVICES SAUDI ARABIA CO.	Saudi Arabia	500,000	(1,010,593)	(189,840)	100%	0	(239,407)
TOTAL SUBSIDIARIES						**128,266,670**	**1,650,837**

(*) Pilotes Trevi Sacims includes Pilotes Trevi Sacims - Fundaciones Especiales SA UTE, 50% of which is consolidated.

(1) Figures are in Euro for Trevi S.p.A., Soilmec S.p.A., Drillmec S.p.A., Trevi Energy S.p.A., Petreven S.p.A., and Immobiliare SIAB S.r.l.; in US dollars for Pilotes Trevi S.a.c.i.m.s, Petreven S.A, and Trevi Fundacoes Angola Lda; in United Arab Dirhams for International Drilling Technologies FZCO; and in Saudi Arabian Riyals for Trevi Drilling Services Saudi Arabia Co.

(2) Figures in EUR

The equivalent value in Euros was obtained by applying the exchange rate at the end of the year for equity or deficit and the average exchange rate of the year for the profit or loss for the tear, as shown in the following table. Source: Bank of Italy:

Average exchange rate for the year

Euro	Euro	1.0000
US dollars	US	1.1195
Saudi Riyal	SAR	4.1980
United Arab Emirates dirham	AED	4.1113

Exchange rate at the end of the year

Euro	Euro	1.0000
US dollars	US	1.1234
Saudi Riyal	SAR	4.2128
United Arab Emirates dirham	AED	4.1257

There are no restrictions on the free availability (including the exercise of voting rights) of the securities held.

For the details of the investees and direct and indirect subsidiaries and associates, reference should be made to the Notes to the Consolidated Financial Statements.

(4) Deferred tax assets

This entry was Euro 1,417 thousand at 31 December 2019, marking an increase of Euro 1,417 thousand compared to the previous year when it was Euro 2.

The deferred tax assets originating from temporary changes based on the Trevi Finanziaria industriale S.p.A. 2018-2022 business plan was tested and a recoverability of DTAs emerged for the years 2020, 2021 and 2022 equal to Euro 1,417 thousand.

The following is a breakdown of deferred tax assets:

DESCRIPTION	31/12/2019	31/12/2018	Changes
Unrealised foreign exchange differences	-	-	-
Fair value of derivatives accounted for in cash flow hedge (effect on equity)	-	2	(2)
Tax losses recoverable in subsequent years	-	-	-
Other effects	1,416,754	-	1,416,754
TOTAL	**1,416,754**	**2**	**1,416,752**

(5) Financial receivables

As at 31 December 2019, medium/long-term financial receivables from subsidiaries amounted to Euro 83,490 thousand, down by Euro 3,670 thousand compared to the same date of the previous year when they amounted to Euro 87,159 thousand. Other financial receivables totalled Euro 36 thousand, an increase by Euro 36 thousand compared to the previous financial year.

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Financial receivables from subsidiaries			
Trevi S.p.A.	23,604,787	23,604,787	-
Soilmec S.p.A.	57,154,816	57,124,673	30,143
Drillmec S.p.A.	1,000,000	-	1,000,000
R C T S.R.L.	-	-	-
Petreven S.p.A.	-	-	-
PSM S.r.l.	-	4,700,000	(4,700,000)
Trevigeos Fundacoes Especialis LTDA	1,700,000	1,700,000	-
Immobiliare SIAB S.r.l.	30,000	30,000	-
Total financial receivables from subsidiaries	**83,489,603**	**87,159,460**	(3,669,857)
Other financial receivables			
Guarantee deposits	35,997	-	35,997
Total financial receivables	**83,525,600**	**87,159,460**	(3,633,860)

Financial receivables can be attributed to two distinct natures: medium/long-term financial receivables from subsidiaries for Euro 83,490 thousand, of which Euro 1,000 thousand from Drillmec S.p.A. and Other financial receivables of Euro 36 thousand.

Medium/long-term financial receivables from subsidiaries consist of loans to subsidiaries provided to support business development.

The financial receivables due to the Company from the subsidiaries are shown net of the related loss allowance. Based on the outcome of the impairment test at 31 December 2019, the allowance was Euro 8,618 thousand made up as follows: Euro 3,693 thousand related to Soilmec S.p.A., Euro 225 thousand related to RCT S.r.l. and Euro 4,700 thousand related to PMS S.r.l. Regarding the loans in question, a market interest rate was applied, except for the loan of Euro 30 thousand granted to Immobiliare SIAB S.r.l., at zero rate.

CURRENT ASSETS

(6) Trade receivables and other short-term receivables

Trade receivables and other short-term receivables were Euro 8,970 thousand at 31 December 2019, an increase of Euro 4,054 thousand compared to the figure of Euro 4,916 thousand in the previous financial year.

The table below shows the details relating to this item:

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Receivables from customers	10,184	23,035	(12,851)
Prepayments	676,154	705,225	(29,071)
Receivable from the tax authorities for VAT	6,585,055	4,149,731	2,435,324
Other receivables	1,697,629	37,868	1,659,761
Payments on account	817	0	817
TOTAL	**8,969,839**	**4,915,859**	**4,053,980**

(7) Trade receivables and other short-term receivables from subsidiaries

Trade receivables and other short-term receivables from subsidiaries amounted to Euro 42,472 thousand at 31 December 2019, a decrease of Euro 18,218 thousand compared to the previous year.

Below are the details relating to this item:

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Trade receivables	32,269,405	44,584,878	(12,315,473)
Receivables derived from the Group tax regime	10,202,841	16,105,513	(5,902,672)
TOTAL	**42,472,246**	**60,690,391**	**(18,218,145)**

Trade receivables due from subsidiaries are mainly derived from the operating leases of property, plant and equipment and services provided by the parent to the subsidiaries.

The receivables derived from the Group tax regime relate to receivables due from some Italian companies of the group, because of their adherence to the tax consolidation regime.

Both trade receivables and receivables deriving from the Group tax regime are considered net of the loss allowance of Euro 24,044 thousand.

The analytical list is available in the paragraph “Other Information - Related Parties.”

(8) Current tax assets

Current tax assets amounted to Euro 1,269 thousand as at 31 December 2019, marking a decrease of Euro 4,528 thousand compared to the previous financial year. In particular, tax charges deriving from the consolidated IRES receivable amounted to Euro 1,394 thousand as at 31 December 2019.

The following table shows the detail:

Description	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Ires interest income from withholding taxes	22	4,468	(4,446)
IRAP advances		247,009	-
Tax revenue required for reimbursement	71,087	4,478,307	(4,407,219)
IRES credit from Withholding Tax	-	161,608	(161,608)
IRES credit from CFC	803	803	-
Irap tax receivables	247,009	-	-
Consolidated IRES credit	1,393,743	2,825,538	(1,431,795)
Total current tax assets	**1,712,665**	**7,716,930**	**(6,005,068)**
Payables to tax authorities for withholding taxes	443,600	1,920,590	(1,476,990)
Current taxes	**1,269,065**	**5,796,340**	**(4,528,078)**

(9) Current financial assets

Current financial assets amounted to Euro 10,977 thousand at 31 December 2019 and refer to the collection of the First Escrow Account relating to the Oil & Gas sale transaction, which is offset by the item "Short-term bank loans and borrowings" as it is subject to lock-up under the agreements with the purchaser.

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Current financial assets			
Cordusio fiduciaria S.p.A.	10,977,362	-	10,977,362
Total current financial assets	**10,977,362**	**-**	**10,977,362**

(10) Cash and cash equivalents

Cash and cash equivalents at 31 December 2019 were Euro 146 thousand, with a decrease of Euro 562 thousand compared to the previous financial year.

As at 31 December 2019, the amount related to the Escrow Account amounting to Euro 10,977 was reclassified into marketable securities measured at fair value.

The table below shows the details relating to this item:

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Bank deposits	106,166	705,990	(599,824)
Cash and cash equivalents	40,065	2,561	37,504
TOTAL	**146,231**	**708,551**	**(562,320)**

(11) EQUITY

Changes in the Company’s equity are shown in the relevant financial statements schedule and in the following table:

DESCRIPTION	Share capital	Share premium reserve	Legal Reserve	Reserve for Treasury shares	Extraordinary reserve	Translation reserve	IFRS reserve	Bond Conversion Reserve	Fair Value reserve	IAS 19 reserve	IFRS 9 reserve	Retained earnings (losses carried forward)	Profit/(loss) for the year	Total deficit
Balance at 31/12/2017	**82,289,633**	**114,480,296**	**8,353,039**	**(736,078)**	**15,805,515**	**-**	**693,901**	**-**	**(1,420,850)**	**27,217**	**-**	**8,396,402**	**(355,264,894)**	**(127,375,819)**
IFRS 9 FTA Effect														
IFRS 15 FTA Effect											**(3,051,157)**			**(3,051,157)**
Balance at 01/01/2018	**82,289,633**	**114,480,296**	**8,353,039**	**(736,078)**	**15,805,515**	**-**	**693,901**	**-**	**(1,420,850)**	**27,217**	**(3,051,157)**	**8,396,402**	**(355,264,894)**	**(130,426,976)**
Loss allocation	-	-	-	-	-	-	-	-	-	-		(355,264,894)	355,264,894	-
Comprehensive income (expense)	-	-	-	-	-	-	-	-	(103,735)	82,228		-	(90,254,804)	(90,276,311)
Balance at 31/12/2018	**82,289,633**	**114,480,296**	**8,353,039**	**(736,078)**	**15,805,515**	**-**	**693,901**	**-**	**(1,524,585)**	**109,445**	**(3,051,157)**	**(346,868,492)**	**(90,254,804)**	**(220,703,288)**
Balance at 01/01/2019	**82,289,633**	**114,480,296**	**8,353,039**	**(736,078)**	**15,805,515**	**-**	**693,901**	**-**	**(1,524,585)**	**109,445**	**(3,051,157)**	**(346,868,492)**	**(90,254,804)**	**(220,703,288)**
Loss allocation	-	-	-	-	-		-	-	-	-		(90,254,804)	90,254,804	-
Comprehensive income (expense)	-	-	-	-	-	-	-	-	-	(97,791)		-	(47,831,471)	(47,929,262)
Balance at 31/12/2019	**82,289,633**	**114,480,296**	**8,353,039**	**(736,078)**	**15,805,515**	**-**	**693,901**	**-**	**(1,524,585)**	**11,654**	**(3,051,157)**	**(437,123,297)**	**(47,831,471)**	**(268,632,549)**

At the reporting date, the Company was in the situation provided for in Article 2447 of the Italian Civil Code. Following the successful completion of the restructuring process, the Company was recapitalised for approximately Euro 400 million, so that the Company's equity returned positive, with the consequent overcoming of the case referred to in Article 2447 of the Italian Civil Code.

Share capital

The company issued a total of 164,783,265 shares, of which 204,000 were purchased as treasury shares. On 19 November, the Company carried out a first reverse split, preparatory to the subsequent capital increase, in the ratio of 1 new ordinary share each 100 (one hundred) existing ordinary shares. For the purposes of the reverse split, 65 treasury shares were cancelled. As a result of the reverse split, the Company's shares were 1,647,832. The treasury shares of the Company were 2,039.

The share capital, gross of treasury shares, amounted to Euro 82,391,632 at 31 December 2019.

The current breakdown of the share capital is shown below, net of treasury shares held, which as at 31 December 2019 amounted to Euro 82,289,633:

DESCRIPTION	Number of shares	Share capital	No. of treasury shares
Balance at 31/12/2018	**164,579,265**	82,289,633	(736,078)
Repurchase and sale of treasury shares	-	-	-
Balance at 31/12/2019	**1,645,793**	**82,289,633**	**(736,078)**

Other reserves

- Share premium reserve:

As at 31 December 2019, the reserve amounted to Euro 114,480 thousand, remaining unchanged from the previous year.

- Legal reserve:

The legal reserve is the share of the profit that, pursuant to Article 2430 of the Italian Civil Code, cannot be distributed as dividends. The legal reserve as at 31 December 2019 amounted to Euro 8,353 thousand, remaining unchanged from the previous year.

- Reserve for Treasury Shares:

The Reserve for Treasury Shares iamounted to Euro 736 thousand as at 31 December 2019 and did not change in 2019.

- Extraordinary reserve:

The extraordinary reserve amounted to Euro 15,806 thousand as at 31 December 2019 and did not change in 2019.

- Translation reserve:

The reserve amounted to Euro 0 thousand as at 31 December 2019 and did not change in 2019.

- IFRS reserve:

The reserve amounted to Euro 694 thousand as at 31 December 2019 and did not change in 2019.

- Fair value reserve:

The reserve amounted to Euro (1,525) thousand as at 31 December 2019 and did not change with respect to the previous year.

- IAS 19 reserve:

This reserve amounted to Euro (184) thousand as at 31 December 2019, marking a decrease of Euro 295 thousand compared to the previous financial year.

- Stock Grant reserve:

This reserve amounted to Euro 196 thousand as at 31 December 2019, marking an increase of Euro 196 thousand compared to the previous financial year.

- IFRS 9 reserve:

The reserve amounted to Euro (3,051) thousand as at 31 December 2019. As at 31 December 2018, this reserve did not change.

Retained earnings (losses carried forward)

As at 31 December 2019, the reserve amounted to Euro 437,123 thousand, with an increase compared to 2018 of Euro 90,255 thousand, due to the loss relating to the previous year carried forward.

In accordance with Art. 2727, paragraph 1 No. 7-bis, the equity items are detailed below by origin, possibility of use and distribution:

Share capital	**Balance at 31/12/2019**	**Possibility of use**	**Distribution**	**Summary of last three years' use**
				Coverage for losses
Share capital	82,289,633			
Share premium reserve	114,480,296	B		114,480,296
Legal Reserve	8,353,040	B		8,353,040
Extraordinary reserve	15,805,515	B		15,805,515
Translation reserve	-	B		-
Other Reserves	(3,870,187)	B		(3,870,187)
Retained gains (losses carried forward)	(437,123,297)	B		(437,123,297)
Reserve for treasury shares	(736,078)	B		(736,078)
Loss for the year	(47,831,471)			
TOTAL	**(268,632,549)**			

Possibility of use

A) For capital increase; B) For cover of losses; C) For distribution to shareholders

Loss for the year

The 2019 financial year showed a negative trend in terms of operating loss of Euro 131 thousand (compared with the operating profit for the previous year of Euro 2,580 thousand, down by Euro 2,712 thousand) and net financial expense of Euro 7,883 thousand.

There was a decrease in income taxes of Euro 2,557 thousand compared to the previous year and adjustments to financial assets of Euro 11,725 thousand.

Therefore, the loss for 2019 is Euro 47,831 thousand, with a reduction of Euro 42,423 thousand compared to the previous year, when the loss was Euro 90,255 thousand.

It should be noted that, as at 31 December 2019, the Company had a deficit of Euro 268,633 thousand, falling within the case provided for by the Art. 2447 of the Italian Civil Code.

The aforementioned article of the Italian Civil Code makes it mandatory, in the case of a reduction of the share capital below the legal minimum, to reduce and simultaneously increase the share capital, which was carried out in May 2020.

On 30 July 2018, the Shareholders' Meeting of Trevifin, convened on second call, adopted a resolution on the proposal of the shareholder Trevi Holding S.E. (subsequently adjusted for the correction of a material error on 7 August 2018 by a notarial deed executed by Marcello Porfiri, Notary Public in Cesena, record No. 11.358 folder No. 5.227 - on the proposal of the Chairman of the Board of Directors approved by the Company's Board of Directors with its resolution of acknowledgement dated 3 August 2018) which established - as per the last text registered in the competent Register of Companies - to "grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the right to increase the share capital by payment, in one or more times, even in divisible form, for a maximum period of 24 months from the date of the resolution and for a maximum amount of Euro 400 million (of which, in cash, not exceeding the maximum amount of Euro 150 million). This increase was to be made by issuing ordinary shares without nominal value, having the same characteristics as the outstanding shares, subject to verification by the Board of the existence and compliance with the conditions established by law, with the right for the Board to determine the issue price and any share premium, the procedures for the relating subscription, also through the conversion of receivables towards the Company, and the number of new shares from time to time issued. This is subject to an increase made with the right of first refusal and, should banks use receivables to free up financial instruments, they must be participatory financial instruments and not shares, unless the circumstance that banks use receivables to free up shares constitutes a necessary element for the success of the part of the increase to be released by payment in cash, it being understood that the faculty conferred to the Board of Directors may be exercised only in connection with a debt restructuring agreement pursuant to Article 182-bis of the Italian Royal Decree No. 267 dated 16 March 1942".

On 17 July 2019, the Board of Directors of Trevifin, in compliance with the powers granted by the extraordinary shareholders' meeting of the Company pursuant to art. 2443 of the Italian Civil Code resolved the Capital Increase of the Company and the Capital Increase serving the Warrants.

LIABILITIES

NON-CURRENT LIABILITIES

(12) Long-term bank loans and borrowings

Long-term bank loans and borrowings totalled Euro 0 thousand as at 31 December 2019, unchanged on the previous year end.

Details of this entry are given in the following table:

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Medium/long-term loans	-	-	-
TOTAL	**-**	**-**	**-**

Following the suspension of the payment of instalments of medium/long-term loans, the latter were reclassified at short term.

(13) Long-term loans and borrowings from other financial backers

Long-term loans and borrowings from other financial backers as at 31 December 2019 amounted to Euro 401 thousand, with a decrease of Euro 2,495 thousand compared to the same date of the previous year when they amounted to Euro 2,659 thousand.

Details of this entry are given in the following table:

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Payables to UBI Leasing S.p.A.	163,259	262,804	(99,544)
Payables to Caterpillar Financial S.A.	-	-	-
Payables to Albaleasing S.p.A.	-	-	-
Payables to Selmabipiemme Leasing S.p.A.	-	2,395,733	(2,395,733)
Payables to DeLageLanden International B.V.	-	-	-
Payables to Mediocredito Italiano S.p.A.	-	-	-
Long-term IFRS 16 lease liabilities	238,184	-	
TOTAL	**401,443**	**2,658,536**	**(2,495,277)**

(14) Non-current derivative financial instruments

At 31 December 2019, the company did not have non-current derivative financial instruments.

(15) Deferred tax liabilities

Deferred tax liabilities totalled Euro 1,772 thousand as at 31 December 2019, marking a decrease of Euro 870 thousand compared to the previous financial year when they were Euro 2,642 thousand.

The following is the detail of the items making up the balance:

DESCRIPTION	31/12/2019	31/12/2018	Changes
Land valuation of Gariga di Podenzano in PN	1,304,105	1,304,105	-
Tax depreciation misalignment	1,782	176,795	(175,013)
Capital gains in instalments	-	-	-
Unrealised foreign exchange differences	466,375	1,129,113	(662,738)
Other	-	32,280	(32,280)
TOTAL	**1,772,263**	**2,642,293**	**(870,031)**

(16) Post-employment benefits

The item includes the estimate of the liability, determined based on actuarial techniques, relating to the benefits to be paid to employees upon termination of the employment relationship.

At 31 December 2019, post-employment benefits amounted to Euro 838 thousand, with an increase of Euro 85 thousand compared to the previous financial year.

The following table details the changes in this item for the 2019 financial year:

DESCRIPTION	Balance at 31/12/2018	Portion accrued and allocated to the statement of profit or loss	Portion transferred to other companies and liquidated advances	Changes in favour of supplementary pension funds	Fair value reserve portion	Balance at 31/12/2019
Post-employment benefits	**753,310**	201,667	(115,350)	(99,369)	97,791	**838,049**

The main assumptions used to determine the obligation relating to the post-employment benefits are illustrated below:

	31/12/2019	31/12/2018
		%
Annual technical discount rate	0.77%	1.57%
Rate of inflation	1.00%	1.50%
Annual rate of Post-employment benefits (TFR) increase	2.25%	2.63%
Turnover	15.00%	15.00%

(17) Provisions for risks and charges

The provision amounted to Euro 18,396 thousand, increasing by Euro 748 thousand compared to the previous year. This item refers to Euro 15,269 thousand for future charges relating to the assumption of payables resulting from the sale of some Group Divisions, to Euro 2,346 thousand for provisions for guarantees made in compliance with IFRS 9, to Euro 346 thousand for leases and to Euro 434 thousand for legal dispute risks.

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Provisions for risks and charges	18,395,534	17,611,398	784,136
TOTAL	**18,395,534**	**17,611,398**	**784,136**

CURRENT LIABILITIES

(18) Trade payables and other short-term liabilities

As at 31 December 2019, trade payables and other short-term liabilities amounted to Euro 23,261 thousand, increasing by Euro 11,008 thousand compared to the previous year.

Details of this entry are given in the following table:

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Trade payables	19,427,128	10,672,714	8,754,414
Payables to pensions and social security institutions	181,497	266,929	(85,432)
Other payables	3,393,195	1,312,572	2,080,622
Deferred income for leases	258,758	0	258,758
TOTAL	**23,260,578**	**12,252,216**	**11,008,362**

The breakdown of trade payables is shown in the following table:

Description	31/12/2019	31/12/2018	Changes
Not past due	8,320,386	2,467,562	5,852,824
Past due from 1 to 3 months	1,576,000	2,417,485	(841,485)
Past due from 3 to 6 months	1,293,867	1,656,507	(362,640)
Past due from more than 6 months	11,422,489	4,090,160	7,332,329
Total	**22,612,742**	**10,631,714**	**11,981,028**

Details of Other payables are shown below:

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Payables to employees for holidays accrued and not used	414,296	383,483	30,812
Payables to employees for additional monthly payments	2,497,477	123,081	2,374,396
Other	481,422	806,008	(324,586)
TOTAL	**3,393,195**	**1,312,572**	**2,080,622**

(19) Trade payables and other short-term liabilities to subsidiaries

Trade payables and other short-term liabilities to subsidiaries were Euro 20,064 thousand as at 31 December 2019, marking a decrease of Euro 13,027 thousand compared to the figure of Euro 33,091 thousand in the previous financial year.

Details of this entry are given in the following table:

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Trade payables to subsidiaries	6,201,064	3,817,289	2,383,775
Payables attributable to the portion pertaining to the results of UTE TREVI S.p.A. TREVI - Finanziaria Industriale S.p.A. Sembenelli S.r.l. for the "Borde Seco" contract	33,747	2,149,769	(2,116,022)
Payables derived from the Group tax consolidation	13,829,441	27,124,314	(13,294,873)
TOTAL	**20,064,253**	**33,091,372**	**(13,027,119)**

Trade payables to subsidiaries refer mainly to current payables to Trevi SpA, Drillmec S.p.A. and Soilmec S.p.A. for tax consolidation. The analytical list is available in the paragraph "Other Information - Related Parties".

(20) Current tax liabilities

Current tax liabilities totalled Euro 0 thousand at 31 December 2019, a decrease of Euro 1,921 million compared to the previous financial year.

Liabilities were reclassified net of tax assets. For more details see Note 8.

(21) Short-term bank loans and borrowings

As at 31 December 2019, short-term bank loans and borrowings amounted to Euro 319,663 thousand, with a decrease of Euro 113,365 thousand compared to the previous year when they amounted to Euro 433,028 thousand.

This sharp decline was due to the reclassification of Euro 130,035 thousand from Short-term bank loans and borrowings to Loans and borrowing from other financial backers.

- The reclassification of Euro 40,216 thousand of loans to BPER following their purchase by SC LOWY, of which Euro 32,000 thousand consisting of financing to BPER and the remaining Euro 8,216 thousand consisting of Euro 7,400 thousand from EIB and the remaining Euro 816 thousand of financial expense transferred to SC LOWY converted into a loan;
- The purchase of Euro 27,000 thousand of Banco Do Brasil loans by SC LOWY;
- The purchase of Euro 11,552 thousand of CARIGE loans by Amco Asset Management Company S.p.A.;
- Reclassification of the payable to EIB, for about Euro 45,267 thousand and to Unicredit for Euro 6,000 thousand, following their action to enforce the guarantee, to SACE S.p.A. which had become the guarantor of the guarantee.

Details of this entry are given in the following table:

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Medium/long term loans	319,663,190	433,028,189	(113,364,999)
TOTAL	**319,663,190**	**433,028,189**	**(113,364,999)**

In thousands of Euro	Currency	Spread	Indexing	Year of expiry	31/12/2019 Nominal value	31/12/2019 Carrying amount	31/12/2018 Nominal value	31/12/2018 Carrying Amount
Unsecured bond loans	Euro	5.25%/2.00%	-	2024	**50,000**	**50,000**	**50,000**	**50,000**
Unsecured bank loan	Euro	0.00%	6-month Euribor	2020	**24,667**	**0**	**24,667**	**17,267**
Unsecured bank loan	Euro	4.45%	6-month Euribor	2019	**20,000**	**14,000**	**20,000**	**20,000**
Unsecured bank loan	Euro	2.75%	6-month Euribor	2019	**38,062**	**38,062**	**38,062**	**38,062**
Unsecured bank loan	Euro	1.80%	6-month Euribor	2019	**18,000**	**18,000**	**18,000**	**18,000**
Unsecured bank loan	Euro	0.00%	6-month Euribor	2018	**7,000**	**7,000**	**7,000**	**7,000**
Unsecured bank loan	Euro	2.00%	3-month Euribor	2020	**12,000**	**12,000**	**12,000**	**12,000**
Unsecured bank loan	Euro	1.35%	3-month Euribor	2018	**11,552**	**11,552**	**11,552**	**11,552**
Unsecured bank loan	Euro	3.25%	3-month Euribor	2020	**26,250**	**26,250**	**26,250**	**26,250**
Unsecured bank loan	Euro	0.00%	6-month Euribor	2025	**40,000**	**0**	**40,000**	**28,000**
Unsecured bank loan	Euro	1.50%	3-month Euribor	2019	**12,639**	**12,639**	**12,639**	**12,639**
Unsecured bank loan	Euro	2.00%	3-month Euribor	2020	**7,034**	**7,034**	**7,034**	**7,034**
Unsecured bank loan	Euro	1.60%	-	2017	**10,000**	**10,000**	**10,000**	**10,000**
Unsecured bank loan	Euro	2.81%	-	2018	**10,000**	**10,000**	**10,000**	**10,000**
Unsecured bank loan	Euro	4.25%	-	2022	**10,104**	**10,104**	**10,104**	**10,104**
Unsecured bank loan	Euro	2.00%	3-month Euribor	2017	**4,167**	**4,167**	**4,167**	**4,167**
Unsecured bank loan	Euro	1.80%	3-month Euribor	2019	**40,000**	**40,000**	**40,000**	**40,000**
Unsecured bank loan	Euro	1.80%	3-month Euribor	2020	**30,000**	**30,000**	**30,000**	**30,000**
Unsecured bank loan	Euro	1,95%	3-month Euribor	2018	**20,000**	**0**	**20,000**	**-**
Unsecured bank loan	CNY	4.80%	-	2018	**4,317**	**4,317**	**4,317**	**4,287**
Unsecured bank loan	Euro	2.25%	3-month Euribor	2018	**30,000**	**30,000**	**30,000**	**30,000**
Unsecured bank loan	Euro	1.30%	-	2017	**0**	**0**	**-**	**-**
Unsecured bank loan	Euro	1.30%	-	2017	**0**	**0**	**-**	**-**
Unsecured bank loan	Euro	3.60%	3-month Euribor	2017	**1,318**	**1,318**	**1,318**	**1,318**
Unsecured bank loan	Euro	2.40%	6-month Euribor	2017	**5,500**	**5,500**	**5,500**	**5,500**
Unsecured bank loan	Euro	1.55%	3-month Euribor	2020	**7,083**	**7,083**	**7,083**	**7,083**
Unsecured bank loan	Euro	1.55%	3-month Euribor	2019	**7,552**	**7,552**	**7,552**	**7,552**
Unsecured bank loan	Euro	2.50%	3-month Euribor	2017	**15,000**	**7,500**	**15,000**	**7,500**
Unsecured bank loan	Euro	3.00%	6-month Euribor	2017	**0**	**0**	**-**	**-**
Unsecured bank loan	Euro	3.60%	3-month Euribor	2017	**439.48715**	**439.48715**	**439**	**439**
Unsecured bank loan	Euro	2.70%	3-month Euribor	2020	**10,000**	**10,000**	**10,000**	**10,000**
Unsecured bank loan	Euro	1.80%			**236**	**236**		
Unsecured bank loan	Euro	1.80%			**238**	**238**		
Unsecured bank loan	Euro	1.75%		2017	**2,940**	**2,940**		
Unsecured bank loan	Euro	1.75%		2017	**1,136**	**1,136**		
Unsecured bank loan	Euro	6.00%	-	2023	**8,400**	**8,400**		
Unsecured bank loan	Euro	6.00%	-	2023	**3,600**	**3,600**		
Enforcements/repayments on bank loans	Euro	-	-	-	-	**98,275**	**-**	**46,900**
Total liabilities					**489,236**	**489,344**	**472,686**	**472,656**

(22) Short-term loans and borrowings from other financial backers

Short-term loans and borrowings from other financial backers were Euro 189,932 thousand at 31 December 2019, with an increase of Euro 147,150 thousand compared to the previous financial year.

Below are the details relating to this item:

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Payables to Trevi S.p.A.	966,994	426,570	540,424
Payables to UBI Leasing S.p.A.	100,291	96,201	4,090
Payables to Caterpillar Financial S.A.	27,042,884	37,305,928	(10,263,044)
Payables to Albaleasing S.p.A.	3,553,300	3,458,651	94,649
Payables to Mediocredito Italiano S.p.A.	1,148,087	1,120,754	27,333
Payables to Selmabipiemme Leasing S.p.A.	2,827,814	373,562	2,454,252
Caterpillar financing	10,104,267	-	10,104,267
Payables to SC Lowy Financial	67,216,737	-	67,216,737
Payment on account to Escrow Account	13,999,403	-	13,999,403
Payable to Amco Asset Mgmt. Co. S.p.A.	11,552,253	-	11,552,253
Payables to Sace S.p.A.	51,266,667	-	51,266,667
SHORT-TERM IFRS 16 LEASE LIABILITIES	153,159	-	153,159
TOTAL	**189,931,855**	**42,781,666**	**147,150,189**

(23) Current derivative financial instruments

Current financial derivative instruments totalled Euro 129 thousand as at 31 December 2019, with a decrease of Euro 233 thousand compared to the previous year.

The details of this item are listed below in the table:

DESCRIPTION	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Current derivative financial instruments	129,047	361,985	(232,938)
TOTAL	**129,047**	**361,985**	**(232,938)**

The balance as at 31 December 2019 refers to the fair value of hedges against interest rate risk.

The following is a breakdown of net financial debt:

NET FINANCIAL POSITION

(Amounts in Euro)

		31/12/2019	31/12/2018
A	Cash	337	2,561
B	Other cash and cash equivalents (details)	145,893	705,990
C	Securities held for trading		
D	**Liquidity (A + B + C)**	**146,231**	**708,551**
E	**Current financial assets**	**93,466,964**	**87,159,460**
F	Current bank loans and borrowings	-	-
G	Current portion of non-current debt	319,663,188	433,028,189
H	Other current financial liabilities	190,060,901	43,143,651
I	**Current financial debt (F+G+H)**	**509,724,089**	**476,171,840**
J	**Net current financial debt (I-E-D)**	**416,110,894**	**388,303,829**
K	Non-current bank loans and borrowings	-	-
L	Bonds issued	-	-
M	Other non-current payables	401,443	2,658,536
N	**Non-current financial debt (K+L+M)**	**401,443**	**2,658,536**
O	**Net financial debt**	**416,512,337**	**390,962,365**

GUARANTEES AND COMMITMENTS

The main guarantees provided are listed below:

- Guarantees given to Insurance companies (both in Euro and US dollars): these amounted to Euro 356,959,078 and refer to the issuance of sureties for VAT refunds of the Company and the main Italian subsidiaries, to other commercial guarantees and to guarantees given in favour of leading American insurance companies, in the interests of the sub-subsidiary Trevi Icos Corporation, for the execution of its projects; these guarantees are reduced in proportion to the remaining work still to be performed at the end of each year.
  - Guarantees given to third parties: these amounted to Euro 394,833,988 and refer in particular to:

    - Bank guarantees for Euro 269,969,754 to guarantee cash and secured lines as well as leases for subsidiaries of Trevi Finanziaria Industriale Spa;
    - Commercial guarantees (mainly to take part in tenders, performance bonds and contractual advances) for Euro 100,338,388;
    - Financial guarantees of Euro 24,525,846 issued to banks for loans received.

The decrease/increase in guarantees granted to banks over the previous year is mainly attributed to lower insurance guarantees in the interest of the sub-subsidiary Trevi Icos Corporation.

The item “bank guarantees” includes the commitments for lease payments falling due, representing the total amount of the expiring instalments to be paid to the leasing companies from 31 December 2019 onwards.

ANALYSIS OF THE STATEMENT OF PROFIT OR LOSS ITEMS

Below are some details and information relating to the statement of profit or loss for the year ended 31 December 2019.

(24) Revenue from sales and services

Revenue from sales and services amounted to Euro 27,178 thousand compared to Euro 20,392 thousand in 2018, with an increase of Euro 6,786 thousand.

The composition by nature of revenue is as follows:

DESCRIPTION	2019	2018	Changes
Revenue from equipment hire	10,172,604	11,792,476	(1,619,872)
Revenue from commission on guarantees	1,973,633	1,424,455	549,178
Revenue for services provided to subsidiaries	15,031,291	7,174,975	7,856,315
TOTAL	**27,177,528**	**20,391,906**	**6,785,622**

The following is a breakdown by geographical segment of revenue from sales and services:

GEOGRAPHIC SEGMENT	2019	%	2018	%
Italy	16,575,479	60.99%	8,630,405	42.32%
Europe (excluding Italy)	4,248,298	15.63%	5,556,666	27.25%
U.S.A. and Canada	5,548,360	20.42%	222,483	1.09%
Latin America	266,857	0.98%	246,699	1.21%
Africa	532,571	1.96%	60,000	0.29%
Asia	5,964	0.02%	5,675,654	27.83%
TOTAL	**27,177,528**	**100%**	**20,391,906**	**100%**

Revenue was almost exclusively realised with companies of the Group.

The services provided range from equipment hire, management and administrative and management support, HR and staff management service, IT management service and integrated corporate management software and management of the Group's communications service.

(25) Other operating revenue

The item "Other operating revenue" amounted to Euro 5,269 thousand compared to Euro 7,098 thousand in 2018, with a decrease of Euro 1,820 thousand.

Below in the table are the details relating to this item:

DESCRIPTION	2019	2018	Changes
Rental income	2,012,501	1,978,890	33,611
Recovered expense	1,069,643	4,935,543	(3,865,900)
Gains on disposal of non-current assets	2,018,097	80,270	1,937,826
Prior year income	130,653	17,042	113,611
Profit/(loss) of U.T.E. TREVI S.p.A.- TREVI - Fin.-Sembenelli-Venezuela	0	0	-
Other	37,838	77,010	(39,172)
TOTAL	**5,268,732**	**7,088,756**	**(1,820,024)**

The "Rental income" item mostly refers to the charge for renting land, an industrial warehouse and an office building to the subsidiary Drillmec S.p.A. in Gariga di Podenzano (PC) and the charge to the subsidiary Trevi S.p.A. for renting offices in Cesena (FC). The "Recovered expense" item refers mostly to the recovery of costs incurred by the Parent, including insurance, telephone costs and debt restructuring costs.

The "Other" item includes expense recovered from employees for the company canteen service.

(26) Raw materials and consumables

The cost of raw materials and consumables amounted to Euro 32 thousand, compared to Euro 43 thousand in 2018 with a decrease of Euro 11 thousand.

(27) Personnel expense

Personnel expense amounted to Euro 7,729 thousand compared to Euro 5,262 thousand in 2018, with an increase of Euro 2,467 thousand.

The detail of personnel expense is summarised in the following table:

DESCRIPTION	2019	2018	Changes
Salaries	5,936,574	3,872,299	2,064,276
Social security charges	1,591,045	1,146,560	444,485
Post-employment benefits	201,667	243,624	(41,957)
TOTAL	**7,729,286**	**5,262,482**	**2,466,804**

The average number of employees for the year 2019 is 38 units, consisting of 13 executives, 3 managers and 22 white-collar workers. The average for the previous year was 37, with an overall increase of 1 Unit.

The changes recorded during the year are shown below:

DESCRIPTION	31/12/2019	Increases in changes	Decreases in changes	31/12/2018
Executives	13	5	2	10
Managers	3	0	4	7
White-collar workers	22	7	5	20
TOTAL	**38**	**12**	**11**	**37**

(28) Other operating expenses

Other operating expenses amounted to Euro 19,110 thousand compared to Euro 13,081 thousand in 2018, increasing by Euro 6,029 thousand.

The item comprises:

DESCRIPTION	2019	2018	Changes
Costs for third-party services	17,564,329	12,189,439	5,374,890
Use of third-party assets	125,116	388,477	(263,361)
Other operating costs	1,420,731	502,826	917,904
TOTAL	**19,110,175**	**13,080,742**	**6,029,433**

The costs for third-party services are as follows:

DESCRIPTION	2019	2018	Changes
Directors' remuneration	926,921	861,683	65,238
Statutory auditors' remuneration	137,863	342,575	(204,712)
Telephone Service	738,985	814,552	(75,567)
Legal, administrative and technical consultancy	12,920,379	8,077,938	4,842,440
Data Centre maintenance	1,750,431	1,388,882	361,549
Food, Accommodation and Travel	428,557	246,193	182,364
Insurance companies	466,324	265,183	201,141
Advertising insertions and communications	65,536	44,517	21,019
INPS contributions for self-employed workers	42,606	61,939	(19,333)
Bank services	40,017	51,501	(11,484)
Other	46,710	34,475	12,234
TOTAL	**17,564,329**	**12,189,439**	**5,374,890**

The item "Directors' remuneration" also includes remunerations paid to Directors as members of the Committees, the Appointment and Remuneration Committee, Risk Control Committee and Related Party Committee.

For more details, see the paragraph "Other Information" on the remuneration paid to Directors and Statutory Auditors.

The expense for data centre and maintenance fees relates to the work performed by suppliers with regard to the maintenance and development of the Group's IT Service which is centralised at TREVI - Finanziaria Industriale S.p.A.

The use of third-party assets is broken down as follows:

DESCRIPTION	2019	2018	Changes
Equipment hire	211,200	230,690	(19,490)
Rental liabilities	(86,084)	157,787	(243,871)
TOTAL	**125,116**	**388,477**	**(263,361)**

Details of other operating costs are shown in the following table:

DESCRIPTION	2019	2018	Changes
Taxes other than income tax	785,335	363,322	422,013
Other sundry charges	599,326	101,585	497,741
Profit/(loss) of U.T.E. TREVI S.p.A.- TREVI - Fin.-Sembenelli-Venezuela	0	0	-
Non-deductible miscellaneous prior year income	36,070	37,919	(1,850)
TOTAL	**1,420,731**	**502,826**	**917,904**

The item “Taxes other than income tax” mostly relates to the Municipal Tax (IMU) and Indivisible Service Charge (TASI) on owned properties. The item “Other sundry charges” relates to contributions to associations and non-profit organisations (for charity) within the social value programme of the Company and TREVI Group and losses on depreciated assets for Euro 514 thousand.

(29) Depreciation and amortisation

Amortisation and depreciation amounted to Euro 2,959 thousand compared to Euro 3,441 thousand in 2018 with a decrease of Euro 482 thousand, as detailed below:

DESCRIPTION	2019	2018	Changes
Amortisation of intangible assets	45,125	56,062	(10,937)
Depreciation of property, plant and equipment	2,914,205	3,385,115	(470,910)
TOTAL	**2,959,330**	**3,441,177**	**(481,847)**

Further details are reported in the comment on Intangible assets and Property, plant and equipment.

(29) Provisions

In 2019, a loss allowance for trade receivables was recognised in compliance with the provisions of IFRS 9, for Euro 2,747 thousand.

Provisions were made for the following reasons:

1) IFRS 9 allowance for Euro 2,338 thousand;
2) Provision for legal disputes in progress for Euro 409 thousand.

DESCRIPTION	2019	2018	Changes
Provisions for risks	409,461	-	409,461
Loss allowance	2,337,563	3,072,480	(734,917)
Credit losses	-	-	-
TOTAL	**2,747,024**	**3,072,480**	**(325,456)**

(30) Financial income

Financial income amounted to Euro 10,148 thousand compared to Euro 13,956 thousand in 2018, with a decrease of Euro 3,807 thousand.

The details of this item are shown below:

DESCRIPTION	2019	2018	Changes
Financial income from financial receivables classified as non-current assets	9,911,214	13,609,527	(3,698,313)
Other financial income	237,117	346,050	(108,933)
TOTAL	**10,148,331**	**13,955,577**	**(3,807,245)**

The item Financial income from financial receivables classified as non-current assets shows the revenue for interest income relating to the loans granted by the Company to its subsidiaries and the interest rates applied are in line with market conditions. The item Other financial income is mostly determined by bank interest and the portion attributable to interest rate hedging transactions.

(31) Financial expense

Financial expense amounted to Euro 17,975 thousand, compared to Euro 19,842 thousand in 2018 decreasing by Euro 1,878 thousand due to lower charges and default interest on the financing under the financial manoeuvre.

Below in the table are the details relating to this item:

DESCRIPTION	2019	2018	Changes
Interest expense with banks	15,567,142	16,296,249	(729,107)
Fees and commissions on securities	1,212,367	1,640,081	(427,714)
Commissions on loans	133,586	184,205	(50,619)
Interest expense with leasing companies	813,894	1,335,629	(521,735)
Interest on other payables	237,398	386,123	(148,725)
Interest expense as per IFRS 16	10,958	-	10,958
TOTAL	**17,975,345**	**19,842,286**	**(1,877,900)**

Interest on other payables is linked to the negative differential paid during the year to banks on interest rate hedging transactions.

For a correct disclosure, it is worthy to mention that, in compliance with what provided for by the restructuring agreement, banks confirmed that all the conditions precedent provided by the same had been met and that, therefore, this agreement must be considered fully effective in all its provisions.

On the basis of the effectiveness of the restructuring agreement, Trevifin's banks, each individually with regard to their credit position, irrevocably waive, as of now, with effect from the Date of Conversion of their receivables into Share Capital at the end of the capital increase, the default interest due by the Company, accrued and accruing after 31 December 2018 (Reference Date), and other ordinary interest due by the Company, accrued and accruing between the Reference Date (excluded) and the Conversion Date (expected to occur between 29 May and 1 June) at a rate exceeding the interest rate of 2%.

More specifically, Trevi Finanziaria recognised ordinary and default interest of approximately Euro 6.8 million in the statement of profit or loss which will be irrevocably waived by the banks on the Conversion Date. This will bring a direct benefit to the statement of profit or loss as a result of the prior year income that will be realised.

(32) Exchange gains and losses

Foreign currency transactions for 2019 led to net exchange losses of Euro 56 thousand, compared to net exchange gains of Euro 1,352 thousand in 2018, with a decrease equal to Euro 1,408 thousand.

Description	2019	2018	Changes
Net exchange gains (losses)	(56,314)	1,352,085	(1,408,399)
TOTAL	**(56,314)**	**1,352,085**	**(1,408,399)**

It should be noted that the balance between unrealised exchange gains and losses amounts to a gain of Euro 2,761 thousand.

(33) Adjustments to financial assets

During the financial year, the Company made adjustments to financial assets, following an impairment of some equity investments for a total of Euro 169,255 thousand, adjustments for impairment of financial assets which are not equity investments of Euro 7,487 thousand and further adjustments of Euro 925 thousand. The loss allowance was also used and amounted to a total of Euro 155,561 thousand. The effect of IFRS 5 on the statement of profit or loss figures relating to adjustments of financial assets held for sale was negative and amounted to Euro 10,382 thousand. Therefore, the restated balance as at 31 December 2019 for this item amounted to Euro 11,725 thousand.

Further details are provided in paragraph (3) in relation to the equity investments and paragraph (5), relating to financial receivables.

DESCRIPTION	2019	2018	Changes
Impairment losses on non-current assets	-	39,389,819	(39,389,819)
Impairment losses on financial assets which are not equity investments	7,487,381	24,013,514	(16,526,133)
Impairment losses on Equity investments	169,255,424	84,505,290	84,750,134
Use of loss allowance	(155,561,295)	(75,160,000)	(80,401,295)
Adjustments	924,981	(4,407,052)	5,332,033
TOTAL	**22,106,491**	**68,341,571**	**(46,235,080)**
Transfer to assets held for sale	(10,381,557)	(66,717,811)	
TOTAL (*)	**11,724,934**	**1,623,760**	

(34) Income taxes

The provision for income taxes of the year was calculated taking into account the expected taxable income. Income taxes totalled Euro (1,138) thousand, compared to a tax benefit of Euro 1,419 thousand in 2018, with a decrease of Euro 2,557 thousand.

The detail of this item is summarised in the following table:

DESCRIPTION	2019	2018	Changes
Corporate Income Tax (IRES) for the financial year	1,009,475	1,279,029	338,548
Regional Business Tax (IRAP) for the financial year	-	-	-
Taxes for previous years	139,456	-	139,456
Changes in deferred tax assets	(1,416,754)	98,436	(1,515,190)
Changes in deferred tax liabilities	(870,030)	42,013	(912,043)
TOTAL	**(1,137,827)**	**1,419,478**	**(2,557,305)**

Current taxes were calculated with the tax rates of 24% for IRES and 3.90% for IRAP.

The following table reconciles the actual tax expense with the theoretical one:

Reconciliation theoretical/actual tax expense	**2019**	%	**2018**	%
Loss before taxes	**(48,969,298)**		**(88,835,326)**	
Taxes calculated at the tax rate in force	**(11,752,635)**	***24.00%***	**(21,320,478)**	***24.00%***
Permanent differences	15,177,243	*(17.08%)*	22,599,507	*(25.44%)*
Temporary differences	(2,286,784)	*2.57%*	140,449	*(0.16%)*
Regional business tax (IRAP)	-	-	-	-
Total Income Taxes recognised in the Statement of profit of loss	**(1,137,827)**	***(128.00%)***	**1,419,478**	***(1.60%)***

(35) Loss for the year

Loss for the year

The 2019 financial year showed a negative trend in relation to the operating loss of Euro 132 thousand (compared with the operating profit for the previous year of Euro 2,580 thousand, decreasing by Euro 2,712 thousand) and a net financial expense of Euro 7,883 thousand, marking a decrease with respect to the 2018 financial year of Euro 3,349 thousand, including net exchange rate losses of Euro 56 thousand (a decrease with respect to the previous year in which net exchange rate gains were Euro 1,352 thousand). The Company made adjustments to its financial assets, following impairment losses on equity investments, financial receivables and non-current assets, and the previously allocated provision was used on the investees, bringing the adjustments to financial assets item to a total of Euro 11,725 thousand.

The Company recorded provisions of Euro 18,665 thousand and negative adjustments to financial assets of approximately Euro 10,382 thousand for the Oil & Gas segment, following impairment losses of equity investments, financial receivables and non-current assets. These amounts were classified under the item "Loss from assets held for sale."

There was a decrease in income taxes of Euro 2,557 thousand compared to the previous year.

Therefore, the loss for 2019 was Euro 47,831 thousand, with a Euro 42,423 thousand reduction compared to the previous year, when the loss for the year was Euro 90,255 thousand. The Company chose to provide information on earnings per share only in the Group's Consolidated Financial Statements in accordance with IAS 33.

Related party transactions

The following table shows the total amounts of the transactions that took place during the year with related parties:

Transactions with subsidiaries:

Transactions between the Parent and Subsidiaries at 31/12/2019

Amounts expressed in thousands of Euro

Medium/long term financial receivables from subsidiaries	31/12/2019	31/12/2018	Changes
Trevi S.p.A.	23,605	23,605	-
Soilmec S.p.A.	57,155	57,125	30
Drillmec S.p.A.	-	-	-
Petreven S.p.A.	-	-	-
Other	1,730	6,430	(4,700)
TOTAL	**82,490**	**87,159**	**(4,670)**

Trade receivables and other short-term receivables from subsidiaries	31/12/2019	31/12/2018	Changes
Trevi S.p.A.	18,183	16,049	2,134
Soilmec S.p.A.	9,523	6,485	3,038
Drillmec S.p.A.	-	15,397	(15,397)
Petreven S.p.A.	-	2,763	(2,763)
Other	14,766	19,997	(5,231)
TOTAL	**42,472**	**60,690**	**(18,218)**

Trade payables and other short-term payables to subsidiaries	31/12/2019	31/12/2018	Changes
Trevi S.p.A.	967	427	540
TOTAL	**967**	**427**	**540**

Trade payables and other short-term payables to subsidiaries	31/12/2019	31/12/2018	Changes
Trevi S.p.A.	12,392	12,123	269
Soilmec S.p.A.	3,155	2,082	1,074
Drillmec S.p.A.	-	14,631	(14,631)
Petreven S.p.A.	-	141	(141)
Other	4,517	4,114	403
TOTAL	**20,064**	**33,091**	**(13,027)**

Revenue from sales and services	2019	2018	Changes
Trevi S.p.A.	9,025	5,915	3,110
Soilmec S.p.A.	4,724	3,291	1,433
Drillmec S.p.A.	1,147	4,765	(3,618)
Petreven S.p.A.	675	1,253	(579)
Other	11,607	12,005	(398)
TOTAL	**27,177**	**27,230**	**(52)**

Consumption of raw materials and external services	2019	2018	Changes
Trevi S.p.A.	230	102	128
Soilmec S.p.A.	425	184	241
Drillmec S.p.A.	-	-	-
Petreven S.p.A.	-	-	-
Other	3	7	(4)
TOTAL	**659**	**293**	**365**

Financial income	2019	2018	Changes
Trevi S.p.A.	953	2,178	(1,225)
Soilmec S.p.A.	2,537	2,539	(2)
Drillmec S.p.A.	4,291	6,269	(1,979)
Petreven S.p.A.	1,866	2,108	(241)
Other	502	516	(14)
TOTAL	**10,148**	**13,610**	**(3,461)**

Transactions executed with related parties are concluded under normal market conditions. There are no transactions between the Company and its parent TREVI Holding SE with registered office in Cesena (FC) or the latter's parent I.F.I.T. S.r.l. nor with other related parties.

Related party transactions:

Trade receivables and other short-term receivables from related parties	**31/12/2019**	**31/12/2018**	**Changes**
PARCHEGGI S.P.A.	10	23	(13)
TOTAL	**10**	**23**	**(13)**
	0.02%	0.47%	
Trade payables and other short-term payables to related parties	**31/12/2019**	**31/12/2018**	**Changes**
PARCHEGGI S.P.A.	-	-	-
TOTAL	**-**	**-**	**-**

Revenue from sales and services	**2019**	**2018**	**Changes**
PARCHEGGI S.P.A.	57	57	(0)
TOTAL	**57**	**57**	**-**
	0.21%	0.28%	
Consumption of raw materials and external services	**2019**	**2018**	**Changes**
PARCHEGGI S.P.A.	-	-	-
TOTAL	**-**	**-**	**-**

Remuneration of Directors and Statutory Auditors

The Board of Directors of Trevi – Finanziaria Industriale S.p.A. in office at the date the 2019 Separate Financial Statements were approved was appointed by the Shareholders' Meeting of 30 September 2019 for the three-years 2019 - 2020 - 2021, and is made up of 11 board members of which 5 Executive Directors (Cesare Trevisani and Simone Trevisani - in compliance with the application criterion 2.C.1 of the Corporate Governance Code - are considered as such since they hold the position of directors or managing directors in certain companies controlled by the Issuer), one non-executive director and five non-executive and independent directors.

In the 2019 financial year, the total remuneration paid to Directors for the office held amounted to Euro 875 thousand, as detailed below.

Name	Office	Period of office (in months)	Remuneration for the office held	Other Company fees	Remuneration from Subsidiaries	Total
Davide Trevisani	Chairman of the Board of Directors until 30/09/2019	9	226,000		178,000	**404,000**
Gianluigi Trevisani	Executive Deputy Chairman until 30/09/2019	9	224,000		178,000	**402,000**
Cesare Trevisani	Deputy Chairman until 30/09/2019	9	95,000	35,000	235,000	**365,000**
Stefano Trevisani	CEO	12	40,000	167,000	276,000	**483,000**
Sergio Iasi	CEO	12	70,000	330,000		**400,000**
Marta Dassù	Non-executive and independent director	12	40,000			**40,000**
Umberto della Sala	Non-executive and independent director until 30/09/2019	9	30,000	3,000		**33,000**
Cristina Finocchi Mahne	Non-executive and independent director	12	40,000	11,000		**51,000**
Elisabetta Olivieri	Non-executive and independent director as of 30/09/2019	3	10,000			**10,000**
Alessandro Piccioni	Non-executive director as of 30/09/2019	3	10,000			**10,000**
Rita Rolli	Non-executive and independent director	12	40,000	11,000		**51,000**
Luca d'Agnese	Chairman of the Board of Directors as of 30/09/2019	3	10,000			**10,000**
Giuseppe Caselli	CEO as of 30/09/2019	3		125,000		**125,000**
Luca Caviglia	Non-executive director as of 30/09/2019	3	10,000			**10,000**
Simone Trevisani	Executive director until 30/09/2019	9	30,000	145,000	347,000	**522,000**
TOTAL			**875,000**	**827,000**	**1,214,000**	**2,916,000**

Pursuant to the Consob regulation, the remunerations settled and/or paid to the Directors and Statutory Auditors of the Company are detailed, including those from subsidiaries.

The other remunerations refer - for the directors Trevisani Cesare, Trevisani Stefano, Giuseppe Caselli and Sergio Iasi - to the salaries paid to them as employees of the Parent while - for the board members Della Sala, Finocchi Mahne and Rolli - to their office as members of the Committees mentioned below.
The activities of the Board of Directors' Internal Committees, based on the resolution of the Ordinary Shareholders' Meeting of 30 April 2015, require the granting, for each Committee, of an annual fee of Euro 5,000 (five thousand Euro/00) for the Chairman and Euro 3,500 (three thousand five hundred Euro/00) for each of the members. As at 31 December 2017 and the date of preparation of this report, three Committees have been set up: the Control and Risk Committee, the Appointment and Remuneration Committee and the Related Party Committee.

The Directors did not receive any non-monetary benefits, stock options, bonuses or other incentives.
The Company's Articles of Association grant the Board of Directors the power to appoint an Executive Committee. This right was not exercised by the Board in office.

A total amount of Euro 130 thousand was recorded for the Statutory Auditors, divided as follows:

Name	Office	Period of office (in months)	Company remuneration	Remuneration from Subsidiaries	Total
Milena Motta	Statutory Auditor (Chairperson)	12	50,000	-	50,000
Marco Vicini	Statutory Auditor as of 30/09/2019	3	10,000	-	10,000
Raffaele Ferrara	Statutory Auditor as of 30/09/2019	3	10,000	-	10,000
Adolfo Leonardi	Statutory Auditor until 30/09/2019	9	30,000	-	30,000
Stefano Leardini	Statutory Auditor until 30/09/2019	9	30,000	-	30,000
TOTAL			**130,000**	**-**	**130,000**

The Board of Statutory Auditors in office at the date of approval of the 2019 Financial Statements was appointed by the Shareholders' Meeting on 30 September 2019 and is in office for the three-year period 2019, 2020 and 2021, until the approval of the Financial Statements as at 31 December 2021.

The following table includes the total fees paid by the Company to the Independent Auditors and the network of the Independent Auditors, pursuant to Art. 160 c. 1-bis No. 303 Law 262 of 28/12/2005 integrated by Legislative Decree of 29/12/2006.

(in Euro)	Party performing the service	Fees paid in 2019
Audit	KPMG	1,127,480
Total		**1,127,480**

Events after the reporting period

In view of the delayed deadlines for the approval of these Separate Financial Statements, the significant events subsequent to after the reporting period have already been included in the separate financial statements. With specific reference to aspects pertaining to the process of capital restructuring and strengthening undertaken by the Group at the beginning of 2017 and extended up to the date of approval of this report, reference should be made to the "Short overview of the most relevant events up to the date of this report" under the section "Accounting standards and basis of preparation".
Below are the significant events occurred in 2020:

(i) With decrees of 10 January 2020, notified to Trevifin, Trevi S.p.A. and Soilmec S.p.A. on 21 January 2020, the Court of Appeal of Bologna accepted the complaints against the provisions of the Court of Forlì that rejected the approval of the Restructuring Agreement, considering the reasons advanced by the claimants well founded, and therefore it approved the Restructuring Agreement.

(ii) On 31 March 2020, the second part of the Closing was successfully completed for the sale of the Oil & Gas Division of Trevi Group to MEIL Global Holdings BV.

(iii) On 29 April 2020, CONSOB authorised the publication of the prospectus relating to the Notice of Rights of Trevifin.

(iv) On 29 April 2020, the lending banks that are contracting party to the Restructuring Agreement, through the agent, confirmed that all the conditions precedent provided by the same had been met and that, therefore, this agreement must be considered fully effective in all its provisions starting from that date.

(v) On 18 May 2020, Trevifin announced the conclusion of the period for exercising the rights of first refusal.

In the first four months of the year, the orders acquired were approximately Euro 200 million, up by 15% compared to the same period of the previous year and the backlog reached Euro 444 million, up approximately by 1% compared to 2019.

The Chairman of the Board of Directors

Luca d'Agnese

Statement on the separate financial statements pursuant to Art. 154 of Italian Legislative Decree no. 58/98

1. The undersigned Giuseppe Caselli, Chief Executive Officer, and Massimo Sala, Director of Administration, Finance and Control as Manager in charge of financial reporting of TREVI-Finanziaria Industriale S.p.A., hereby state, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 24 February 1998, no. 58:
    - the adequacy in relation to the characteristics of the company; and
    - the effective application

   of the administrative and accounting procedures for drafting the separate financial statements during the 2019 financial year.

2. It is also stated that:

2.1 The separate financial statements as at and for the year ended 31 December 2019:

  a) have been drafted in compliance with the applicable International Financial Reporting Standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
  b) match the results of the ledgers and accounting records;
  c) are suitable to provide a true and fair view of the financial situation, financial performance and cash flow of TREVI - Finanziaria Industriale S.p.A.

2.2 The directors' report contains references to important events that occurred during the year and their impact, together with a description of the main risks and uncertainties of the year as well as information on significant transactions with related parties.

Cesena, 8 June 2020

Giuseppe Caselli
Chief Executive Officer

Massimo Sala
Manager in charge of financial reporting

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Trevi Finanziaria Industriale S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Trevi Finanziaria Industriale S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Trevi Finanziaria Industriale S.p.A. as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

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 "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty about going concern

We draw attention to that disclosed by the directors in the "Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern" section of the notes to the separate financial statements about events and circumstances that indicate that there is a material uncertainty which would cast significant doubts about the company's and group's ability to continue as a going concern.

Obtaining sufficient audit evidence supporting the company's directors' use of the going concern basis of accounting was a key audit matter.

Our audit procedures included:

- analysing the process applied by the directors to assess the company's and group's ability to continue as a going concern;
- understanding and assessing the reasonableness of the main assumptions underlying the 2018-2020 business plan approved by the board of directors and endorsed by the Bologna Court in January 2020 as part of the restructuring agreement as per article 182-bis of the Italian bankruptcy law;
- comparing the key assumptions used to the company's and group's historical data and external information, where available;
- obtaining and understanding the directors' analysis of COVID-19's estimated impact on the 2018-2022 business plan and, therefore, on the going concern assumption;
- analysing the correspondence with banks;
- analysing the correspondence with the relevant supervisory authorities;
- analysing the minutes of the board of directors' meetings;
- analysing the events which have occurred after the reporting date that provide information supporting the going concern assumption, including the outcome of the capital increase carried out in 2020;
- assessing the appropriateness of the disclosures provided in the notes about the going concern assumption.

We did not qualify our opinion in this respect.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of investments in subsidiaries and loans to subsidiaries

Notes to the separate financial statements: "Impairment of assets", "Use of estimates" and "Impairment test on controlling equity investments"

Key audit matter	Audit procedures addressing the key audit matter
Given the situation of the market in which the company operates, assisted by an external advisor, the directors tested investments in subsidiaries for impairment. They also assessed the recoverability of the loans granted to subsidiaries. The directors determined the recoverable amount of the company's investments in subsidiaries operating in the "Fondazioni" business segment (Trevi and Soilmec) based upon their value in use, calculated using the discounted cash flow model. A breakdown of these expected cash flows by subsidiary is set out in the 2018-2020 business plan (the "plan") approved by the directors. Moreover, the directors determined the recoverable amount of the loans with those subsidiaries to be based upon the expected cash flows set out in the above plan. Impairment testing and assessing the recoverability of loans require a high level of judgement, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector and the actual cash flows generated by the subsidiary company in recent years; — the financial parameters to be used to discount the above cash flows. For the above reasons, we believe that the recoverability of the carrying amount of investments in subsidiaries and loans granted thereto is a key audit matter.	Our audit procedures, which also involved our own specialists, included: — understanding the process adopted to prepare the impairment test; — understanding the process adopted to prepare the plan approved by the company's board of directors from which the expected cash flows used for impairment testing and assessing the recoverability of loans have been derived; — analysing the reasonableness of the assumptions used by the directors to prepare the plan; — comparing the cash flows used for impairment testing and to assess the recoverability of loans to the cash flows forecast in the plan; — assessing the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — checking any discrepancies between the most recent actual figures and the plan forecasts and understanding the underlying reasons; — assessing the appropriateness of the disclosures provided in the notes regarding the valuation of investments and the related impairment test.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate 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 company'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 the directors' 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 15 May 2017, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, 8 June 2020

KPMG S.p.A.

(signed on the original)

Massimo Tamburini
Director of Audit

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