TREVI - Finanziaria Industriale S.p.A.

# Annual Report and Accounts at 31 December 2020

TREVIGroup

# TREVI – Finanziaria Industriale S.p.A.

## 2020 Annual Report

TREVI – Finanziaria Industriale S.p.A.
Registered Office in Cesena (FC) - Via Larga 201 - Italy
Share capital of Euro 97,475,554.00 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

*In the cover photo: Trevi - Lonato Job site - Italy*

# SUMMARY

# MEMBER OF THE CORPORATE BODIES

**Chairman**

Luca d'Agnese

**Deputy Chairman**

Cesare Trevisani

**CEOs**

Giuseppe Caselli

Sergio Iasi

**Board of Directors**

Luca Caviglia (non executive) - until 2 march 2021[1]

Tommaso Sabato (non executive) - as of 2 marzo 2021[1]

Marta Dassù (non executive and indipendent)

Cristina Finocchi Mahne (non executive and indipendent)

Elisabetta Oliveri (non executive and indipendent)

Alessandro Piccioni (non executive and indipendent)

Rita Rolli (non executive and indipendent)

Stefano Trevisani (non executive) – until 31 july 2020

Cinzia Farise' (non executive and indipendent) - as of 30 december 2020[2]

**1** Following the resignation of Luca Caviglia from his position of Director, Sabato was co-opted on 2 March 2021 as Non-executive and non-independent Director;

**2** Following the resignation of Stefano Trevisani from his position of Director, Farise' was co-opted on 30 December 2020 as Non-executive and non-independent Director.

**Board of Statutory Auditors**

**Standing Auditors**

Marco Vicini (President)[3]

Raffaele Ferrara

Mara Pierini

**3** On 9 July 2020, Milena Motta resigned as Chairperson and as Standing Auditor. In application of Article 2401 of the Italian Civil Code and until the date of the next Shareholders' Meeting, the Alternate Auditor Mara Pierini takes over the role of Standing Auditor, while the Standing Auditor Marco Vicini takes over the chairmanship of the Board of Statutory Auditors.

**Other Corporate Bodies**

**Director in charge of the internal audit and risk management system**

Giuseppe Caselli[4]

**4** On 10 July 2020, the Board of Directors, having acknowledged the resignation of Sergio Iasi from the position of Director in charge of the internal audit and risk management system, conferred Giuseppe Caselli, CEO of Trevi – Finanziaria Industriale S.p.A., with the related powers.

**Committee for the appointment and remuneration of Directors**

Elisabetta Oliveri (Chairperson)

Cristina Finocchi Mahne

Alessandro Piccioni

**Control, Risks and Sustainability Committee**

Rita Rolli (Chairperson)

Luca Caviglia [5]

Cristina Finocchi Mahne

**5** con delibera del 13 aprile 2021 il Consiglio di Amministrazione ha deliberato l'integrazione del Comitato con l'ing. Tommaso Sabato in sostituzione del dott. Luca Caviglia

**Related Party Committee**

Marta Dassù (Chairperson)

Elisabetta Oliveri

Rita Rolli

**Director of Administration, Finance and Control**

Massimo Sala

Appointed manager in charge of financial reporting by resolution of the Board of Directors on 30 September 2019.

**Independent Auditors**

KPMG S.p.A.

Appointed on 15 May 2017 and until the Shareholders' Meeting called to approve the financial statements at 31 December 2025.

**Supervisory Body of the Organisational Model 231/01[6]**

Floriana Francesconi (Chairperson)

Yuri Zugolaro

Matteo Tradii

**6** On 31 December 2020 the three-year term of the Supervisory Body expired. On 29 January 2021, the Board of Directors approved the appointment of the Supervisory Body as mentioned above with a three-year term until 31 December 2023.

## Chairman, CEO and CRO | Trevi Group

**Luca d'Agnese**

TREVI
Finanziaria Industriale S.p.A.

Chairman

**Giuseppe Caselli**

TREVI
Finanziaria Industriale S.p.A.

CEO
Soilmec SpA Chairman
Trevi SpA Chairman

**Sergio Iasi**

TREVI
Finanziaria Industriale S.p.A.

CRO





### Massimo Sala

TREVI
Finanziaria Industriale S.p.A.

Group CFO

### Pio Franchini

TREVI
Finanziaria Industriale S.p.A.

Senior Vice President
Organization & HR

### Alessandro Vottero

TREVI
Finanziaria Industriale S.p.A.

Head of Legal & Corporate Affairs

### Massimiliano Battistelli

SOILMEC S.p.A.

General Manager
(appointed by the Board of Soilmec the 28/02/2021)

### Andrea Acerbi

TREVI S.p.A.
International Dept.

General Manager Operations


Helaba

# DIRECTORS' REPORT

Dear Shareholders,

In the 2020 financial year, the financial statements of which are submitted to you for approval, the Trevi Group was engaged in the implementation of the capital strengthening and debt restructuring project approved by the Board of Directors on 17 July 2019 to be implemented as part of an agreement pursuant to Article 182-bis of the Italian Bankruptcy Law (hereinafter also referred to as the "Restructuring Agreement") for which approval was obtained from the Court of Appeal of Bologna on 10 January 2020. Despite the spread of the Covid-19 pandemic that significantly affected Group activities during the year, in the first quarter: (i) the sale of the Oil & Gas Division was completed on 31 March 2020 (see the press release issued on the same date, available on the Parent's website www.trevifin.com, section "Investor Relations/Press Releases"); (ii) the capital increase was launched on the stock exchange at the end of April and completed on 29 May 2020 (see the press release issued on the same date, available on the Parent's website www.trevifin.com, section "Investor Relations/Press Releases"). Despite the continuation of the capital strengthening and debt restructuring project beyond the expected date in 2019, the initiatives taken following the Shareholders' appointment of the new Board of Directors on 30 September 2019 made it possible to address the pandemic, complete the Financial Manoeuvre, review the Group's organisational structure to better position it on international markets and reduce its operating costs.

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. All the competent functions ensured the continuity of operations in the various countries in which the Group operates wherever possible, guaranteeing the health and safety of personnel and complying with all the requirements imposed by the various governments in the respective countries.

Today the Trevi Group, after the sale of the Oil & Gas Division, is a multinational group that has returned to focus exclusively on its core business of all-round underground engineering (special foundations, soil consolidation, reclamation of polluted sites, design and marketing of specialist technologies in the sector such as pile driving rigs, diaphragm walls and consolidation). The Parent, Trevi Finanziaria Industriale S.p.A., operates through its two subsidiaries: Trevi S.p.A. and Soilmec S.p.A. All the Group's activities benefit from the synergies and close technical/engineering collaboration between these two divisions, thus ensuring that the Trevi Group can act as an innovative and highly specialised operator capable of providing high value-added underground engineering products and services.

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 that for over 65 years has operated with professionalism and commitment in the underground engineering market.

I would like to express my personal gratitude and that of the entire Board of Directors to all the stakeholders of the Trevi Group and to the people in our organisation. Today we are ready and determined to face new challenges and also to seize the opportunities that the construction and infrastructure market will present in the coming months as a result of the Covid-19 pandemic, leveraging on our recognised design and construction capacity in infrastructure projects. While waiting for the infrastructure development plans to be effectively enacted, the orders already acquired in the first months of 2021 bode well for the continuation of business during this year of recovery.

Giuseppe Caselli

*Previous double page photo: Works for the "4 Frankfurt" project - Frankfurt - Germany*

# Group financial highlights

**Methodological note**

The Directors' Report includes information concerning the revenue, profitability, financial position and financial performance of the Trevi Group as at and for the year ended 31 December 2020.
Unless otherwise indicated, all amounts are expressed in thousands of Euro. The Financial Statements items were compared with the amounts of the previous financial year.
Any differences detected in some tables are due to the rounding effects of amounts expressed in thousands of Euro. The Parent, Trevi – Finanziaria Industriale S.p.A., is referred to with its full company name or simply as Trevifin or the Parent; the Group headed by the same is hereinafter referred to as the Trevi Group or simply as the Group.

**Significant accounting policies**

The Annual Report at 31 December 2020 was prepared in compliance with Art. 154 ter paragraph 5. of Italian Legislative Decree 58/98 – T.U.F. [Italian Consolidated Finance Act] - and subsequent amendments and additions - and pursuant to Art.2.2.3. of the of the Italian Market Regulation.
The accounting standards, the basis of consolidation and the accounting policies used in preparing the 2020 Annual Report are the same as those used in the 2019 Annual Report, available on the website www.trevifin.com, under the section "Investor Relations". The Parent and the Group applied the "International Financial Reporting Standards" ("IFRS") endorsed by the European Union, the provisions of Italian Legislative Decree 38/2005 and other CONSOB provisions concerning financial statements, according to the cost method (except for derivatives and for financial instruments to be measured at fair value) and on a going concern basis.
The data shown, 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 "Main risks and uncertainties to which Trevi Group is exposed and assessment of the going concern".
Some of the interim indicators of profitability mentioned above are not identified as accounting measures by the IFRS endorsed by the European Union and, therefore, the quantitative determination of such indicators may not be univocal. Such indicators are measures used by Management to monitor and evaluate the operating performance of the Group. Management believes that said indicators are an important measurement of the operating performance insofar as they are not affected by the various factors used in determining taxable income, by the amount and nature of capital employed and by amortisation and depreciation policies. The criterion used by the Group for determining said indicators may not be consistent with the one adopted by other groups or companies and, therefore, their value may not be comparable with the one determined by the latter.

Trevi Group financial highlights at 31 December 2020 are shown below:

**Reclassified consolidated statement of profit or loss**

The Statement of Profit or Loss of the Group included in this Directors' Report was reclassified according to the presentation method deemed useful by Management to represent interim indicators of profitability such as Production Revenue, Gross Operating Profit (EBITDA) and Operating Profit/(Loss) (EBIT).

(inthousand of Euro)

| GROUP FINANCIAL HIGHLIGHTS | 31/12/2020 | 31/12/2019 | Change | % change |
|---|---|---|---|---|
| Total revenue | 491.315 | 623.204 | (131.889) | -21% |
| Recurring EBITDA | 50.174 | 59.436 | (9.262) | -16% |
| EBITDA | 45.387 | 42.454 | 2.933 | 7% |
| Operating Profit/(Loss) (EBIT) | 553 | (36.896) | 37.449 | n.a. |
| Profit/(loss) from continuing operations | 249.576 | (66.523) | 316.099 | n.a. |
| Loss from discontinued operations | (12.840) | (11.440) | (1.400) | -12% |
| Profit/(loss) for the year | 236.736 | (77.963) | 314.699 | n.a. |
| Profit/(loss) for the year attributable to the owners of the Parent | 241.468 | (75.802) | 317.270 | n.a. |

(in thousands of Euro)

| ORDER BACKLOG AND ORDER INTAKE | 31/12/2020 | 31/12/2019 | Change | % change |
|---|---|---|---|---|
| Order backlog | 317.458 | 374.470 | (57.012) | -15% |
| | **2020** | **2019** | **Variazione** | **Variazione %** |
| Order intake | 425.443 | 503.530 | (78.087) | -16% |

| TREVI GROUP NET FINANCIAL DEBT | 31/12/2020 | 31/12/2019 | Change | % change |
|---|---|---|---|---|
| Total net financial debt | (269.447) | (735.022) | 465.575 | 63% |

| ORDER BACKLOG AND ORDER INTAKE | 31/12/2020 | 31/12/2019 | Change | % change |
|---|---|---|---|---|
| Number of employees * | 3.704 | 4.537 | (833) | -18% |

* the above number of employees at 31 December 2019 does not include the resources in force in the Oil & Gas Division, which amounted to 1,366 employees.

Total revenue for the year ended 31 December 2020 amounted to approximately Euro 491.3 million, compared to Euro 623.2 million for year ended 31 December 2019, down by approximately Euro 131.9 million (-21%). These figures refer exclusively to the foundation engineering activities of the Trevi and the Soilmec Divisions, the Group's core business.
Recurring EBITDA and EBITDA for the financial year 2020 were approximately Euro 50.2 million and Euro 45.4 million, respectively. The difference between them is related to non-recurring expenses, which for the year ended 31 December 2020 amounted to approximately Euro 4.8 million (Euro 17 million for 2019). The above expenses are mainly attributable to extraordinary and non-recurring expenses relating to ordinary management and to fees of some advisers who worked with the Group in various capacities to ensure the successful outcome of the recapitalisation process.

EBIT for the financial year 2020 amounted to Euro 0.6 million, marking an improvement compared to the loss recorded in the previous year of Euro 36.9 million. In particular, the 2019 result was affected by impairment losses on non-current assets and receivables and write-downs of inventories, also deriving from the measurements 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 2018-2022 (the "Original Consolidated Plan") approved by the Parent's Board of Directors on 8 May 2019 and, following certain amendments and additions, on 17 July 2019.
The overall effects of the capital strengthening and debt restructuring project amounted to Euro 280.3 million in the 2020 financial year and influenced the Group's financial income and expense.

The profit for the year attributable to the owners of the parent amounted to Euro 241.5 million (a loss of Euro 75.8 million in 2019).

The order backlog at 31 December 2020 amounted to Euro 317.5 million (Euro 374.5 million at 31 December 2019). The order intake in the 2020 financial year amounted to approximately Euro 425.4 million, down by approximately Euro 78 million compared to the previous year.
As mentioned above, during 2020, the Parent completed the capital strengthening and debt restructuring project started in 2017.

At 31 December 2020, the Parent's equity amounted to Euro 128.5 million (deficit of Euro 268.6 million at 31 December 2019), the equity attributable to the owners of the parent amounted to Euro 123.4 million (deficit of Euro 219.1 million at 31 December 2019), while total equity was Euro 120 million (total deficit of Euro 222.2 million at 31 December 2019).
The spread of the Covid-19 pandemic significantly affected the Group's financial position and financial performance. The progressively stricter restrictive measures that states and companies were forced to adopt in the course of 2020, and in particular the second wave of the spread of the virus (restrictions on the movement of people and goods, closure of factories, safety measures, etc.), the resulting contraction of investments at international level and the significant delays in the acquisition of new orders and in the execution of certain projects underway and/or to be acquired, as well as the occurrence of certain additional events (such as the cancellation or non-acquisition of certain orders) negatively affected the Group's results, especially in the second half of 2020, leading to a worsening of all the main indicators (turnover, EBITDA and Net Financial Position) compared to the forecasts of the Original Consolidated Plan for the same period and a lower cash flow generation.
On 31 January 2021, Trevi Finanziaria Industriale S.p.A. (hereinafter "Trevifin" or the "Parent") announced to the market that, based

on preliminary information available at that date in relation to the 2020 performance - also affected by the Covid-19 pandemic's effects on the worldwide economy, which conditioned the business of the Group -, it was possible to foresee that, at the time of approval of the consolidated financial statements of the Trevi Group, one of the financial parameters set out in the Restructuring

Agreement, namely the ratio of consolidated net financial debt to recurring EBITDA, would not be met. Furthermore, on 24 February 2021, Trevifin informed the market about the start of discussions with the Lending Banks aimed at identifying the amendments to the existing agreements necessary to deal with the foreseeable failure to comply with one of the financial parameters set out in the Restructuring Agreement, at the approval of the 2020 consolidated financial statements. The Parent also communicated that, based on the preliminary information available at that date relating to the performance for the year 2020 and further analyses then underway on the Parent's outlook in the current market context, strongly affected by the spread of the Covid-19 pandemic, a general slowdown emerged in the achievement of the objectives identified in the Original Consolidated Plan, which did not seem to be entirely achievable within the time frame taken into account. In consideration of the above,

in the discussions initiated with the Lending Banks, the Parent envisaged both the granting of the usual waivers and changes to the financial parameters originally set in the Restructuring Agreement, as well as the recalculation of some due dates scheduled for the current year relating to some exposures. For any further information, reference should be made to paragraph "Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern".

The performance of the Trevi Finanziaria Industriale share on the stock exchange is shown below:

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

## Consolidated Statement of Profit or Loss

(in thousands of Euro)

| | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| **TOTAL REVENUE** | **491.315** | **623.204** | **(131.889)** |
| Change in finished goods and work in progress | 5.901 | (11.646) | 17.547 |
| Internal work capitalised | 13.478 | 12.241 | 1.237 |
| **PRODUCTION REVENUE [1]** | **510.694** | **623.799** | **(113.105)** |
| Consumption of raw materials and external services [2] | (324.644) | (398.030) | 73.386 |
| **VALUED ADDED [3]** | **186.050** | **225.769** | **(39.719)** |
| Personnel expense | (135.876) | (166.333) | 30.457 |
| **RECURRING EBITDA [4]** | **50.174** | **59.436** | **(9.262)** |
| Non-recurring expenses | (4.787) | (16.982) | 12.195 |
| **EBITDA [5]** | **45.387** | **42.454** | **2.933** |
| Depreciation and amortisation | (41.220) | (47.014) | 5.794 |
| Provisions and impairment losses | (3.614) | (32.336) | 28.722 |
| **OPERATING PROFIT/(LOSS) (EBIT) [6]** | **553** | **(36.896)** | **37.449** |
| Net financial income/(expense) [7] | 259.341 | (16.447) | 275.788 |
| Net exchange Gains/(Losses) | 2.840 | (5.100) | 7.940 |
| Adjustments to financial assets | (693) | (1.608) | 915 |
| **PROFIT/(LOSS) BEFORE TAXES** | **262.041** | **(60.051)** | **322.092** |
| Loss from assets held for sale | (12.840) | (11.440) | (1.400) |
| Income taxes | (12.465) | (6.472) | (5.993) |
| **PROFIT/(LOSS) FOR THE YEAR** | **236.736** | **(77.963)** | **314.699** |
| ***Attributable to:*** | | | |
| Owners of the Parent | 241.468 | (75.802) | 317.270 |
| Non-controlling interests | (4.733) | (2.162) | 2.571 |
| **PROFIT/(LOSS) FOR THE YEAR** | **236.735** | **(77.964)** | **314.699** |

*The Statement of Profit or Loss shown above is a reclassified summarised version of the Consolidated Statement of Profit or Loss.*

1 "Production revenue" includes the following items: revenue from sales and services, internal work capitalised, other operating revenue and change in finished goods and work in progress.

2 "Consumption of raw materials and external services" includes the following items: raw materials and consumables, change in raw materials, consumables, supplies and goods, and other operating expenses not including other operating costs. This item is shown net of non-recurring expenses.

3 The "value added" is the sum of production revenue, consumption of raw materials and external services and other operating expenses.

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

5 "EBITDA" (Gross Operating Profit) is a financial indicator not defined in the IFRS, adopted by the Trevi Group starting from the consolidated Financial Statements at 31 December 2005. EBITDA is a measure used by TREVI's Management to monitor and measure the operating performance of the Group. Management believes that EBITDA is an important measurement of the Group performance insofar as it is not affected by the various factors used in determining taxable income, by the amount and nature of capital employed and by amortisation and depreciation 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 of property, plant and equipment, amortisation of intangible assets, provisions, impairment losses, financial income and expense and income taxes.

6 EBIT (Operating Profit/Loss) is a financial indicator not defined in the IFRS, adopted by the 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 the Trevi Group as Profit/Loss for the year, gross of financial income and expense and income taxes.

7 "Net financial income/(expense)" is the sum of the following Statement of Profit or Loss items: financial income and (financial expense).

With regard to the breakdown of total revenue by geographical segment, approximately 10% of Group revenue was generated in Italy; this marked a decrease of 16% compared to the previous year. Revenue generated in Europe rose 5% compared to the previous year amounting to Euro 115.8 million. The incidence of revenue achieved in the Middle East and Asia was down by 61%, going from Euro 138.3 million in 2019 to Euro 53.8 million in the current year. Therefore, the weighting of total revenue in this area was approximately 11%. There was also a 16% 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 8%. Revenue in North America totalled Euro 109.5 million (22% of total revenue). In the Far East and Oceania there was a decrease of approximately 8% compared to the previous year.

## Revenue by geographical segment and by business segment

(in thousands of Euro)

| Geographical segment | 31/12/2020 | % | 31/12/2019 | % | Changei | % |
|---|---|---|---|---|---|---|
| Italy | 48.676 | 10% | 58.091 | 9% | (9.415) | -16% |
| Europe | 115.810 | 24% | 110.172 | 18% | 5.638 | 5% |
| U.S.A. and Canada | 109.542 | 22% | 135.180 | 22% | (25.638) | -19% |
| Latin America | 31.371 | 6% | 34.154 | 5% | (2.783) | -8% |
| Africa | 36.710 | 7% | 43.746 | 7% | (7.036) | -16% |
| Middle East and Asia | 53.816 | 11% | 138.303 | 22% | (84.487) | -61% |
| Far East and Rest of the World | 95.390 | 19% | 103.559 | 17% | (8.169) | -8% |
| **Total revenue** | **491.315** | **100%** | **623.205** | **100%** | **(131.890)** | |

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

(in thousands of Euro)

| Activity | 31/12/2020 | % | 31/12/2019 | % | Change | % |
|---|---|---|---|---|---|---|
| Special foundation works | 377.627 | 76% | 417.227 | 67% | (39.600) | -9,49% |
| Manufacturing of special | 118.458 | 24% | 209.089 | 33% | (90.631) | -43,35% |
| Intradivisional eliminations and adjustments | (6.446) | | (11.847) | | 5.401 | |
| **Sub-Total of Foundations** | **489.639** | **100%** | **614.469** | **100%** | **(124.830)** | |
| **Parent** | **15.601** | | **32.446** | | **(16.845)** | |
| Intradivisional and Parent eliminations | (13.925) | | (23.710) | | 9.785 | |
| **TREVI GROUP** | **491.315** | | **623.205** | | **(131.890)** | |

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

## Consolidated Statement of Financial Position

(In thousands of Euro)

| | | 31/12/2020 | 31/12/2019 | Variazioni |
|---|---|---|---|---|
| **A)** | **Non-current assets** | | | |
| | - Property, plant and equipment | 191.079 | 231.545 | (40.466) |
| | - Intangible assets | 10.847 | 6.793 | 4.054 |
| | - Financial assets | 3.628 | 7.283 | (3.655) |
| | | **205.554** | **245.621** | **(40.067)** |
| **B)** | **Net working capital** | | | |
| | - Inventories | 138.381 | 160.227 | (21.846) |
| | - Trade receivables | 197.386 | 244.297 | (46.910) |
| | - Trade payables (-) | (100.471) | (170.096) | 69.625 |
| | - Payments on account | (16.665) | (24.753) | 8.087 |
| | - Other liabilities | (23.190) | (27.372) | 4.182 |
| | | **195.441** | **182.303** | **13.138** |
| **C)** | **Assets held for sale and liabilities associated with assets held for sale** | | **99.965** | **(99.965)** |
| **D)** | **Invested capital, less current liabilities (A+B+C)** | **400.995** | **527.889** | **(126.894)** |
| E) | Post-employment benefits (-) | (11.508) | (13.682) | 2.174 |
| **F)** | **NET INVESTED CAPITAL (D+E)** | **389.487** | **514.207** | **(124.720)** |
| | ***Financed by:*** | | | |
| G) | Equity/(Deficit) attributable to the owners of the parent | 123.359 | (219.090) | 342.449 |
| H) | Deficit attributable to non-controlling interests | (3.317) | (3.076) | (241) |
| **I)** | **Net financial debt** | **269.446** | **736.375** | **(466.929)** |
| L) | **TOTAL SOURCES OF FINANCING (G+H+I)** | **389.487** | **514.207** | **(124.720)** |

*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 at 31 December 2020 reflect the reclassification according to the provisions of IFRS 5.*

### Reconciliation of the reclassified Statement of Financial Position with the consolidated Financial Statements relating to the reclassification of contract work in progress

The scope of IFRS 15 relates to the accounting of contract work in progress in the financial statements of contractors. The standard requires that contract work in progress be expressed net of the relevant payments on account 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 payment on account received or lower.

Below is a reconciliation between the figures shown in the reclassified Statement of Financial Position that does not take into account the presentation required by IFRS 15 with respect to the Consolidated Financial Statements in which this effect is reflected.

| Net working capital | 31/12/2019 | Reclassification | 31/12/2019 reclassifiedo | 31/12/2020 | Reclassification | 31/12/2020 reclassified |
|---|---|---|---|---|---|---|
| - Inventories | 160.227 | (41.330) | 118.897 | 138.381 | (15.669) | 122.711 |
| - Trade receivables | 244.297 | 4.048 | 248.345 | 197.386 | 15.007 | 212.393 |
| - Trade payables (-) | (170.096) | 0 | (170.096) | (100.471) | 0 | (100.471) |
| - Payments on account (-) | (24.753) | 8.222 | (16.531) | (16.626) | 6.730 | (9.896) |
| - Other assets/(liabilities) | (27.372) | 29.060 | 1.688 | (23.229) | (6.068) | (29.297) |
| | **182.303** | **0** | **182.303** | **195.441** | **0** | **195.441** |

l

Net invested capital amounted to Euro 389.5 million at 31 December 2020 compared to Euro 514.2 million at 31 December 2019: the decrease of Euro 124.7 million is attributable to the divestment of the Oil & Gas Division and consequent zeroing of assets held for sale and liabilities associated with assets held for sale.

The Net Financial debt at 31 December 2020, compared with data at 31 December 2019 is shown in the following table:

## Consolidated Net Financial debt

(In thousands of Euro)

| | 31/12/2020 | 31/12/2019 | Variazioni |
|---|---|---|---|
| Short-term bank loans and borrowings | (194.176) | (553.193) | 359.017 |
| Short-term loans and borrowings from other financial backers | (71.483) | (238.316) | 166.833 |
| Current derivatives | 0 | (132) | 132 |
| Current financial assets | 3.675 | 10.977 | (7.302) |
| Short-term cash and cash equivalents | 69.810 | 77.709 | (7.899) |
| **Total short-term** | **(192.174)** | **(702.955)** | **510.781** |
| Medium/Long-term bank loans and borrowings | (8.234) | (7.656) | (578) |
| Medium/Long-term loans and borrowings from other financial backers | (79.237) | (25.764) | (53.473) |
| Securities at nominal value | | 0 | 0 |
| Non-current derivatives | 0 | 0 | 0 |
| **Total medium-long term** | **(87.471)** | **(33.420)** | **(54.051)** |
| **Net financial debt (Consob DEM/6064293 of 28/07/2006)** | **(279.645)** | **(736.375)** | **456.730** |
| | | | |
| Non-current financial assets | 10.198 | 1.353 | 8.845 |
| **Total net financial debt** | **(269.447)** | **(735.022)** | **465.575** |

At 31 December 2020, the total Net Financial debt was equal to approximately Euro 269.5 million, compared with the total Net Financial debt at 31 December 2019 equal to Euro 735 million, improving by Euro 465 million; the significant improvement is mainly attributable to the positive conclusion of the financial restructuring process and the capital increase which were completed by the end of May 2020.

As specified under paragraph "Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern", as a result of the failure to meet covenants relating to bank loans and borrowings under the Restructuring Agreement, in accordance with IFRS 9, these have been presented in the financial statements with a short-term maturity, although the original maturity date of 2024 remains unchanged.
Under the agreements reached with MEIL to which the Oil & Gas Division was sold on 31 March 2020, in the first days of April 2020 the Parent Trevifin provided a loan of Euro 10 million to MEIL Global Holdings BV, with three-year bullet repayment, with an interest rate of 2%.

# Performance of the year

## The market context

The 2020 financial year was heavily impacted by the spread of the Covid-19 pandemic at a global level from the first quarter of 2020. The global construction market, excluding China and India where the Group does not operate in the special foundations segment, was expected to grow by 2% in 2020 while due to the effects of the Coronavirus it declined by 5% (source IHS Markit - December 2019 - and Global Data - September 2020).

Covid-19 also caused negative impacts on the oil market. Especially in the first half of the year 2020, the economies of oil-producing countries were affected by the rapid decrease in both prices and demand for oil products; this phenomenon significantly reduced the spending capacity for new projects and infrastructure of both oil-producing countries and oil companies. It is estimated that investments by major companies have been reduced by 30% compared to 2019 and 28% compared to 2020 budgets (source IHS Markit and companies' budgets, restated by Boston Consulting Group-BCG).

In view of the rapid spread of the virus, many governments have progressively applied extraordinary measures to restrict the movement of goods and people and to close down factories and production activities, in addition to quarantine obligations. To cope with the economic crisis, numerous governments of the affected countries and various supranational entities have taken extraordinary measures to support household incomes, corporate liquidity and guarantee access to credit.
Despite the support measures enforced and those currently being prepared and implemented, the general trend of the Italian economy has been negative: according to estimates by the International Monetary Fund in January 2021, GDP, which in 2019 had grown by 0.3%, is expected to fall by 9.2% in 2020, while in 2021 there should be a recovery of 3.0%. It is expected that from the second half of 2021, thanks both to the vaccination plans being implemented in Italy, Europe and many countries around the world, and the plans to revive economies based mainly on public investment, the operating environment will become more favourable for the Trevi Group.
On 31 March 2020, the Oil & Gas Division of the Trevi Group was sold to the Indian Group MEIL as part of the more general capital strengthening and debt restructuring project, which is fully described in the paragraph "Divestment of the Oil & Gas Division".

## Order intake and order backlog

The Trevi Group's order intake in 2020 amounted to approximately Euro 425.4 million, compared to approximately Euro 503.5 million in the previous year, of which Euro 329.7 million related to the Trevi Division (approximately Euro 301 million in 2019) and Euro 102.7 million to the Soilmec Division (Euro 215.8 million in 2019), gross of intra-divisional orders.

The Trevi Group's order backlog at 31 December 2020 amounted to Euro 318 million (Euro 374.5 million at 31 December 2019). As regards the breakdown by Division, Euro 286.8 million refer to the Trevi Division (Euro 327.7 million at 31 December 2019), while Euro 31.2 million refer to the Soilmec Division (Euro 50 million at 31 December 2019).

## Investments

Gross investments in property, plant, and equipment by the Trevi Group in 2020 amounted to Euro 22.5 million, due to the acquisition of plant, machinery and equipment to be used mainly to support both the activities of the foundations segment and the rental activity carried out by the Soilmec division. Divestments amounted to Euro 17 million.

The Group also undertook a thorough review of the corporate cost structure and optimisation of business processes, in particular by launching IT projects for the preparation of consolidated financial statements and reporting on the Tagetik platform, as well as the implementation of the ERP SAP/4 Hana system, which includes the module for centralised treasury management. While the Tagetik platform and the centralised treasury module went live in 2020, the ERP SAP/4 Hana system is scheduled to go live in 2021.

## SEGMENT-BASED ANALYSIS

**Performance of the Parent**

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 2020 Separate Financial Statements, drawn up in accordance with IFRS-EU, closed with revenue from sales and services of Euro 13.9 million (Euro 27.2 million last year, resulting in a decrease of Euro 13.3 million), other revenue was equal to Euro 1.7 million (Euro 5.3 million last year, showing a decrease of Euro 3.6 million).

The operating loss (EBIT) was approximately Euro 0.6 million in 2020, compared with a loss of approximately Euro 0.1 million in 2019.

With regard to financial management, in 2020 no income was received from equity investments (similar to the previous year); financial income amounted to approximately Euro 281.9 million, mainly resulting from the effect of the Debt Restructuring Financial Manoeuvre (Euro 10.1 million in the previous year with an increase of Euro 271.8 million), of which interest income related to loans granted by the Parent to its subsidiaries was Euro 2.4 million in 2020 compared to Euro 9.9 million in 2019. Net financial income was also characterised by interest expense of approximately Euro 25.9 million (Euro 18 million recorded in 2019) and net exchange gains of Euro 0.7 million compared to net exchange losses of Euro 0.05 million in the previous year. Adjustments to financial assets were negative for approx. Euro 2.5 million.

The Parent therefore reported a profit before taxes of Euro 253.6 million in 2020, marking and improvement of Euro 273.3 million compared to 2019, when it had a loss of Euro 19.7 million.

Taxes amounted to Euro 4.3 million and the profit for the year amounted to approximately Euro 246 million (Euro 47.8 million was the loss in the previous year, an improvement of Euro 294.1 million).

With regards to non-current assets, investments of Euro 3.2 million were made, due to the purchase of IT licenses and application software.

The Parent, also following the results of the Impairment Test at 31 December 2020, recorded the following impairment losses on the investment in the subsidiary Soilmec S.p.A. for a total of Euro 1.18 million. For detailed comments on the individual items in the separate financial statements, reference should be made to the Notes to the separate Financial Statements of TREVI Finanziaria Industriale S.p.A.

The table at the end of this section provides a reconciliation of the profit for the year and the equity of the Group with the figures of the Parent (DEM/6064293 of 28 July 2006).

Further information regarding the composition of the Board of Directors and the Board of Statutory Auditors is given in other section of this Annual Report and in the Report on Corporate Governance.

**KEY FINANCIAL INDICATORS**

To date, to sum up, the Parent's main financial indicators are as follows:

(In thousands of Euro)

| | 31/12/2020 | 31/12/2019 | Delta |
|---|---|---|---|
| Revenue from sales and services | 13.906.209 | 27.177.528 | (13.271.319) |
| Other operating revenue | 1.694.623 | 5.268.732 | (3.574.109) |
| **Total revenue** | **15.600.832** | **32.446.260** | **(16.845.428)** |
| Value Added | 4.386.789 | 13.304.047 | (8.917.258) |
| % of Total Revenue | 28,12% | 41,00% | (12,88)% |
| **Gross Operating Profit (EBITDA)** | **298.782** | **5.574.761** | **(5.275.979)** |
| % of Total Revenue | 1,92% | 17,18% | |
| **Operating Loss (EBIT)** | **(642.756)** | **(131.591)** | **(511.164)** |
| % of Total Revenue | (4,12)% | (0,41)% | |
| **Profit/(loss) from continuing operations** | **249.257.784** | **(18.602.027)** | **267.859.810** |
| **% of Total Revenue** | **1597,72%** | **(57,33)%** | |
| Net investments | 3.181.254 | 387.370 | 2.793.883 |
| Net invested capital | 235.971.334 | 147.879.790 | 88.091.544 |
| **Net financial debt** | **107.439.611** | **416.512.337** | **(309.072.726)** |
| Equity/(Deficit) | 128.531.723 | (268.632.546) | 397.164.269 |
| Operating profit/(loss) / Net invested capital (ROI) | (0,27)% | (0,09)% | (0,18)% |
| Profit/(loss) / Equity (R.O.E.) | 193,93% | 6,92% | 187,00% |
| Operating profit/(loss) / Total Revenue (R.O.S.) | (4,12)% | (0,41)% | (3,71)% |
| Net financial position / Equity (Debt / Equity) | 83,59% | (155,05)% | 238,64% |

The following table shows reconciliation between Parent's equity and profit for the year and the Group's consolidated equity and profit for the year.

**RECONCILIATION OF THE EQUITY AND PROFIT FOR THE YEAR FROM THE PARENT'S SEPARATE FINANCIAL STATEMENTS WITH THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of Euro)

| | Equity at 31/12/2020 | Profit for the year |
|---|---|---|
| TREVI-Finanziaria Industriale S.p.A. | 128.532 | 249.258 |
| Difference in equity of consolidated equity investments and their carrying amount in the Separate Financial Statements of the Parent | 9.829 | 47.574 |
| Effect of elimination of impairment gains/(impairment losses) on consolidated investments, loans and dividends | 55.712 | 81.006 |
| Application of IFRS and other adjustments | (65.209) | (130.352) |
| Translation Difference | (21.990) | 0 |
| Elimination of intragroup profits and capital gains | 13.169 | 2.091 |
| Effect of applying IFRS 5 | 0 | (12.840) |
| **Equity and profit for the year** | **120.042** | **236.736** |
| **Equity and profit for the year attributable to non-controlling interests** | **(3.317)** | **(4.733)** |
| **Equity and profit for the year attributable to the Group** | **123.359** | **241.468** |

## Foundation Segment

# Trevi Division

Trevi Group's revenue for the financial year 2020 amounted to Euro 491.3 million, Euro 131.9 million lower than Euro 623.2 million for the year ended 31 December 2019.
The second half of the year was heterogeneous with an overall increase compared to the first half-year, due to a strong recovery in production activities in various areas of the world and the acquisition of new important projects. This was essentially due to a slowdown in the impact of the COVID-19 pandemic, which caused a sharp contraction in the first half of the year and, in some cases, the closure of many production activities, as well as suspending or slowing down work at many sites.

The second half of the year was marked by a variation of the geographical situation of the Trevi Division:

• Revenue in the European market, which is an important area for the Group's strategic development, was down compared to the previous half-year due to the completion of the Montecarlo and Frankfurt projects, only partially offset by the Drammen jobsite in Norway and other small job sites in Austria. Stand-by rates covering part of the jobsite costs incurred during the lockdown were obtained for some projects, together with the closure of some claims under negotiation since the beginning of the year. On an annual basis, revenue in Europe were slightly up compared to the previous year.

• In the Far East, activities continued in Hong Kong, where important contractual changes of the International Airport expansion project were obtained and implemented. In the Philippines, after a very strict stand-by period caused by the pandemic, job sites returned to full performance with production volumes significantly up on the previous quarters, confirming the previous year's volumes. Ground freezing activities are proceeding regularly in Australia for the Forrest Field Airport Link.

• In Africa, volumes were in line with the previous half-year, but down on the previous year, particularly in the Nigeria area, due to pandemic effects.

• In the Middle East, there is still a significant contraction in revenue, due, on the one hand, to the strong competition still present in the geographical segment, and, on the other, to the negative trend in the construction segment and the repercussions of the collapse in oil prices caused by the pandemic. The slight improvement in volumes in some countries was due to acquisitions in Kuwait and Abu Dhabi. As for this segment, it should be considered that production revenue of the previous year included the contribution of the Mosul contract in Iraq, completed in July 2019, which had generated revenue of about Euro 36.1 million.

• In South America, sales volumes continued to fall, particularly in Argentina, due to problems linked to the pandemic and the freeze on public investment. Inflation continued to plague the country, creating considerable difficulties in controlling costs and recognising contract tariff updates. The excellent performance of the Chacao project in Chile continued, whose completion is expected in the first half of 2021.

• On the other hand, a good increase in volumes was recorded in North America, which continues to be a market with great growth potential for the Foundations segment and that continues to guarantee important work acquisitions for the Group. Some important initiatives have been identified that allow being optimistic for the next few years.

A breakdown of the main orders acquired by the Trevi Division in the year under review is shown below by geographical segment:

• **Cut and Cover Tunnel and Soil Tunnel - Drammen Project**, in Norway, worth Euro 32.2 million, customer Veidekke Entreprenor AS: the contract covers consolidation and foundation works for the new railway tunnel in Drammen.

• **Semmering Basis Tunnel Project in Austria**, customer Arge SBT 1.1 Tunnel Gloggnitz, worth approx. Euro 5 million: penetration excavations in a fault zone at Semmering Base Tunnel Lot 1.1., up to a depth of 50 m.

• **Alte Akademie - Alte Akademie Immobilien - Germany** - worth approx. Euro 11.7 million: the project is part of the restoration works for a building built in the early 1950s in the centre of Munich, which will be renovated to build offices, shops and flats and turned into a shopping centre. The current level will be lowered to 12 m and will be secured by piles, jet grouting and anchors.

• **Works for the "Marcegaglia quay renovation" at the port of Ravenna**, commissioned by the Autorità di Sistema Portuale del Mare Adriatico Centro Settentrionale, worth Euro 8.6 million. The technologies used consist of: soil vibroflotation, driving of steel pilings, tie-rods. The expected duration is about one and a half years, with works starting from 2021.

• **Marcegaglia - General Warehouses - Ravenna Port Authority** - worth approx. Euro 5.5 million in addition to the one mentioned above.

• **High Speed Tunnel in Lonato (BS)**, Contracting Authority: Cepav Due, implementing body for the High Speed/High Capacity line of the Brescia East-Verona section, customer Seli Overseas S.p.A.: ground consolidation works by means of drilling and cement injections to protect the A4 Motorway and some buildings in correspondence with the excavation of the new High Speed tunnel in the Brescia East-Verona section, in Lonato (BS).

• **Kuwait University, with Kharafi,** worth approx. Euro 4.5 million: construction and maintenance of the 5C bidding package - Medical campus, bypasses and bridge works at the Sabah Salem university town of Kuwait University.

• **Mutla City - 550 Dissipation Wells - Kuwait** worth approx. Euro 2 million: excavations for the construction of rainwater drainage wells.

• **Hatta Pumped Storage Hydro Power Plant, STRABAG-OZKAR-ANDRITZ JV - UAE** worth Euro 2.3 million: a pumped storage hydro power plant located near the community of Hatta in the mountains south-east of Dubai.

• **Taiba Sheraton Madinah Al Munawara**, in Saudi Arabia, worth approx. Euro 2.5 million: the project involves retaining works to carry out vertical excavations, excavations and water removal to enable the construction of the basement, at the Sheraton hotel in Medina.

• **Contractual extensions of the Algiers Metro** with Cosider for approximately Euro 7.1 million.

• **North-South Commuter Railway Project (NSCR):** the project involves the construction of 22 km of elevated railway and 7 stations from Bocaue (Bulacan province) to Tutuban (Metro Manila); Trevi Philippines will carry out all the foundation works for a value of about Euro 21.0 million.

• **HK International Airport Contract 3206** with customer Penstone Hong Kong Limited in Hong Kong – with a value of approx. Euro 21.5 million.

• **Herbert Hoover Dike Contract - MATOC TO#4 with USACE:** the contract makes part of the rehabilitation project for the banks of Lake Okeechobee in Florida; worth Euro 31 million; duration approx. 2 years. The work is a continuation of the various works previously completed by Treviicos and consists of the installation of a cut-off wall that covers about 4 miles of embankment, with depths between 15 and 20 metres.

• **400 SUMMER STREET project - Boston, MA**, with J. DERENZO CO., worth Euro 11 million. The project covers the construction of the foundations of the new building for the New Biomedical Office.

• **In the Puente Chacao Project, customer Consorcio Puente Chacao SA in Chile**, changes were made for approx. Euro 8 million for the South Pier.

**ORDER BACKLOG**

Below is a description of the main contracts underway in the second half of 2020, broken down by geographical segment and project:

• **France: Metro Grand Paris**: Construction of diaphragm walls with hydromill, jet grouting and drilling & grouting for the new metro line of the Grand Paris Express - Trevi France is carrying out works inside lots 1601 (Eiffage GPT), 1602 (NGE Genie Civil) and 1701 (Groupment AVENIR with DEMATHIEU BARD).

• **UAE: Integrated Gas Development Expansion Project (IGD - E),** customer Target and ADNOC (Abu Dhabi National Oil Company). Piling works include pilot piles, static tests on permanent works, sonic and integrity tests, injections and micropiles.

• **Hong Kong: NL/2017/03 Tung Chun New Town Extension**

• **USA: Florida Herbert Hoover Dike 2 (MATOC):** the project, signed with USACE at the end of 2017 is part of the rehabilitation program of the banks of Lake Okeechobee in Florida.

• **Chile: Puente Chacao**: the project covers the construction of a bridge of about 2,750 meters that will connect the island of Chiloe with the mainland. Trevi Chile signed the contract for the execution of the bored piles relating to the Central Pile, North Pile and South Pile with related abutments (North and South). Piles vary from a minimum diameter of 1500 mm to a maximum of 2500 mm with depths up to 90 meters.

• **Algeria: Algiers Metro:** Various job orders relating to the foundation works of the underground sections of Lot 2 of Line 1 of the Algiers Metro, with Cosider.

• **Algeria: Rehabilitation works of the DJEBEL EL OUAHCH Tunnel in Constantine** with the customer Cosider, which includes consolidation injection works between the two passageways of the tunnel forming part of the East-West motorway.

## Soilmec Division

With reference to the Soilmec Division, the impact of Covid-19 was significant on job sites and on the investment propensity of customers, due to the continuing climate of uncertainty. Order intake was not sufficient to realign sales volumes with pre-pandemic levels. The supply chain recovered good continuity and punctuality of deliveries, allowing continuity of the production process and minimising disruption to the market. In order to limit the economic and financial impact of the above, in the fourth quarter extraordinary measures continued to be adopted to contain costs (government-sponsored layoffs in Italian offices, use of similar instruments available in foreign countries) and investments. Customer support activities remained intense in terms of product customisations or adaptations in order to seize every order acquisition opportunity available on the market. The 2020 revenue in Europe and North America was in line with the amounts achieved in 2019, while a significant reduction was recorded in the Middle and Far East as well as in Latin America. In December 2019, 80% of the share capital of the US company Watson Inc. was sold, which contributed, in 2019, with approximately Euro 29 million of revenue.

A breakdown of the main orders received is shown below by geographical segment:

- Supply of piling rigs in Egypt for approximately Euro 5 million.
- Orders acquired in UK for the HS2 project amounting approximately to Euro 5 million.

**Other Companies**

## Oil&Gas Division

The sale of the Group companies operating in the Oil & Gas segment (the "Oil & Gas Division") took place on 31 March 2020, therefore for the first three months of 2020 the results of the Division were consolidated in the results of the Trevi Group, while adopting IFRS 5. Net loss from assets held for sale of the Oil and Gas Division amounted to Euro 12.8 million.

**Other Companies**

## TREVI Energy S.p.A.

The company, incorporated on 16 July 2007 to design, engineer and develop industrial plants for the production of electricity from renewable sources, in particular wind power, and to design and build wind turbines, was put into voluntary liquidation in 2020, appointing Elisa Monari as liquidator.

**Group transactions with unconsolidated subsidiaries, associates, parents, subsidiaries of parents and with other related parties**

The Trevi Group has limited transactions with SOFITRE S.r.l., (see note 36 of the Notes to the Consolidated 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. These transactions did not give rise to revenue or costs for the Trevi Group in the year and, at 31 December 2020, gave rise to receivables of Euro 620 thousand, net of the related loss allowance, and payables of Euro 0 thousand.

The sales conditions applied by the related parties are in line with normal market conditions. There are no receivables, payables, revenue or costs with the former ultimate parent Trevi Holding SE (also "THSE") or its parent I.F.I.T. S.r.l. and transactions with unconsolidated subsidiaries and associates described in note (36) of the consolidated financial statements are marginal.

In December 2020 - after the authorisation process had begun in September 2019 - the definition of an operation concerning an agreement to enter into a transaction with the shareholder THSE and its exponents was finally submitted with a favourable outcome to the Parent's Related Party Transactions Committee and subsequently to its Board of Directors, which includes the following commitments for the Issuer:

1) a settlement in favour of Davide and Gianluigi Trevisani, former Directors of the Parent, for a total gross amount of Euro3 million, to be paid in 60 equal monthly instalments, in return for the commitments of THSE and its representatives to reach the completion of the Restructuring Manoeuvre implemented by the Trevi Group, avoiding any disputes that could hinder or delay it.

2) purchase by the Group, for an amount of Euro 1,500,000, of 60% of the capital of Parcheggi S.p.A., a company operating in the management of car parks, as well as technologies for the construction and management of these car parks, covered by intellectual property, it being understood that:

(a) the purchase must be completed on a debt and cash free basis, subject to the cash initially required to ensure operations;

(b) the purchase must relate exclusively to the management and servicing activities of Parcheggi S.p.A. with the exclusion of the transfer of ownership of any parking spaces or other assets that shall be deducted from Parcheggi S.p.A. prior to the sale;

(c) subject to the transfer of 60% of the capital of Parcheggi

S.p.A., and to the occurrence of the condition precedent of the permanence of certain relevant contracts, THSE, on the one hand, and the Parent, on the other hand, undertook, respectively, to sell and purchase the Non-controlling interest of 40% within 24 (twenty-four) months from the date of the future purchase of 60% for an amount equal to Euro 1,000,000;

3) purchase by the Parent, for an amount of Euro 2,050,000, of 100% of the ownership of a plot of land located in San Andrea in Bagnolo in Cesena of about 350,000 square metres and currently owned by the Related Party Sofitre S.r.l., a company related to THSE, it being understood that the consideration will be paid for an amount corresponding to approximately 50% of the purchase price - Euro 1,049,000 - and, as regards the remaining 50% - Euro 1,001,000 - through the offsetting of receivables due to group companies Trevi S.p.A. and Soilmec S.p.A. from the subsidiaries of THSE, Sofitre S.r.l. and Roma Park S.r.l..

## Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern

***Overview***

This section aims at: (i) examining the correct application of the going concern assumption to the financial statements (separate and consolidated) for the 2020 financial year of the Parent and the Group (as defined below) in the light of the financial position, financial performance and cash flows and other circumstances that may be relevant in this regard; and (ii) identifying current uncertainties, including the assessment of their relevance and the probability that they can be overcome, taking into consideration the measures put in place by Management and additional mitigation factors.

In particular, the following three areas of risk have been identified, all of which are analysed later in this section: (a) the failure to comply with the contractual clauses set out in the Restructuring Agreement (as defined below) and the possible consequences arising from this circumstance, also in light of the relationships with the Lending Banks (as defined below); (b) the risks, if any, associated with the Group's liquidity for a period of at least 12 months from the date of these financial statements; and (c) the risk arising from any failure to achieve the recovery goals, as set out in the Updated Consolidated Plan (as defined below).

In order to provide a detailed description of the specific risk areas in which the Parent's going concern has been verified, it should first be noted that the Parent and the Group have faced a complex process of economic and financial recovery in the past years, which ended in the first half of 2020, due to some difficulties and uncertainties that arose starting from the 2017 financial year. It is therefore worth briefly recapping the main steps of this process to date.

***Short overview of the most significant events up to the date of this report***

• In order to overcome the serious situation of economic and financial tension that affected the Parent and the Group it heads *(the* ***"Trevi Group"*** *or the* ***"Group"****)*, starting from 2017, the Parent initiated a process of recapitalisation and restructuring of the Group's financial debt to be implemented as part of an agreement pursuant to Art. 182-bis of the Italian Bankruptcy Law *(as defined below)*, which involved, on the one hand, the financial creditors of the Trevi Group and, on the other, its main shareholders.

• The final financial manoeuvre relating to the transaction mentioned above was approved by the Board of Directors of the Parent on 8 May 2019 and following some amendments and integrations, on 17 July 2019. This manoeuvre was based on a business and financial plan relating to the Trevi Group for the period 2018-2022 *(the* ***"Original Consolidated Plan"****)* - drawn up during the 2018 and 2019 financial years - which was approved, in its final version, by the Parent's Board of Directors on 2 August 2019. In summary, this manoeuvre provided for:

**i)** a maximum capital increase of Euro 193.1 million, of which: **(a)** Euro 130,001,189.07 to be paid in one instalment and against consideration, to be offered with right of first refusal to the Parent's shareholders pursuant to Art. 2441, paragraph 1 of Italian Civil Code, at a subscription price per share of Euro 0.01 *(considering the reverse split implemented on 18 November 2019) (****"Right of First Refusal Increase"****)*; and **(b)** a further amount of Euro 63,137,242.00, to be paid in one instalment up to the amount of Euro 10,593,896.00, reserved to the Lending Banks and to be executed by converting receivables at a conversion ratio of 4.5 times the issue price *(the* ***"Capital Increase by Conversion"*** *and together with the Right of First Refusal Increase, the* ***"Capital Increase"****)*. The Right of First Refusal Increase was entirely guaranteed as follows: *(A)* about Euro 77.4 million by the subscription commitments undertaken by the shareholders FSI Investimenti S.p.A. *(****"FSI"****)* and Polaris Capital Management LLC *(****"Polaris"*** *and, along with FSI, the* ***" Institutional Shareholders"****)*; and *(B)* the remaining part of about Euro 52.6 million by the subscription commitments undertaken by the Lending Banks by converting receivables for a total amount of Euro 284.1 million, it being understood that, if the Right of First Refusal Increase had to be subscribed by the Lending Banks by converting their receivables, this would have resulted in a consequent reduction of the amount to be subscribed under the Capital Increase by Conversion, for an amount equal to that used to subscribe for the Right of First Refusal Increase;

**ii)** the divestment of Drillmec S.p.A., Petreven S.p.A. and of all the companies at the time belonging to the Trevi Group and operating in the Oil & Gas Segment *(the **"Oil & Gas Divestment"**)* in favour of the Indian group headed by Megha Engineering & Infrastructures Ltd., a leading Indian operator in the infrastructure sector *(**"MEIL"**)*, among the leaders of the industry. The proceeds of this divestment would have been used to repay part of the indebtedness of the companies in the Oil & Gas Division, while the remaining part of this indebtedness would have been taken over by Trevifin and used to subscribe to the Capital Increase by Conversion or rescheduled consistently with the debt subject to the restructuring referred to in point (v) below;

**iii)** in the event of failure to subscribe in full the portion of Right of First Refusal Increase, any grant and disbursement in favour of Trevi S.p.A. *(**"Trevi"**)* and Soilmec S.p.A. *(**"Soilmec"** and, along with Trevifin and Trevi, the **"Proposing Companies"**)* 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 Right of First Refusal Increase 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 had to be further deducted *(the **"New Loan"**)*. Of the above loan, Euro 12 million was paid during the period between the filing of the appeal pursuant to Art. 182 of Italian Bankruptcy Law and the date on which the decree approving the Restructuring Agreement was finalised (as defined below) (and, therefore, following the authorisation by the competent Court pursuant to of Article 182 quinquies, paragraph 1, of Italian Bankruptcy Law). The remaining part of this New Loan, which in consideration of the criteria set forth in the related loan agreement amounted to Euro 878,866.00, was disbursed subsequent to the execution of the Capital Increase on 31 July 2020;

**iv)** the consolidation and rescheduling of the bank debt that will have final maturity date and related balloon repayment at 31 December 2024, except in cases of mandatory early repayment, and the amendment of the relevant terms and conditions;

**v)** the confirmation of the existing lines of credit and the granting of new unsecured lines of credit 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 Bankruptcy Law, subject to obtaining authorisation from the competent Court;

**vi)** 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 (i) 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

**vii)** the rescheduling until 31 December 2024 and the amendment of the related terms and conditions of the bond issue called "Trevi-Finanziaria Industriale S.p.A. 5.25% 2014 – 2019" issued by Trevifin in 2014 for Euro 50 million (the "Bond Issue"), already approved by the Bondholders' meeting on 2 May 2019.

• On 5 August 2019, agreements were signed for the implementation of the overall Trevifin recapitalisation and debt restructuring of the Trevi Group and more specifically:

**i)** the Debt Restructuring Agreement *(the "**Restructuring Agreement"**)* signed, inter alios, by the Parent, Trevi and Soilmec, on the one hand, and by the Lending Banks of the Trevi Group *(the **"Lending Banks"**)*, on the other, to be submitted to the Court for approval pursuant to Article 182-bis of the Italian Royal Decree No. 267 of 16 March 1942, *(the **"Italian Bankruptcy Law"** or **"IBL"**)*, as well as further agreements with other financial creditors, also subject to approval pursuant to the same article 182-bis of the IBL *(the **"Further Agreements"**)*, aimed at regulating the restructuring of the financial debt of the Trevi Group;

**ii)** the share purchase agreement signed by Trevifin, its subsidiaries Trevi, Soilmec and Trevi Holding USA

Corporation, on the one hand, and MEIL Global Holdings B.V., a company incorporated under the Dutch law directly controlled by MEIL, on the other hand, aimed at regulating the Oil & Gas Divestment (the "SPA");

**iii)** the Investment Agreement pursuant to which the Institutional Shareholders committed to subscribe shares for approximately Euro 77.4 million in relation to the Right of First Refusal Increase; and

***iv)*** the loan agreement, with which some Lending Banks undertook to grant a new loan to Trevi S.p.A. and Soilmec S.p.A.

• On 8 August 2019, the Restructuring Agreement and Further Agreements were filed with the Court of Forlì, competent for the purpose of requesting their approval pursuant to Article 182-bis of the IBL, as well as the approval pursuant Art. 182-quinquies, first paragraph of the IBL to take out pre-deductible loans at a time prior to approval.

• With provisions of 2 October 2019, the Court of Forlì granted the authorisation pursuant to Article 182-quinquies of the IBL, for the disbursement by some of Lending Banks of a new loan 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 Court of Forlì on the same date also authorised the granting to Trevifin, pursuant to Article 182-quinquies of the IBL, of a new interim loan 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 Agreement and Further Agreements. Trevifin and its subsidiaries Trevi S.p.A. and Soilmec S.p.A. 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 and of Further Agreements was accepted.

• 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 and Further Agreements, considering the reasons advanced by the claimants well founded, and therefore it approved the said Agreements.

• On 11 March 2020, the World Health Organisation declared Covid-19 a 'pandemic'. In response to this declaration, both the Italian Government and the majority of governments of European and non-European countries implemented actions aimed at containing and preventing the spread of the pandemic, including the temporary closure of commercial and production activities and the restriction of travel both within the country and from/to outside *(the so-called lockdown)*.

• On 31 March 2020 - following the completion of the so-called first closing on 28 February 2020 - the sale of the Oil & Gas Division of the Trevi Group to MEIL Global Holdings B.V. was successfully completed. Specifically, pursuant to the SPA., the entire share capital of Drillmec S.p.A., Drillmec Inc. and Petreven S.p.A. was transferred to the MEIL Group, for a debt-free consideration of approximately Euro 116.4 million. Part of the price paid by the 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 over by the Parent for approximately Euro 107.2 million, in accordance with the Restructuring Agreement. In addition, a portion of the price, equal to Euro 14 million, was used, in accordance with the agreements entered into with the MEIL Group, to establish a time deposit *(the so-called "Escrow Amount")* to guarantee any compensation obligations that may arise subsequent to the closing of the transaction.

• On 29 April 2020, the Lending Banks, through the agent, confirmed that all the conditions precedent provided for in the Restructuring Agreement had been met, and that therefore the Agreement had to be considered fully effective in all its provisions. Through this communication, the banks also confirmed the commitments to subscribe and pay up the Capital Increase undertaken by them under the Restructuring Agreement.

• On 29 May 2020, Trevifin announced that the Capital Increase was successfully completed, in the context of 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 the 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 (about Euro 77.4 million referred to Institutional Shareholders) through cash payment 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; and
- the tranche of Capital Increase by Conversion 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 Parent to the same banks, at the same conversion ratio of 4.5:1.

• On 29 June 2020, the Board of Directors of Trevifin, despite the uncertainties relating to the actual implementation of the Original Consolidated Plan, approved the consolidated results at 31 December 2019 on a going concern basis in relation to the following elements:

**i)** the acceptance of the complaint filed against the rejection measure adopted by the Court of Forlì to obtain the approval of the Restructuring Agreement and Further Agreements, as well as the consequent approval of the same by decree of the Court of Appeal of Bologna on 10 January 2020;

**ii)** the completion of the sale of the Oil & Gas Division of the Trevi Group to MEIL Global Holdings BV on 31 March 2020;

**iii)** the effectiveness of the Restructuring Agreement and Further Agreements on 29 April 2020, following the occurrence of all the conditions precedent therein, with the resulting rescheduling of the financial debt of the Group pursuant to the terms therein provided for;

**iv)** the completion on 29 May 2020 of the Trevifin Capital Increase, in the context of which 15,083,921,496 newly issued ordinary shares of the Parent were subscribed, for a total amount of Euro 150,839,214.96; and

**v)** finally, with reference to the uncertainty factors associated with the Original Consolidated Plan, it should be noted that the said Plan was drawn up with the assistance of leading industrial and financial advisors. The Plan was examined several times by the Board of Directors and was certified by the expert appointed pursuant to Art. 182-bis of the IBL and approved by the Court of Appeal of Bologna.

• On 22 September 2020, the Trevifin's Board of Directors approved the consolidated half-year results at 30 June 2020 on a going concern basis in relation to the following elements:

**i)** following the execution of Trevifin's capital strengthening and restructuring of the Group's financial debt:
- the Parent's equity went from a deficit of Euro 268.6 million at 31 December 2019 to equity of Euro 124.0 million at 30 June 2020, allowing the situation pursuant to Article 2447 of the Italian Civil Code to be overcome;
- the Group's net financial debt decreased from approximately Euro 736 million at 31 December 2019 to approximately Euro 251 million at 30 June 2020; and
- the residual debt of the Group was almost entirely rescheduled (Euro 337.8 million compared to Euro 349.8 million), providing for a bullet repayment at 31 December 2024, and the amendment of the related terms and conditions;

**ii)** the first half of 2020 ended in line with the most updated forecasts included in the prospectus relating to the Capital Increase and the forecasts for the current year are in line with those prepared by Management at the beginning of the Covid-19 pandemic;
iii) the Board of Directors examined the forecasts for the recovery of the Construction segment in the various economies in which the Group operates, deeming that there are various opportunities for new contracts for the Group;

**iv)** many governments in many countries with developed and emerging economies, after having protected their socio-economic system with lockdown initiatives and limiting the circulation of people and goods, adopted tools to support the various economic systems, with expansive fiscal policies, making liquidity available to households and businesses, and by preparing economic recovery plans often based on infrastructure investments. Therefore, although for 2020 the scenario regarding the Covid-19 pandemic was such that the expected impacts on the Construction market in 2020 were considered significant, particularly in the first half, and the growth estimates of the Construction market for 2020 were revised downwards in line with the prospects for a contraction in global GDP over the course of the year, the forecast of recovery of this market in the course of 2021 remained confirmed, based on the expected government investments to support the economy *(i.e., the US plan of USD 2 trillion)*, which is expected to see construction as one of the key segments for the revival;

**v)** with regard to the Original Consolidated Plan, despite the physiological factors of uncertainty linked to its complete implementation *(also due to external factors that were not predictable at the time of its preparation such as Covid-19 pandemic),* it was drawn up with the help of leading industrial and financial advisors, and was examined several times by the Board of Directors, as well as a certificated by the expert appointed pursuant to Article 182-bis of the IBL and approved by the Court of Appeal of Bologna.

• On 31 January 2021, the Parent announced to the market that, based on preliminary information available at that date in relation to the 2020 performance - also affected by the Covid-19 pandemic's effects on the worldwide economy, which conditioned the business of the Group -, it was possible to foresee that, at the time of approval of the consolidated financial statements of the Trevi Group, one of the financial parameters set out in the Restructuring Agreement, namely the ratio of consolidated net financial debt and recurring EBITDA, would not be met.

- On 24 February 2021, Trevifin informed the market about the start of discussions with the Lending Banks aimed at identifying the amendments to the existing agreements necessary to deal with the foreseeable failure to comply with one of the financial parameters set out in the Restructuring Agreement, at the approval of the consolidated financial statements for the year 2020. The Parent also communicated that, based on the preliminary information available at that date relating to the performance for the year 2020 and further analyses then underway on the Parent's outlook in the current market context, strongly affected by the spread of the Covid-19 pandemic, a general slowdown emerged in the achievement of the objectives identified in the Original Consolidated Plan, which did not seem to be entirely achievable within the time frame taken into account. In consideration of the above, in the discussions initiated with the Lending Banks, the Parent envisaged both the granting of the usual waivers and changes to the financial parameters originally set in the Restructuring Agreement, as well as the recalculation of some due dates scheduled for the current year relating to some exposures.

Events subsequent to those listed above and further actions taken by Management in the meantime will be dealt with later in this section, with reference to the specific risk areas to which they refer

**Main risks and uncertainties to which the Trevi Group is exposed**

The current conditions of the markets in which the Trevi Group operates, related to the Group's complex situation, required Management to carry out particularly accurate assessments with reference to the going concern assumption.

Specifically, at the time of the approval of the 2020 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 was taken into account, relating at least - without limitation - to 12 months following the reference date of the consolidated financial statements at 31 December 2020. Significant risk indicators that may raise doubts about the ability of the Group to continue to operate on a going concern basis were taken into account. It should be noted that, in the case of Trevifin and the Trevi Group, the risk indicators to be assessed with particular attention are those falling within the financial area and, especially, those related to the compliance with the Restructuring Agreement and the achievement of the Group's recovery goals through the Original Consolidated Plan and the agreements signed in 2019, which were implemented during the 2020 financial year.

In order to clear up any misunderstandings, it should be noted that, as stated in the previous section, the transactions that made up the financial manoeuvre envisaged in the Restructuring Agreement were carried out in full in accordance with the provisions of the original agreements, and this allowed the Parent and the Trevi Group to immediately rebalance their financial position, financial performance and cash flows with respect to the previous crisis situation that had required the signing of the Restructuring Agreement.

This is confirmed by the fact that the Trevi Group, in spite of the significant delays in the approval and, consequently, in the subsequent implementation of the Restructuring Agreement and the underlying plan (which also led to higher costs for the Parent and lower margins) and in spite of the subsequent outbreak of the Covid-19 pandemic right around the time of completion of the Capital Increase (which, in all likelihood, had a negative impact on its full success), managed to achieve results consistent with the prudential scenarios that Management had drawn up in order to verify the continued viability of the plan (included in the prospectus relating to the Capital Increase), and to comply with the financial parameters set out in the Restructuring Agreement at the verification date of 30 June 2020. However, the continuation of the pandemic, with the second wave of the spread of the virus, the progressively stricter restrictive measures that states and companies were forced to adopt in the course of 2020 (restrictions on the movement of people and goods, closure of factories, safety measures, etc.), the resulting contraction of investments at international level and the significant delays in the acquisition of new orders and in the execution of certain projects underway and/or to be acquired, as well as the occurrence of certain additional events (such as the cancellation or non-acquisition of certain orders) negatively affected the Group's results, especially in the second half of 2020, leading to a worsening of all the main indicators (turnover, EBITDA and Net Financial Position) compared to the forecasts of the Original Consolidated Plan for the same period and a lower net cash generation, although with a financial performance in line with the prudential scenarios developed by management and included in the prospectus relating to the Capital Increase. Uncertainties regarding the Trevi Group's ability to continue as a going concern, as well as assessments of the likelihood that they will be overcome, should therefore be framed in this context and analysed in the light of the consequences that such circumstances have had and/or may have on the recovery process and, in general, on the Trevi Group's business.

In particular, the aforementioned deviations from the Original Consolidated Plan, particularly in the second half of 2020, led on the one hand to the failure to meet the financial parameters set out in the Restructuring Agreement and, on the other, to the need to update the objectives of the aforementioned plan - again in accordance with the original strategic guidelines - and to revise the forecasts for the coming years, through the approval by the Parent's Board of Directors on 23 April 2021 of a new business plan for the period 2021-2024 (the "Updated Consolidated Plan"). In particular, this plan envisages lower levels of both revenue and EBITDA compared to the Original Consolidated Plan, as well as lower cash generation and, consequently, a permanently higher Net Financial Debt. The table below shows a comparison between forecasts of the Original Consolidated Plan and those of the Updated Consolidated Plan:

*(in thousands of Euro)*

| MANAGEMENT PLAN 2021-2024<br>Business plan 2021-21 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| Revenue | 525 | 574 | 619 | 680 |
| Recurring EBITDA (*) | 54 | 69 | 81 | 96 |
| Net financial debt (**) | 276 | 278 | 253 | 224 |

(*) before non-recurring income and expense and applying IFRS 16

(**) includes the application of IFRS 16

*(in thousands of Euro)*

| CERTIFIED PLAN 2019-2022<br>Business plan 2019-22 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Revenue | 724 | 747 | 783 | - | - |
| EBITDA (**) | 73 | 84 | 92 | - | - |
| Net financial debt (**) | 183 | 134 | 93 | - | - |

(**) these revisions did not include the application of IFRS 16 and recognised the capital increase of the Financial Manoeuvre executed in 2019 and 100% subscribed against consideration.

As shown in the above comparison table, the Updated Consolidated Plan takes into account the 2021-2024 period as a time frame, compared to the Original Consolidated Plan that considered the 2019-2022 period. This time frame is in line with the main financial debt due dates set out in the Restructuring Agreement and in the agreements with the financial creditors of the Trevi Group. This circumstance clearly implies that the achievement of the Trevi Group's recovery goals, which, under the Original Consolidated Plan, were envisaged for the end of the financial year 2022, should be assessed in the context of the Updated Consolidated Plan over a longer time horizon.

More specifically, the deviations observed with respect to the Original Consolidated Plan, and the consequent need to prepare and approve the Updated Consolidated Plan, have the following consequences, each of which will be analysed below, in order to assess whether this circumstance represents an uncertainty with respect to the Parent's ability to continue as a going concern, and whether this uncertainty can be overcome, also by means of actions taken by Management:

**(i)** the non-compliance with certain obligations of the Restructuring Agreement and the need to request certain amendments to the same Restructuring Agreement to the Lending Banks. On this point, further details are provided in the following Paragraph;

**(ii)** the risk that the cash generation profile of the Updated Consolidated Plan, which remains at a lower level than that of the Original Consolidated Plan, could give rise to cash flow problems that would make it impossible for the Group to operate normally; and

**(iii)** the risk that the Group may not be able to achieve the objectives of the Updated Consolidated Plan, and the consequent definitive rebalancing of its financial position and financial performance
in essere dal management:

The following paragraphs set forth the considerations made by the Board of Directors regarding the going concern assumption in light of these issues.

### Non-compliance with the obligations of the Restructuring Agreement and the requests for amendments made to the Lending Banks

With reference to the Restructuring Agreement, the consequences of the overall situation in which the Trevi Group finds itself as a result of the deviations from the Original Consolidated Plan can be summarised as follows.

**A. Breach of financial parameters at 31 December 2020:** based on the results for the 2020 financial year, as reflected in the relevant consolidated financial statements, the Trevi Group is unable to meet the financial parameters set out in the Restructuring Agreement for the verification date of 31 December 2020. In particular, according to the Restructuring Agreement, at the verification date falling on 31 December 2020, the Proposing Companies should have met the following financial parameters:

- Consolidated Net Financial Debt / EBITDA lower than or equal to 4.5x (***"Leverage Ratio"***); and
- Consolidated Net Financial Debt / Consolidated Equity lower than or equal to 1.8x (*"**Debt/Equity Ratio"***).

In light of the results of the financial statements at 31 December 2020, these financial parameters were not met and, specifically: **(a)** the Leverage Ratio was 5.36x; and **(b)** the Debt/Equity Ratio was 2.24x. This circumstance implies the following possible consequences, which constitute risks for the Parent's ability to continue as a going concern: **(i)** the formal declaration by the Lending Banks of the occurrence of a "Significant Event" under the Restructuring Agreement, and the consequent implementation of the remedies contractually provided for, including the acceleration clause in relation to the financial debt covered by the Restructuring Agreement, and the request for immediate early repayment of such debt; **(ii)** the interruption by the Lending Banks of the short-term cash lines of credit provided for in the Restructuring Agreement, thereby terminating the necessary financial support to the Group; and **(iii)** the interruption by the Lending Banks of the unsecured lines of credit required by the Group in connection with the related contracts. The foregoing requires a formal undertaking by the Lending Banks not to avail themselves of any of such remedies and a waiver of the exercise thereof as a consequence of such breaches;

**B. Need to update the financial parameters for the subsequent verification dates**: the forecasts of the Updated Consolidated Plan indicate that, in all likelihood, the Proposing Companies will not be able to comply with the financial parameters provided for in the Restructuring Agreement also at the subsequent verification dates. The financial parameters that were included in the Restructuring Agreement, and that the Proposing Companies undertook to meet at each verification date falling on 30 June and 31 December of each year, were based on the forecasts of the Original Consolidated Plan which, as mentioned above, are to be considered outdated in light of the results achieved by the Group, which show a worsening trend compared to the original forecasts. Failure to meet the forecast financial parameters at the subsequent verification dates would constitute a "Significant Event" under the terms of the Restructuring Agreement and would entail the consequences described in paragraph A above, exposing the Parent and the Trevi Group to the related uncertainties regarding the ability to continue as a going concern. This implies the need to provide for financial parameters that are revised and aligned with respect to the provisions of the Updated Consolidated Plan and, to this end, it is necessary to request the Lending Banks to give their consent to the amendments made to the Restructuring Agreement aimed at (a) acknowledging, on the one hand, the occurrence of deviations from the Original Consolidated Plan requiring the preparation and approval of the Updated Consolidated Plan; and (b) providing for new financial parameters, modified in order to make them consistent with the Updated Consolidated Plan;

**C. Need to reschedule certain financial due dates:** as mentioned, the deviations from the Original Consolidated Plan, also resulting from the consequences of the Covid-19 pandemic, imply a constant decrease in cash and cash equivalents compared to the Original Consolidated Plan during the two-year period 2021-2022, with particular reference to the first half of 2021. Although the Restructuring Agreement envisages that most of the financial indebtedness towards the banks that are parties to the Restructuring Agreement is to be repaid via bullet payments at 31 December 2024, there are a number of financial due dates over the next 12 months that, if the Proposing Companies were to make the relevant payments, could create cash flow tensions and jeopardise the Group's ability to meet the financial needs of the business. More specifically, the Restructuring Agreement provides for: (a) the obligation to repay, within the twelfth month from the so-called Conversion Date, i.e. 29 May 2021, certain outstanding amounts that had been rescheduled at the time of signing the Restructuring Agreement, in an amount equal to approx. Euro 19.2 million (the so-called "Rescheduled Outstanding Amounts"); (b) the obligation to repay the instalments of the so-called New Loan granted under the Restructuring Agreement falling due on 30 June and 31 December 2021, for a total amount of approx. Euro 1.9 million. Failure to repay these amounts would constitute a "Significant Event" under the Restructuring Agreement, and could result in consequences similar to those described in points (i) and (ii) of Paragraph A. above, and the Lending Banks could exercise the remedies described above. This clearly represents a further element of uncertainty to be taken into account with respect to the ability to continue as a going concern, and makes it necessary to ask the Lending Banks to suspend the aforementioned repayment obligations and reschedule them to a date that is consistent with the cash flows provided for in the Updated Consolidated Plan. In addition, the Restructuring Agreement provides that, in the event that the Escrow Amount (that constitutes a time deposit to guarantee any compensation obligations arising from the contracts relating to the Oil & Gas Divestment) is released, such amount must be allocated to early repayment to some Lending Banks *(i.e., receivables due to the banks from the companies that were part of the Oil & Gas Division*).

As for the circumstances described above, reference should be made to the specific considerations set out below in order to assess whether or not the relevant uncertainty arising therefrom can be considered to have been definitively overcome.

**Risks relating to liquidity trends over the next 12 months.**

An element that has been assessed with particular attention, in light of the lower cash generation foreseen in the Updated Consolidated Plan, is the suitability of the cash levels foreseen in the next 12 months to guarantee the ordinary operations of the Group, the financing of the relevant contracts and the regular payment of suppliers. For the sake of clarity, in light of the overall situation, it seems unlikely that the Group would be granted new cash lines of credit not provided for in the Original Consolidated Plan. The Group should therefore be able to meet its financial needs exclusively through the use of existing lines of credit for the financing of working capital and through the cash flows deriving from its ordinary activities, with the sole exception of the possible use of lines of credit for the non-recourse factoring of receivables included in the financial debt allowed under the Restructuring Agreement.

Obviously, this aspect is central to the evaluation of the going concern assumption, and makes it necessary to carefully assess the cash flow forecasts for the next 12 months to ensure that, based on the forecasts prepared by Management, the cash flows deriving from the business are reasonably suitable to sustain the Group's from time to time without recourse to new lines of credit, and without causing foreseeable situations of cash flow tension.

To this end, Management developed a forecast of the Group's cash inflows and outflows that can be expected until March 2022, from which a reasonable expectation of a positive Group cash position until then has emerged.

**Risks related to the failure to achieve the objectives of financial rebalancing**

More in general, a risk factor on which Management particularly focused is represented by the circumstance that, as mentioned above, the original Consolidated Plan envisaged the achievement of certain financial targets that were considered suitable to allow the definitive financial rebalancing and recovery of the Group.

The deviations found with respect to the Original Consolidated Plan have made it no longer current and have made it necessary to prepare and approve the Updated Consolidated Plan. It was therefore necessary to assess with particular attention whether, based on the forecasts of the Updated Consolidated Plan, the recovery goals are still achievable by the Trevi Group, albeit with a longer timeframe. In particular, the Group's performance in the first months of the year in terms of order intake, revenue and backlog was in line with the forecasts of the first year of the Updated Consolidated Plan. In this regard, in March 2021 the backlog, which had been decreasing from July 2020 to February 2021, reversed its trend and increased by 5% in March 2021 thanks to new orders acquired.

**Analyses carried out on the risks and uncertainties to which the Group is exposed, and the measures implemented by Management in order to deal with them**

In light of the above, the Board of Directors duly requested and obtained the information necessary to analyse the circumstances described above, in order to assess whether such circumstances actually represent elements that may constitute significant uncertainties with respect to the going concern assumption and whether such uncertainties may reasonably be overcome.

In this regard, the following should be considered.

**Requests to the Lending Banks and status of discussions**

With reference to the circumstances referred to in the previous paragraph 2, discussions with the Lending Banks (many of which became shareholders of the Parent in the implementation of the Restructuring Agreement) were promptly initiated in February 2021, with the involvement of their respective legal and financial advisors, aimed at representing the current situation to the banks themselves and submitting to them the necessary requests for amendments to the Restructuring Agreement. In particular, during the bank meeting held on 24 February 2021, convened by the Parent and attended by almost all the Lending Banks, a document was sent to them containing the following requests:

- granting of a waiver in relation to the non-compliance with the financial parameters provided for in the Restructuring Agreement at the verification date of 31 December 2020;
- suspension of the obligation to comply with the financial parameters at the subsequent verification dates of 30 June 2021 and 31 December 2021;
- modification of the financial parameters in relation to the verification dates for the subsequent financial years, in order to align them with the forecasts of the Updated Consolidated Plan;
- extension of the obligation to repay the so-called Outstanding Amounts, totalling approx. Euro 14.3 million, which under the Restructuring Agreement is due at the end of May 2021, until 31 December 2022;
- a moratorium on the repayment instalments of the New Loan due on 30 June and 31 December 2021, amounting to approx. Euro 1.9 million, and rescheduling them until 30 June 2022; and
- extension until 31 December 2022 of the obligation to repay any residual amounts deposited in the Escrow Account to guarantee the Parent's compensation obligations under the SPA, whereas such amounts have been released.

These requests, if accepted, should be incorporated into an agreement amending the Restructuring Agreement *(the "**Amending Agreement"**),* to be signed at the end of the resolution process of the banks.

Following the formulation of such requests, the banks sent the Parent, as is customary in such circumstances, a number of requests for further details and additional information, a process which is still underway. To date, no communication has been received from the Lending Banks aimed at exercising (or threatening and/or reserving the right to exercise in the future) the contractual remedies envisaged as a consequence of the circumstances described above and/or at interrupting the lines of credit with the Trevi Group. On the contrary, discussions continued, including through the relevant advisors, aimed at defining a shared path, and the banks continued to provide financial support to the Group by allowing the use of existing lines of credit, both in the form of cash and guarantee facilities.

In the context of these discussions, given that the banks will need to carry out the necessary in-depth analyses and complete the preliminary investigation processes aimed at accepting the requests made by the Proposing Companies, the need emerged to sign an agreement aimed at regulating the current phase and allowing, in the interests of all the parties involved and, in general, of the stakeholders of the Trevi Group, the continued management of the business pending the preliminary investigation and decision-making processes of the banks and until the signing of the Amending Agreement (the "Standstill Agreement"). To this end, on 14 April 2021, the Parent sent a request for a moratorium and standstill, with which it requested the banks to sign the Standstill Agreement by and no later than 31 May 2021, which, in brief, shall provide for (i) a general suspension of the obligations relating to compliance with the financial parameters; (ii) the suspension of the obligations to pay the amounts due during 2021; (iii) the confirmation of the existing lines of credit, both in the form of cash and guarantee facilities; and (iv) the commitment not to avail themselves of the remedies resulting from the occurrence of the "Significant Events" relating to the circumstances described above. The term of the Standstill Agreement, as requested by the Proposing Companies, would be until such time as an Amending Agreement is reached, but not later than 31 December 2021. The execution of the Standstill Agreement, although it would not be sufficient in itself to definitively overcome the uncertainties relating to the possibility to continue operating as a going concern as described above - which would in fact be overcome exclusively through the execution of the Amending Agreement - would contribute to guaranteeing the Parent the possibility to operate as a going concern for the entire relevant period, and would represent a concrete indication of the willingness of the Lending Banks to reach a mutually agreed solution to the situation and not to stop providing financial support to the Group, thus enabling it to overcome the uncertainties reported, subject to the necessary completion of the relevant decision-making processes by the banks themselves.

In this regard, it should be noted that, although the Standstill Agreement had not been signed at the date of this Report, on 28 April 2021, the legal and financial advisors of the Lending Banks *(Studio Molinari e Associati and Rothschild & Co. respectively)* sent a comfort letter to the Parent, in which they confirmed that the Lending Banks - subject to the positive outcome of the ongoing analysis of the documentation provided by the Parent and the reaching of an agreement on the content of the Standstill Agreement - intend to submit to their decision-making bodies the proposal to formalise the Standstill Agreement. This indication, although not binding or definitive, nevertheless demonstrates the existence of a shared path, and the absence at present of any intention on the part of the banks to initiate action and/or interrupt financial support for the Group.

This therefore makes it reasonable to believe that, without prejudice to the respective investigation processes that the banks will have to complete, a Standstill Agreement can be signed within the envisaged time frame.

In conclusion, although significant uncertainty remains with regard to the successful conclusion of the negotiations underway with the Lending Banks, and the signing of the Amending Agreement, in light of the steps taken by Management, the subsequent behaviour of the banks as well as the additional elements briefly described in the previous paragraph, the Directors believe that they can reach the signing of the Amending Agreement within the terms indicated herein, enabling the Parent and the Group to overcome the relevant uncertainty by adopting the measures described above, which also appear appropriate in light of the provisions of the Updated Consolidated Plan.

**Expected liquidity trend over the next 12 months**

With reference to the uncertainty mentioned in paragraph 2.2, related to the risk that, due to the lower cash generation resulting from the Covid-19 pandemic and reflected in the forecasts of the Updated Consolidated Plan, situations of cash flow tension may arise during the 12 months subsequent to the reporting date, the following should be noted.

First of all, the Parent's Management constantly monitors the Group's cash flow, also at the level of the individual Trevi and Soilmec Divisions. In particular, Management prepares a short-term treasury plan analysing the cash flow trend over the next 20 weeks, a document that is updated every 4 weeks based on actual available data from all the Group's legal entities. This tool, the results of which are analysed and discussed with the local management, allows the short-term cash flow to be monitored and any shortfalls to be known well in advance, so that the necessary actions can be taken. This treasury plan was last updated on 21 April 2021, and shows a liquidity trend that, even at peak times, remains positive with a sufficient margin to guarantee the Group's normal operations.
In addition, Management prepared, on the basis of the Updated Consolidated Plan, a monthly budget that analyses the consolidated cash flow on a monthly basis throughout the current financial year. This document was last updated on 14 April 2021. This document also shows that the middle part of 2021 is the most critical time for the Group's cash flow. However, also on the basis of the latest actual data available, which show a consistent (and in some cases better) trend compared to the Updated Consolidated Plan, no particular critical issues emerge with regard to cash during the current financial year.

The liquidity budget was also examined in the note by Enrico Laghi *(on which reference should be made to Paragraph 3.3)*, who confirmed that, although a limited sizing of consolidated cash is observed in the middle months of the 2021 financial year, assuming that the Lending Banks adhering to the Restructuring Agreement accept the requests having as their object the postponement of certain financial due dates scheduled for May and June 2021, the liquidity profile of the Trevi Group appears reasonably sufficient to ensure it to continue operating as a going concern.

In addition, in order to have greater certainty about the foreseeable trend of cash flow even over a longer time period than that considered in the treasury plan, the Parent's Management collected the necessary updated information from all the Group's legal entities, and prepared a further detailed liquidity analysis, which examines, starting from the information available and updated to 16 April 2021, the foreseeable trend of consolidated liquidity on a monthly basis, up to March 2022. This analysis confirmed that the highest cash absorption occurs in certain months of the year such as April, May and September, while, in the following months, also thanks to the recovery of the market and some significant collections expected in this period, it shows a progressively increasing trend throughout the year, without highlighting particularly critical situations. As far as the first months of 2022 are concerned, the Group's positive cash flow trend is expected to continue. Therefore, on the basis of these projections, even in the month in which the liquidity trend has a negative peak, the Group's minimum cash will remain positive and such as to allow the Group to continue operating on a going concern basis and to meet its financial needs throughout the period considered.

Management's monitoring of the Group's liquidity trend therefore appears adequate to the situation and the results of the analysis carried out do not currently show situations of cash tensions and/or shortfalls until March 2022. The cash forecasts appear to have been drawn up in a prudent manner, taking into consideration only those collections whose timing has been duly verified, and not including the forecasts of collections for which there are doubts regarding the timing of payment, and also not including customer advances on orders of significant size.

In conclusion, based on the above, there does not appear to be any reason to believe that, during the 12 months following the reporting date, and also in the following months, up to 31 March 2022, situations of cash flow tensions are foreseeable that would compromise the Group's normal operations. The relevant uncertainty, although duly analysed, must therefore be considered overcome on the basis of the analyses carried out and the information available.

### Achievement of recovery goals

As noted above, the consolidated figures at 31 December 2020 show deviations from the Original Consolidated Plan, also due to the significant impacts of the Covid-19 pandemic. The Parent's Management began promptly working in November 2020 to develop updated forecasts based on these baseline results, which are contained in the Updated Consolidated Plan. To this end, Management has been assisted by leading industrial and financial advisors. In addition, Management engaged Enrico Laghi, who had previously certified the feasibility of the Original Consolidated Plan and the Restructuring Agreement pursuant to Article 182-bis of the Italian Bankruptcy Law, to assess the significance of the changes between the pre-closing data at 31 December 2020 and the consolidated data reflected in the Original Consolidated Plan, as well as between the forecasts of the latter and those contained in the Updated Consolidated Plan.

On the basis of the results of these activities, the following considerations can be made:

**(i)** The changes observed with respect to the Original Consolidated Plan, although in some cases entailing appreciable variations with respect to the values of the Original Consolidated Plan, are mostly due to effects attributable to the spread of the Covid-19 pandemic or linked to other one-off extraordinary events, which by their very nature could not be foreseen when the Original Consolidated Plan was drawn up;

**(ii)** Although the Updated Consolidated Plan shows, in relation to the years 2021 and 2022, a worse trend than the Original Consolidated Plan for the main indicators (turnover, EBITDA, NFP and cash flow), the recovery goals that were at the basis of the Restructuring Agreement do not appear to be compromised. On the contrary, the Updated Consolidated Plan shows a recovery in margins which, again at the end of 2022, should lead the Parent to reach a Leverage Ratio (net financial debt/consolidated EBITDA) of 4x; although this figure is certainly worse than the forecasts in the Original Consolidated Plan for the same period, it is in line with that of other market operators comparable in terms of size and business sector, and still leads to the conclusion that the level of net financial debt is sustainable;

**(iii)** Furthermore, it should be considered that the main due dates of the financial debt to which the Group is exposed are not in 2022 but in 2024, and therefore it is at that date that its "refinancing" should be assessed, i.e. the Group's ability to obtain sufficient creditworthiness to be able to refinance the debt. There is therefore a margin of two additional years to further improve the Group's refinancing indicators. The Updated Consolidated Plan, in fact, develops the related forecasts also with reference to the financial years subsequent to 2022 (2023 and 2024). The growth assumptions for these years appear sustainable and not inconsistent with those of previous years and, on the basis of the relevant projections of the Updated Consolidated Plan, all of the Group's main indicators should further improve so that, at the end of the relevant plan period, the

Group should achieve a leverage ratio of 2.3x, a financial parameter that is consistent with that which, already at the time of the Restructuring Agreement, was considered by the certifier, Enrico Laghi, to be suitable to allow the refinancing of the Group's financial debt *(although, as mentioned, on the basis of the forecasts of the Original Consolidated Plan, this parameter should have been reached as early as 2022)*.

On the basis of the foregoing considerations, therefore, assuming a gradual recovery of the economy following the overcoming of the Covid-19 pandemic, the recovery goals that were at the basis of the Original Consolidated Plan and the Restructuring Agreement do not appear to be jeopardised by the new forecasts contained in the Updated Consolidated Plan but, at most, shifted forward in time, in any case consistent with the due dates of most of the Group's financial debt.

To further support this conclusion, the preliminary data available to Management for the first few months of 2021 are providing important confirmation of the assumptions made in the Updated Consolidated Plan. The Trevi Group's performance in the first few months of the year in terms of order intake, revenue and backlog, was in line with the forecasts for the first year of the Updated Consolidated Plan. The Updated Consolidated Plan is based on forecasts which, as such, are by nature uncertain and may not occur or may occur only in part, and which depend only in part on internal variables and factors controllable by the Parent's Management, while remaining exposed to external factors. However, it is believed that, in the light of the analyses carried out, including on the basis of the results of the critical review that Enrico Laghi carried out on the deviations between the Original Consolidated Plan and the Updated Consolidated Plan:

**(i)** the Updated Consolidated Plan still allows the Trevi Group, albeit over a longer period of time, to achieve results that, at the time, were considered adequate for the definitive financial and equity rebalancing of the Group itself;

**(ii)** the Updated Consolidated Plan appears to have been drawn up in accordance with reasonable and prudent criteria and in any case shows the possibility of having, at the end of the plan, a balanced financial position and performance, and its feasibility is confirmed by the performance in the first months of 2021.

Therefore, it is believed that the uncertainty relating to the concrete possibility of definitively reaching a balanced financial position and performance through the implementation of the Updated Consolidated Plan is to be considered overcome on the basis of the above considerations.

**Concluding remarks**

In conclusion, even taking into account all of the circumstances outlined above, there remains significant uncertainty that may cast relevant doubt on the compliance with the going concern assumption that relates to the successful conclusion of the negotiations with the Lending Banks for the acceptance of the proposed amendments to the Restructuring Agreement (on which reference should be made to the considerations made in the previous paragraph).

Despite this significant uncertainty that may cast relevant doubt on the ability of the Parent and the Group to continue operating as a going concern, the Board of Directors believes that, at present, there are no circumstances that would require the abandonment of the going concern basis in the preparation of the separate and consolidated financial statements of the Trevi Group, and therefore considers it appropriate to prepare the separate and consolidated financial statements on a going concern basis upon the considerations outlined above.

# COVID 19

The activity of the Trevi Group was significantly influenced in the 2020 financial year by the spread of Covid-19 both in Italy and in many of the countries in which the Group operates. The impact of this pandemic made it necessary for the Group to adopt suitable measures to fight it in order to ensure the safety of employees and the management of the economic consequences, which mainly resulted from:

- the suspension of work on job sites in countries whose local governments progressively imposed extraordinary measures to limit the circulation of goods and people and the closure of factories and production and commercial activities;
- the postponement in the signing of new contracts or the sale of rigs;
- new ways of organising work and new activities to counter the risk of contagion (e.g., restricted transport and accommodation, cleaning and sanitation, training, upgrading of remote-work infrastructure, purchase of new

personal protective equipment, etc.).

In order to be able to effectively manage decisions, a task force was set up on 26 February 2020, in which the Group CEO participated, who monitored operational issues on a daily basis and approved the actions to be implemented. The main actions undertaken in the period were, in particular:

• Information to staff (internal and external) through a package of information updated from time to time with the rules to be respected in the company premises, with the obligation to remain at home in the presence of fever and, in any case, to comply with all the provisions of the Authorities and the Employer;

• How to enter the company: as of 21 January 2020, trips to the Far East have been limited and Soilmec employees returning from China and Singapore have been placed in precautionary quarantine for 14 days. Furthermore, from 26 February 2020, all employees are required to monitor their temperature daily and, in the event of evidence of feverish state (from 37° onwards), it is forbidden to go to work. In order to ensure maximum prevention, as already implemented since March 2020, the body temperature of all incoming people is measured. To this end, a thermoscanner system was installed in April 2020 at the entrance of the Cesena headquarters (Trevifin, Trevi S.p.A., Soilmec S.p.A.), while in all other locations/job sites the temperature is monitored with infrared thermometers; an adequate procedure was also set up for the entry of external suppliers as well as a medical Help Desk. The Employer of companies based in Italy informs in advance the staff and those who wish to enter the company, of the access ban to those who, in the last 14 days, have had contact with subjects who tested positive for Covid-19. The entry of personnel who have already tested positive can only take place after a medical examination;

• Remote work: from 10 March 2020 remote work has been facilitated for employees and managers, except for those deemed necessary for the management of Operations; communications were sent to the Trevi and Soilmec job sites and workshops on the obligation to carry out activities with interpersonal distance of less than one meter only with masks and the obligation to interrupt activities in the absence of Personal Protective Equipment (PPE). In Soilmec, between March and April 2020, remote work involved over 90% of employees and executives not involved in Operations, while production and logistics were kept operational in the presence of about 60% of the workforce even in the most complex weeks. Furthermore, a single shift was established from 8:00 to 15:30 in the production plant;

• Since March 2020, in addition to the usual cleaning routine, daily sanitation activities have been launched for closed spaces and appurtenant areas through the destruction or deactivation of pathogenic microorganisms. Sanitisation activities were also launched in March 2020, which take place both daily and weekly, and are carried out in all buildings and outdoor areas and whose purpose is to sanitise closed spaces and appurtenant areas through cleaning, disinfection and sanitisation. Specific protocols are prepared by the cleaning service providers, as well as the technical data sheets of the products used. Suppliers will issue a report for each sanitisation activity carried out, also in compliance with the indications of the competent authorities;

• The purchase of specific PPE for Covid-19 has been centralised for the purchase and distribution phase;

• The corporate organisation has been thoroughly revised, with diversified and staggered entry times, the closing of the canteen for a long period, the closing of the factory changing rooms, the obligation to wear a mask in all common and transit areas, the review of the occupation of office spaces and the organisation of meetings and training online via Teams. Corporate training in the classroom was suspended and reactivated on 15 July 2020;

• Special protocols have been defined for the management of any interventions of the Emergency Group, for the management of symptomatic people, and for health surveillance. The latter also continues after 30 June 2020, in compliance with the hygiene measures contained in the decalogue provided by the Ministry of Health and according to the necessary limitations provided by the Company Doctor in relation to the epidemiological emergency Covid-19 *(for example, postponed spirometry)*. Since March 2020, the Company Doctor constantly monitors fragile and hypersensitive workers. Furthermore, a statistical screening with serological tests of the employees was carried out at the Cesena headquarters.

Starting from May 2020, and once again gradually in relation to the regression of the epidemic and the measures adopted to fight the spread of the virus, a part of the staff working in the office resumed work in the Cesena premises, decreasing the use of remote work, which remained however, a necessary way of organising work in rotation in each office. All the competent functions ensured the continuity of

operations in the various countries in which the Group operates wherever possible, guaranteeing the health and safety of personnel and complying with all the requirements imposed by the various governments in the respective countries.
During 2020, the total negative impact on EBITDA was estimated at approximately Euro 24 million.

By recurring to the government-sponsored layoff scheme, the Group achieved a cost reduction of approximately Euro 2.4 million in 2020, of which approximately Euro 1.5 million in Soilmec S.p.A., Euro 0.6 million in Trevi S.p.A. and Euro 0.2 million in PSM S.p.A. In addition, especially in the first part of 2020, extraordinary and unforeseen use was made of leave from previous years for approximately Euro 1.0 million.

Other personnel management actions have been implemented: incentive plans have been revised, hires have been restricted, the continuation of the secondment and the suspension of shifts and returns (for example in the Philippines) have been managed and secondments and repatriations (for example in France) have been cancelled, along with incentives in Germany for the continuation of "business as usual" activities to give continuity to the job sites. In the event of repatriation or transfer to a third country with the continuation of the remote work, the "expatriate" remuneration packages were revised, with the cancellation of the foreign and complementary allowances. Continuous tracking and planning of expiring work permits and changes in the regulations that have occurred over time in individual countries was carried out.

The Group noted the following negative effects that occurred between March and April deriving from the spread of the Coronavirus pandemic and/or from the measures taken by the government authorities of the countries indicated:

- The Group's job sites in France, Austria, Philippines, Oman, Kuwait, Argentina, Colombia, Venezuela and Nigeria were stopped;

- Job sites in Boston (Massachusetts) in the United States were stopped, while job sites in Florida and Tennessee continued with some operational difficulties, as well as in Hong Kong, Chile, Monte Carlo, Algeria, Saudi Arabia, UAE and Australia;

- Furthermore, due to the Coronavirus, negotiations for the sale of Soilmec rigs slowed down and several job sites in Italy faced operational and logistical difficulties, with the exception of the Rome Metro C job site;

- The start of the execution of the works for the new contract acquired in Norway in February 2020 has been postponed due to the suspension of air flights to Norway and the consequent inability to start the "mobilisation" for the opening of the site. Operations are active in the offices of the Italian companies and their factories and job sites, both in presence and in remote work, in compliance with the existing regulations and the precautions enforced by the companies of the Group. Abroad, all our job sites are open and active, there are only some restrictions on the movement of employees in Argentina and Venezuela.

In Italy, the companies Trevi S.p.A., Soilmec S.p.A. and PSM S.p.A., used supports made available to companies by the Italian State to deal with the pandemic as detailed below:

Article 43 of Italian Law Decree No. 18 of 17 March 2020 (the so-called "Heal Italy" decree) converted into Law No. 27 of 24 April 2020 provided for the disbursement of non-repayable contributions for the safety and upgrading of sanitary facilities in favour of companies based in Italy, in order to support the safe continuity of production processes of companies following the Coronavirus public health emergency. To this end, INAIL transferred the sum of Euro 50 million to Invitalia (the national development agency owned by the Ministry of the Economy). Invitalia, following the publication of a call for tenders, allocated on 11 May 2020 a maximum amount of Euro 150,000 for each eligible company to purchase PPE. Following the acceptance of the application submitted through the complex click day mechanism, Soilmec S.p.A. received a non-repayable contribution of Euro 76,797.

Article 18 of Italian Law Decree No. 23 of 8 April 2020 (the so-called Liquidity Decree), converted into Law No. 40 of 5 June 2020, provided for the suspension of payments due in the month of April and May 2020 relating to withholding taxes on employee remuneration and similar, VAT and social security contributions, provided that the company had suffered a decrease in turnover (equal to 33% or 50% depending on the size limits) in the months of March and April 2020 compared to the same months of 2019. Soilmec S.p.A. and PSM S.p.A., by virtue of this rule, suspended the payment of the above withholding taxes, charges and taxes for an amount respectively equal to Euro 359,000 and Euro 48,000; the suspended payments will be made during the 2021 financial year.
Article 24 of Italian Law Decree No. 34 of 19 May 2020 (the so-called Relaunch Decree), converted into Law No. 77 of 17 July 2020, provided, in the presence of specific conditions, that the Irap balance on the 2019 tax period and the first Irap advance

payment on the 2020 tax period were not due. The company Trevi S.p.A., by virtue of the aforementioned rule, obtained an Irap tax saving of approximately Euro 203,806.

Article 110 of Italian Law Decree No. 104 of 14 August 2020 (the so-called "August Decree"), converted into Law No. 126 of 13 October 2020, provided for the option to revalue company assets recognised in the financial statements at 31 December 2020 in favour of limited liability companies and commercial entities that do not adopt International Financial Reporting Standards. By virtue of this law and following an independent appraisal of the values of its property and lands, Soilmec S.p.A. revalued its real estate and land for a total amount of Euro 4,564,000, recognising a specific reserve in equity, less the tax effect.

Article 72, paragraph 1-ter, of Italian Law Decree No. 104 of 14 August 2020 ("August Decree"), converted into Law No. 126 of 13 October 2020, introduced a financial support measure for companies consisting in the possibility of converting deferred tax assets (DTAs) referring to past tax losses into tax credits, even if not recognised in the financial statements. The condition for the said conversion was the sale of non-performing loans to be completed by 31 December 2020. Trevi S.p.A. disposed of non-performing loans amounting to Euro 3,617,244, accruing a tax credit of Euro 173,628 that can be used to offset the payment of taxes and contributions. Soilmec S.p.A. disposed of non-performing loans amounting to Euro 3,773,792, accruing a tax credit of Euro 179,146 that can be used as compensation for the payment of taxes and contributions.

Article 2 of Italian Law Decree No. 157 of 30 November 2020 (the so-called Relief quater Decree) converted into Law No. 176 of 18 December 2020, provided for the suspension of payments due in the month of December 2020 relating to withholding taxes on employee remuneration and similar, VAT and social security contributions, provided that the company had suffered a decrease in turnover equal at least to 33% in the month of November 2020 compared to the same month of 2019. PSM S.p.A., the only company of the group that met the requirements for application of the regulation, suspended payment of the above withholding taxes, charges and taxes for an amount of approximately Euro 68,000; the suspended payments will be made during the 2021 financial year. Other Group companies received government aid such as payment of salaries (a form of government-sponsored layoff scheme) and deferred payment of taxes *(in Saudi Arabia, Argentina, Colombia and Uruguay*

**Divestment of the Oil & Gas Division**

**(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 BV, a Dutch company directly controlled by MEIL, *(the* ***"Buyer"*** *and, jointly with the Sellers, the* ***"Oil & Gas Divestment Parties"****)* signed an agreement for the sale of investments *(the* ***"Sale and Purchase Agreement"****)* aimed at regulating the terms and conditions of the sale to the Buyer of the Oil & Gas Division consisting of 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 transactions and preliminary activities that were key and preparatory 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.

Consequently, between 28 February *(date of the first closing)* and 31 March 2020 *(date of the second closing)*, the Sellers, on the one hand, and the Buyer, on the other, executed the contract, assigning the Buyer the entire share capital of Drillmec, Petreven, Drillmec Inc. and some subsidiaries and investees of the same, 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 Trevifin with the necessary resources to purchase 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 purchased the Leased Assets using the portion of the Price paid by the Buyer; and

**(c)** Trevifin transferred the Leased Assets already purchased to Petreven and Drillmec.

The Second Closing was, instead, executed between the 30 and 31 March 2020 *(the **"Second Closing")*** 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.

Following the signing of the Sale and Purchase Agreement and before the First Closing, in accordance with the provisions of the Restructuring Agreement, among other things: **(a)** 100% of the financial debt of the companies of the Oil & Gas Division was transferred to Trevifin pursuant to Article 1273 of the Italian Civil Code, then partially repaid by the Parent using part of the price and for the residual portion rescheduled as part of the Restructuring Agreement until 2024; and (b) the entire financial debt of the Oil & Gas Division towards the Group was settled through offsetting and/or specific waivers.

**(ii) 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, inter alia, 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 of 2 rigs (H200 and H301) owned by Petreven and located in job sites in Venezuela by 31 December 2019.

The Price of Euro 116.4 million was paid by the Buyer to the Sellers as follows:

• **approximately Euro 2.0 million** was paid by the Buyer after the signing of the Sale and Purchase Agreement, and therefore before the First Closing, in order to make available to the companies of the Oil & Gas Division the necessary resources to purchase certain assets under lease additional to the Leased Assets;

• **approximately Euro 20.2 million** was paid by the Buyer at the First Closing;

• **approximately Euro 80.1 million** was paid by the Buyer at the Second Closing;

• **Euro 0.1 million** was collected by Trevi Holding USA Corp. on 29 April 2020, as consideration for the sale of 100% of the share capital of Drillmec Inc.;

• **Euro 14 million** was deposited *(Euro 5 million on 9 April 2020 and Euro 9 million on 14 July 2020)* by the Buyer in a 12-month escrow account ***(the "Oil & Gas Escrow")*** to guarantee the obligations of the Sellers pursuant to the Sale and Purchase Agreement *(including compensation for any breach of representations and warranties)*. The sum deposited in the Oil & Gas Escrow 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 order to determine the net gains from the sale of Euro 99.9 million, it is necessary to subtract from the Final Price of a total of Euro 116.4 million: i) the Final Escrow of Euro 14 million; and ii) the costs of consultants of approximately Euro 2.5 million. At the end of the warranty 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, with three-year bullet repayment - except in the case of early repayment - and remunerated at a fixed interest rate of 2% per year *(the **"Vendor Loan"**)*. The purpose of this loan is to enable the Buyer to make intragroup 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 Trevifin's disposal. The Vendor Loan is also guaranteed by the parent Megha Engineering & Infrastructures Ltd., 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 the repayment of the financed amount and the payment of the related interest.

**(iii) 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 damage (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 of the 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 the 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 intragroup 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 winding-up 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 intragroup 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 financial 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 transactions" 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 first refusal 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 compensated 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.

# Risks and uncertainties

**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 Group is exposed, in accordance with the directives contained in the Group's Treasury Risks Policy.
The Group'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, bonds and finance leases, the main function of which is to finance operations.

The risks generated by these financial instruments are represented by interest rate risk, currency risk, liquidity risk and credit risk.

The Trevi Group only carries out a systematic monitoring of the financial risks described above, since, pursuant to the Restructuring Agreement, it not authorised to use derivatives 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 established at a consolidated level. The management of currency, liquidity and interest rate risks is performed primarily by the Parent and the sub-holding companies of the division, while 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.
Cash and cash equivalents are partially subject to currency restrictions in some countries in which the Group operates, as detailed in the following table:

| Division | Company | Country | Restriction | Euro mln 31.12.2020 |
|---|---|---|---|---|
| Trevi | Treviicos | Usa | CRA - Bonding Company *(Subject to Covenant)* | 8,0 |
| Trevi | Trevi Foundations Nigeria Ltd | Nigeria | Currency restrictions | 5,5 |
| Trevi | Foundation Construction Ltd | Nigeria | Currency restrictions | 0,3 |
| Trevi | Trevi Cimentaciones Ca (Venezuela) | Venezuela | Currency restrictions | 0,1 |
| Trevi | Swissboring Overseas Piling Corp. Ltd (Dubai) | Dubai | Cash Collateral on a revolving line | 2,5 |
| **Totale** | | | **16,4** | |

To date, most of the lines of credit with lending banks are governed by the Restructuring Agreement, which was finalised with the capital increase and by converting the banks' receivables into capital.
The geographical distribution of the Group's cash and cash equivalents at 31 December 2020 is shown below:

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Italy | 14.430 | 23.471 | (9.041) |
| Europe (excluding Italy) | 14.388 | 7.092 | 7.296 |
| United States and Canada | 14.908 | 17.412 | (2.504) |
| South America | 4.959 | 3.510 | 1.449 |
| Africa | 7.956 | 9.864 | (1.908) |
| Middle East and Asia | 6.354 | 9.663 | (3.309) |
| Far East and Rest of the world | 6.815 | 6.697 | 118 |
| **Total** | **69.810** | **77.709** | **(7.899)** |

Bank loans and borrowings of the Group at the end of the year are broken down as follows:

| SHORT-TERM BANK LOANS AND BORROWINGS Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Italy | 180.506 | 526.794 | (346.288) |
| Europe (excluding Italy) | 0 | 1.754 | (1.754) |
| United States and Canada | 5.705 | 16.913 | (11.208) |
| South America | 533 | 690 | (157) |
| Africa | 113 | 15 | 98 |

| | | | |
|---|---|---|---|
| Middle East and Asia | 0 | 0 | 0 |
| Far East | 6.517 | 7.027 | (510) |
| Rest of the world | 803 | 0 | 803 |
| **Total** | **194.177** | **553.193** | **(359.016)** |

| **MEDIUM/LONG-TERM BANK LOANS AND BORROWINGS Description** | **31/12/2020** | **31/12/2019** | **Change** |
|---|---|---|---|
| Italy | 4.660 | 7.282 | (2.622) |
| Europe (excluding Italy) | 1.794 | 0 | 1.794 |
| United States and Canada | 0 | 0 | 0 |
| South America | 0 | 34 | (34) |
| Africa | 0 | 0 | 0 |
| Middle East and Asia | 0 | 0 | 0 |
| Far East | 1.779 | 340 | 1.439 |
| Rest of the world | 0 | 0 | 0 |
| **Total** | **8.233** | **7.656** | **577** |

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** | **31/12/2020** | **31/12/2019** | **Change** |
|---|---|---|---|
| Italy | 243,226 | 761,041 | (517,815) |
| Europe (excluding Italy) | 1,721 | 2,598 | (877) |
| United States and Canada | 6,766 | 17,248 | (10,482) |
| South America | 1,897 | 1,369 | 528 |
| Africa | 259 | 15 | 244 |
| Middle East and Asia | 882 | 0 | 882 |
| Far East | 10,031 | 9,293 | 738 |
| Rest of the world | 877 | 76 | 801 |
| **Total** | **265,660** | **791,640** | **(525,980)** |

| **NON-CURRENT FINANCIAL LIABILITIES Description** | **31/12/2020** | **31/12/2019** | **Change** |
|---|---|---|---|
| Italy | 77,790 | 28,337 | 49,453 |
| Europe (excluding Italy) | 2,881 | 928 | 1,953 |
| United States and Canada | 880 | 1,322 | (442) |
| South America | 17 | 201 | (184) |
| Africa | 427 | 416 | 11 |
| Middle East and Asia | 1,351 | 1,207 | 144 |
| Far East | 4,090 | 1,008 | 3,082 |
| Rest of the world | 34 | 0 | 34 |
| **Total** | **87,470** | **33,419** | **54,051** |

### 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, raw material 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 derivatives.

### Interest rate risk

The exposure to risk of changes in market interest rates is connected to short-term and long-term financing transactions, with a variable interest rate.
As at 31 December 2020, following the signing and execution of the Restructuring Agreement, the Group's loans are fixed-rate loans.

| Description | Fixed rate | Variable rate | Total |
|---|---|---|---|
| Loans and eases | 303.129 | | 303.129 |
| Bond issue | 50.000 | | 50.000 |
| **Total Financial liabilities** | **353.129** | **0** | **353.129** |

### Currency risk

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

- **Transaction-related:** 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 variation 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). These changes do not lead to an immediate deviation between expected cash flows and actual cash flows, but to an accounting effect on the Group's consolidated Financial Statements. The effect on cash flows only manifests itself if operations are performed on the assets of the Group company that prepares the financial statements in foreign currency.

The Group assesses its exposure to the currency risk; 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 derivatives. The Group does not use instruments of an explicitly speculative nature for its hedging against the currency risk. However, if derivatives do not meet the conditions required for the accounting treatment of the hedging instruments required by IFRS 9 or the Group decides not to avail of the possibility of hedge accounting, their changes in fair value are recognised in the statement of profit or loss as financial expense/income.
Specifically, the Group manages the transaction-related risks. 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 in the Dollar area, the Group's consolidated financial statements may be affected considerably by changes in the Euro/USD exchange rates.

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 at 31 December.
To assess the impact of fluctuations in the Euro/USD exchange rate, a sensitivity analysis was carried out by simulating likely changes to the above-mentioned exchange rate.

Consolidated items considered significant for the purposes of the analysis are: Trade Receivables, Intragroup Receivables and Payables, Trade Payables, Financial Liabilities, Cash and Cash Equivalents and Derivatives.
The amounts of these items on which the sensitivity analysis was performed are those at 31 December 2020. The analysis only focused on the items denominated in US dollars that deviate from the functional and presentation (Euro) items of the individual Financial Statements included in the consolidated Financial Statements.

### Credit risk

The Group is subject to the risk that the creditworthiness of a financial or commercial counterparty becomes 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 Finance Department.

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 90% of the total revenue. The Group's growth mostly occurred in Europe, the USA and the Far East.

Less than 15% of revenue is located in area with medium to high political and commercial risk, namely characterised 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:

#### Algeria

The collapse in oil prices, which started already in 2014 and worsened due to the fall in global consumption during lockdown periods, has further burdened state finances and the only partial increase planned for 2021 will not be sufficient to cover all necessary expenditures. While in May 2020 President Tebboune announced a 50% cut in public spending while reassuring that this would not affect food and raw materials needed for domestic industry, in the budget law document for the new year, the government has instead decided on a 10% increase in public spending, worth an estimated more than 8 trillion Algerian dinars (USD 61.3 billion). This will be used to cover an increase in subsidies, which have risen by 4.3%, and in particular to cover huge healthcare costs, public salaries, family allowances and the purchase of basic foodstuffs such as milk, cereals and sugar. An emergency package of USD 37 million was also allocated to rural areas. Faced with this increase in public spending, to which the reduced revenue from gas and oil exports must be added in light of an average price per barrel that should not go beyond 40-45 dollars, the state deficit is expected to reach 13.5% of GDP by the same Algerian authorities. Among the measures adopted to deal with the growing financial difficulty, for example, there is a cut of around 20% in imports of goods and services, which will still cost USD 28 billion this year. The government will, however, be forced to draw on foreign exchange reserves, which have fallen precipitously since the 2014 oil shock, from USD 195 billion to less than USD 60 billion in 2019, falling to USD 31 billion by the end of 2021, according to projections by the Economist Intelligence Unit (the government estimates instead that they will fall to USD 48 billion). The negative trend emerging from both estimates appears unsustainable, with the country at risk of seeing its reserves evaporate within the next four years. This is why the government may exceptionally decide to rely on international loans, especially from allied countries such as China, despite the fact that President Tebboune has repeatedly reiterated his desire to avoid loans from the International Monetary Fund or other financial institutions that would undermine the country's sovereignty. The International Monetary Fund itself forecasts an increase in real GDP of 3.2% after a contraction of 5.5% in 2020, while the GDP level for 2019 will only be reached in 2024. Given the Algerian economy's structural dependence on hydrocarbon export revenue, which account for more than 90% of national exports and 60% of the state budget, economic recovery will largely depend on the performance of the energy sector. The national company Sonatrach, which had already cut its 2020 budget by 50% from USD 14 billion to USD 7 billion, is planning to suspend non-priority projects and cut production costs also in 2021, but through CEO Toufik Hakkar has announced a five-year investment plan of around USD 40 billion, half of which will be financed in national currency. The aim is to upgrade existing fields and extend exploration and exploitation to new territories in a potentially rich area of resources that stretches over 1.7 million km2, thanks in part to new regulations aimed at attracting foreign investment and offering advantageous contract and taxation conditions for companies in the sector, as provided for in Law 19-13 promulgated at the end of 2019. But relying solely on oil and gas may not be enough, as well as being counterproductive in the medium to long term. According to a study by the Oxford Institute for Energy Studies published in 2016, Algeria could even become a net importer of gas by 2030 in light of increasing domestic consumption - mainly due to population growth - and the gradual depletion of its gas resources. Diversification of the economy, including the energy sector, therefore becomes crucial and indeed inevitable, with renewable resources, tourism and private initiative as priority sectors. At the moment only 3% of the electricity produced in Algeria, for example, comes from renewable sources, and the path to the government's target of 27% by 2030, which will require the installation of at least 22,000 MW over the next 10 years, is uphill.

**Argentina**

In 2020, Argentina's economy suffered more than many others in Latin America and the world from the crisis caused by the pandemic. The country's GDP fell by more than 11 per cent, adding to the decline in previous years: the economy had already been in recession for two years, and GDP had fallen between 2 and 3 per cent in 2018 and 2019.

During the year, the percentage of people living below the poverty line in Argentina reached 44 per cent (it was above 30 per cent already in previous years). In addition, inflation increased by 36 per cent year-on-year, and in January 2020 alone the prices of basic goods rose by 4 per cent. The value of Argentina's financial market, i.e. the total value of all listed companies, fell from USD 350 billion in 2018 to USD 20 billion, a sign both that some companies lost value and that others left the country. In May 2020, Argentina technically went into default because it failed to repay some debts on time. This did not mean that the functioning of the state came to a standstill, but it did have serious consequences, firstly because Risk related to the trend in raw material prices

The year 2020 was marked by the health crisis that erupted following the spread of Covid-19, first in China and then worldwide. In the first part of the year, the spread of the contagion led many countries to implement lockdown measures, which brought industrial activities to a standstill and the resulting collapse in demand for raw materials, pushing prices down across the board. In the second half of the year, China's recovery and producers' supply reduction policies in some cases mitigated the fall in prices, and in others caused a reversal of the course taken at the beginning of the year.

**Financial raw material prices**

A useful perspective on the evolution of financial prices in international markets in the past year can be given by considering the percentage change in prices between the beginning and the end of 2020. The financial prices considered are those of the main world stock exchanges such as the **London Metal Exchange** *(LME)*, the **International Continental Exchange** ***(ICE)*** and the **Chicago Mercantile Exchange** *(CME)*.

The price that has grown the most is that of **softwood lumber** *(CME)*, which has more than doubled since the beginning of 2020. In fact, in the last summer months, the fire season in the United States has driven the spot price to all-time highs. The highest percentage change was recorded on 14 September *(an increase of 144%)*.

**Energies**

A particularly interesting element that emerges from the chart concerns energy commodities: WTI oil, diesel *(both quoted on the CME)* and natural gas *(ICE)* recorded the highest decreases during the year. In particular, for the barrel, the maximum decrease occurred on 20 April 2020, when the price recorded a minus sign. The fall in WTI was due to the saturation of US oil stocks and the collapse in demand in April. The overall decline at year-end is more "moderate" *(down by 23%)*, slightly less than that of diesel, which recorded a decrease of 27% at year-end.
Although it had a maximum decrease second only to that of oil, the price of natural gas at the end of the year is up by 68% compared to the beginning of 2020, also due to the fact that last winter was one of the warmest in Europe. The price increase this year was therefore more an effect of the low prices at the beginning of the year than the result of market tensions. In the energy sector, ICE-listed coal also ended 2020 on a positive note *(up by 31%)*.

**Metals**

Listed metal commodity prices also ended 2020 on a positive note. The prices of iron ore and coils, both listed on the CME, show year-end percentage changes up by 66% and 50% respectively. In particular, the upward trend, which has characterised the price of minerals since May, was

consolidated in December due to a landslide at a mine in Brazil, one of the largest producers of iron ore.
Non-ferrous metals listed on the LME also ended 2020 on an upward trend. The spot price of aluminium alloys had the largest percentage increase *(up by 44.5%); copper, nickel, and zinc grew between 20% and 30%, while primary aluminium rose by 13.5%. Lead grew more modestly (up by 4%).*
In general, prices were supported by the recovery of industrial activities in China, which launched a major investment programme, especially in those sectors where metal products are widely used *(construction, infrastructure, etc.)*.

**Cyber risk**

A cybercrime occurs when a crime uses or targets 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 at 31 December 2020

The Group verified the presence of impairment indicators at 31 December 2010 that could indicate the existence of impairment losses. This test was carried out both with reference to external sources (market capitalisation and discount and growth rates) and in relation to internal sources (indications, deriving from the internal information system, about expected results). Having found assumptions of impairment the Parent proceeded to perform the impairment test at 31 December 2020: see the specific paragraph on "Impairment" included in the Notes to the consolidated Financial Statements at 31 December 2020.

## Staff and Organisation

**TREVI – Finanziaria Industriale S.p.A.**

During 2020 the Parent's top positions have changed. In particular:

- On 7 April 2020, the employment relationship of Simone Trevisani with the Parent was terminated by mutual consent.
- On 25 June 2020, Simone Trevisani tendered his resignation from his positions held at Soilmec S.p.A..
- On 31 July 2020, the employment relationship with Stefano Trevisani was terminated by mutual consent and, on the same date, he resigned from his positions held at the Parent.

**Workforce at 31 December 2020**

The Group workforce at 31 December 2020 was 3,704, with a net decrease of 833 units compared to 4,537 at 31 December 2019.
- The average workforce in 2020 was 4,121 units.

| Description | 31/12/2020 | 31/12/2019 (*) | Change | Average |
|---|---|---|---|---|
| Executives | 108 | 120 | (12) | 114 |
| White-collar workers and Managers | 1,499 | 2,030 | (531) | 1,765 |
| Blue-collar workers | 2,097 | 2,387 | (290) | 2,242 |
| **Total staff** | **3,704** | **4,537** | **(833)** | **4,121** |

* *the above number of employees at 31 December 2019 does not include the resources in force in the Oil & Gas Division, which amounted to 1,366 employees.*

The workforce broken down by geographical segment is as follows:

| | workforce | |
|---|---|---|
| **Geographical segment** | **31/12/2020** | **31/12/2019** |
| Italy | 869 | 790 |
| Europe (excluding Italy) | 171 | 249 |
| United States and Canada | 151 | 424 |
| South America | 376 | 583 |
| Africa | 577 | 885 |
| Middle East and Asia | 702 | 996 |
| Far East | 858 | 610 |
| Rest of the World | 0 | 0 |
| **Total** | **3.704** | **4.537** |

***Human resources***

The Group has always paid great attention to the management of its human resources, which represent a priceless heritage of skills and the Group's greatest success factor.

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

The Trevi Group dedicates a lot of energy to personnel development and the construction of resources that meet the requirements of excellence, to this end it measures and evaluates the performance of individuals and rewards the achievement of results. Performance evaluation has been managed since 2016 through the Performance Management System (PMS) through which the achievement of the assigned goals and the behaviours exercised both in achieving the specific objectives assigned and in daily activities are analysed and evaluated.

PMS is a well-established practice in the Trevi Group and, over the years, its methods and scope of application have been broadened. In 2020 the PMS was extended, in different ways, to the entire Italian workforce (white and blue-collar workers), expatriates and a sample of workers from foreign companies. In view of its strategic importance, the Group's objective is to progressively extend the PMS evaluation activity on a global basis, including an increasingly large proportion of the company workforce.

PMS assessment forms provide a complete view of a person's performance and their adherence to the values and behavioural methods promoted by the Group. The sections dedicated to reporting training, development and remuneration needs provide the indispensable elements for the launch of human resources management policies, capable of guaranteeing full support in the development of the individual, business continuity and ensuring mutual satisfaction between the company and the employee.

During 2020, a project was completed to weigh and map positions in order to be able to use reference benchmarks for remuneration parameters.

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 its own training academy, which has the task of overseeing subject-specific training of its staff, consisting of:

**Foundations Technology Academy (FTA)** has the 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 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 at promoting 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:

- Project Management
- People Management,
- Customer Management
- 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 report on remuneration drawn up by the Parent pursuant to Art. 123-ter of Italian Legislative 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 is strongly committed to ensuring the **health and safety** of its personnel, of the people who use its products, or who live in the communities where it operates. Furthermore, every activity is carried out with the utmost attention to the protection of the **environment.**

This commitment is expressed:

- By exercising **leadership** at all levels of the organisation.
- Acting on people's values and mindset, in order to create a **"Zero Accident"** working environment.
- Managing the HSE system as an operational **responsibility** with clear authority and responsibility.
- Applying a systematic approach to the management of **risks and opportunities**, to achieve continuous improvement in HSE performance.
- Developing working procedures to **eliminate hazards** and reduce health and safety risks.
- Encouraging the reduction of the environmental impact of activities, with particular emphasis on the **efficient use of resources**, waste minimisation and pollution prevention.
- Carrying out continuous **monitoring** of all processes to ensure the effectiveness of products and services.
- Providing training and **development** to enable people to fully understand their role and operating environment.
- Establishing consultation and **participation** processes for workers.
- Observing **compliance** with applicable requirements, standards, regulations and laws.
- Working to achieve the expected HSE results and **continually learning** from experience.
- Promoting a **culture** in which all people in the Trevi Group share this commitment.

In so doing, Trevi Group aims at **achieving** HSE performance it can be proud of, generating **satisfaction** from customers and other stakeholders, and ensuring **sustainable** growth of its business.

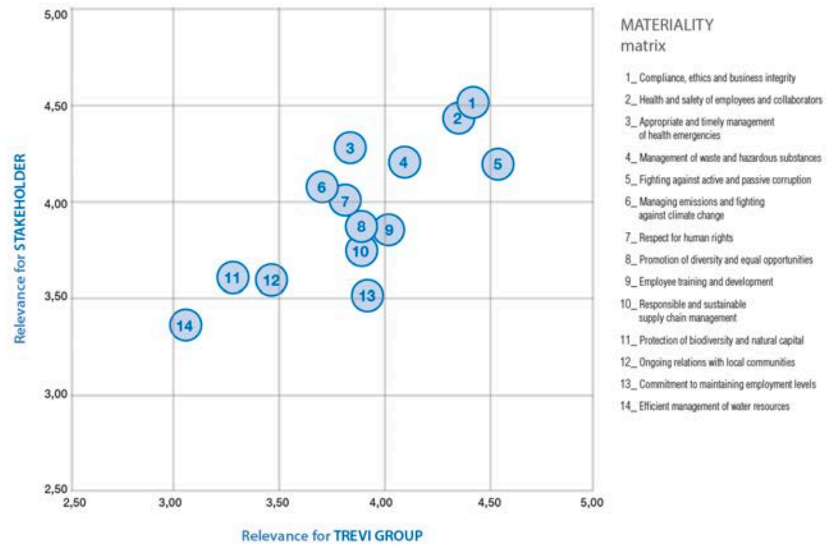
***Non-financial statement (NFS)***

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 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. 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 2018 - referenced option - and is subject to review by PricewaterhouseCoopers S.p.A. and is available on the Group's website.

The 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, the Trevi Group has also prepared the "Consolidated non-financial statement" for 2020, 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 year, in the wake of the major events affecting the Group as well as the advent of the Pandemic, the NFS reporting activity was preceded by the review of the Materiality Matrix, i.e. the identification and analysis of the relevance of a set of thematic areas of economic, social and environmental sustainability (ESG) for the Group and its stakeholders.
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 2020.

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. Particularly in the countries where the presence of Trevi job sites is consolidated, the Group plays an active role in local communities, contributing to the social and economic development of the area, which is not limited to job creation but involves long-term relationships with communities based on mutual support. The most relevant examples are partnerships with local bodies and organisations in order to develop




community development programmes, such as "Social Value". Since its establishment at the end of 2007, "Social Value" has aimed to provide national and international promotion and support for solidarity initiatives, particularly for children and the most vulnerable classes of the population, with the aim of promoting their social and cultural growth.
There are many examples of partnerships that should be noted, that demonstrate the Group's ability to adapt to different local cultures and its wide-ranging project management skills in the most important orders.
Another of the Group's strengths in relation to local communities is represented by the ever-increasing degree of diversity in the composition of its staff, which include a multitude of ethnic groups of young talented people who now 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: "We design and build solid and safe structures and foundations for major infrastructures to improve people's quality of life".

The adopted Social Responsibility model reflects these principles and is expressed specifically 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
- An increasing attention to the environment through a programme that monitors and helps reduce the environmental impact of its businesses.
- Contribution to the well-being of employees not only in the workplace but also, in the case of expatriates, by focusing on living conditions and logistics regarding families and the education of 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 carrying out its business.

During 2020, the Group - through its Companies - continued to support projects of a social nature despite the fact that the national and international contingency was not very favourable to the sector and the restructuring phase of the Trevi Group imposed a significant reduction in the resources for social and solidarity activities. Below are the various social utility projects that were implemented by the Trevi Group in 2020 through the Social Value project:

- In Italy: economic contribution to the Italian Parkinsonian Association Onlus "La foglia e il bastone", Cesena Section, for the care and assistance of Parkinson's patients and to the Italian Green Cross.
- In Argentina: monthly donations of money to buy food for the "Nuestra Señora del Valle" Infant School in Buenos Aires.

• In Australia: economic contribution to a couple of Associations that support children: Variety, The Children Charity and Youth Three Sixty.

• In the United States: support for the organisation Engineers Without Borders USA whose mission is to build a better world through engineering projects that enable communities to meet their basic human needs. EWB's highly trained volunteers work with communities to find appropriate solutions for their infrastructure needs.

• In Chile: contribution for the Pargua anniversary, a village in Calbuco Comuna in the region of Los Lagos in Chile. It is located north-east of the Chacao Channel.

Moreover, in the province of Forlì-Cesena, the Group was one of the promoters and founders of the Consorzio Romagna Iniziative, a pull of companies committed to enhancing sports activities and projects of artistic and cultural interest, with particular attention to the world of young people, and of the Fondazione Romagna Solidale, also created by a number of companies to promote and support solidarity projects.

**Other information**

In accordance with Consob notice of 28 July 2006 No. DEM/6064293, it is stated that, in 2020, the 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**

• 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 took therefore prompt action to complete all the transactions provided for in the Restructuring Agreement as quickly as possible, including the Oil & Gas divestment and the execution of the capital increase.

• With reference to the execution of the capital increase and the relevant application for approving the publication of the IPO prospectus, submitted to the competent authority, i.e. CONSOB, on 18 October 2019 and in respect of which the related 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 Court of Appeal of Bologna, 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 amendments made to the resolution of 17 July 2019 relating to the capital increase. Specifically, reference was made to:

• the extension of the deadline for executing the capital increase and issuing the warrants (as defined below) from 31 March to 31 May 2020; and

• in order to achieve an option ratio between integer numbers (avoiding decimals), within the framework of the right of first refusal increase, 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 split 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 Oil & Gas Divestment was completed, by transferring a first non-controlling interest in Petreven S.p.A. 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 purchase 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 of the Oil & Gas Divestment was successfully completed. In particular, pursuant to the purchase and sale agreement signed on 5 August 2019, as subsequently amended, 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 2020) was sold to MEIL Group for a total amount of approximately Euro 116.4 million. Part of the price paid by the 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 million, in accordance with the Restructuring Agreement.

• On 23 April 2020, the Trevifin Board of Directors confirmed the final terms of the capital increase as well as the timetable of the Notice of Rights issue and the structure of Warrants. More in detail:

**With reference to the Capital Increase**

Pursuant to the above-mentioned powers, on 17 July 2019 and 24 February 2020, the Board of Directors approved an increase in the share capital of the Issuer 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 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 to 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, by issuing 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 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 collectible receivables, by 31 May 2020, at a ratio of conversion of the receivable to capital of 4.5 to 1 (the "Capital Increase by Conversion" 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 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.

• As part of the Financial Manoeuvre, the Institutional Shareholders undertook to subscribe the Right of First Refusal Increase for a total amount of approximately Euro 77.5 million. In particular:

• FSI Investimenti S.p.A. 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.

• Polaris Capital Management, LLC, 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 share options of the Right of First Refusal Increase and/or the Conversion Shares, freeing them up by voluntarily converting their 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.

**With reference to the timetable of the Notice of rights issue**

• The timetable for the execution of the offer of a total of 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) on 29 April, 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

**With reference to Warrants**

• The Warrants admitted to listing on the MTA are 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 1 Warrant per each share held. No Warrants were assigned to treasury shares held by Trevifin, equal to 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 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 1 additional share (the "Bonus Share") for every 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 date of issue (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 give the right to subscribe the Bonus Shares. 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 "Notice of Rights" and the admission to trading of newly issued shares within the Capital Increase and warrants on the MTA (Italian Electronic Stock Exchange), organised and managed by Borsa Italiana S.p.A.. 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 FSI Investimenti S.p.A. and Polaris Capital Management, LLC with all the commitments to subscribe and pay up the Right of First Refusal Increase undertaken by them under the Investment Agreement.

• On 4 May 2020, warrants were assigned to the entitled parties.

• On 18 May 2020, the Notice of Rights relating to the Right of First Refusal Increase was completed, in the context of which 4,584,239,943 newly issued ordinary shares of the Parent were subscribed, for a total amount of Euro 45,842,399.43. At the end of the Subscription Period, 1,065,436 Rights of first refusal were not exercised, which relate to the subscription of 8,415,878,964 Shares on Offer, for a total amount of Euro 84,158,789,64, which were offered by the Parent on the Stock Exchange, pursuant to Art. 2441, paragraph 3, of the Italian Civil Code.

• The offer on the Stock Exchange of unexercised rights of first refusal ended early on 21 May 2020, as 1,065,436 unexercised rights of first refusal were entirely sold by the end of the subscription period.

• On 27 May 2020, the date by which 1,065,436 unexercised rights of first refusal should have been exercised, under penalty of forfeiture, all those rights were exercised and 18,783,822 shares from the Right of First Refusal Increase were subscribed.

• On 29 May 2020, 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. 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 receivables from the Parent, at a conversion ratio of 4.5: 1 (the "Right of First Refusal Increase"). As part of the Right of First Refusal Increase the institutional shareholders FSI Investimenti S.p.A. (a subsidiary of CDP Equity) and Polaris Capital Management, LLC (the "Institutional Shareholders") subscribed and released in cash a total amount of Euro 77,456,654.00 (equal to Euro 38,728,327.00 each), to fulfil the underwriting commitments undertaken by the same as part of the investment agreement signed with the Parent last 5 August; and

- the tranche of 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 receivables due to the banks from the Parent, at the same conversion ratio of 4.5:1 (the "Capital Increase by Conversion").

• At the end of the capital increase, the breakdown of shareholders was as follows:

- 25.67% held by FSI Investimenti S.p.A. (subsidiary of CDP Equity)

- 25.67% held by Polaris Capital Management, LLC;

- 41.85% held by banks and financial institutions that have entered into subscription commitments under the Restructuring Agreement; and

- 6.81% held by other investors.

• On 29 May 2020, the Board of Directors resolved to convene the Ordinary Shareholders' Meeting for 29 June 2020 at 11:00, on first call and, if necessary, on 30 June 2020, at the same place and time, on second call.

• On 29 June 2020, the Ordinary Shareholders' Meeting was held on first call and resolved in favour of the proposals presented by the Board of Directors in relation to the following points: 1 (Financial Statements at 31 December 2019, accompanied by the Directors' Report, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors. Presentation of the Consolidated Financial Statements at 31 December 2019 and the Consolidated Non-Financial Statement prepared in accordance with the Italian Legislative Decree 254/2016. Resolutions thereon); 2 (Report on the remuneration policy and the remuneration paid: 2.1 resolution regarding the Parent's remuneration policy in accordance with the first section of the report pursuant to Art. 123-ter, paragraphs 3-bis and 3-ter of Italian Legislative Decree dated 24 February 1998 No. 58; 2.2 resolutions relating to the second section of the report pursuant to Art. 123-ter, paragraph 6 of Italian Legislative Decree dated 24 February 1998 No. 58); 3 (3. Resolution regarding the fees of the Independent Auditors).

• On 26 November 2020, the Board of Directors resolved to convene the Ordinary Shareholders' Meeting for 30 December 2020 at 11:00, on first call and, if necessary, on 31 December 2020, at the same place and time, on second call, to resolve on the following agenda: (i) Appointment of a Director to replace a Director who resigned from office; (ii) Approval of a medium-long term incentive plan pursuant to Art. 114-bis of Italian Consolidated Finance Act,

• On 30 December 2020, the Shareholders' Meeting resolved in favour of the proposals presented by the Board of Directors in relation to the following points: 1 (Appointment of a Director to replace a Director who resigned from office. Resolutions thereon); 2 (Integration of the Board of Statutory Auditors: 2.1 Appointment of a Standing Auditor; 2.2 Appointment of an Alternate Auditor; 2.3 Appointment of the Chairman of the Board of Statutory Auditors) and 3 (Proposal to approve a medium-long term incentive plan pursuant to art. 114-bis of Italian Consolidated Finance Act. Resolutions thereon).

**Report on Remuneration**

To comply with regulatory requirements and to give shareholders further information for an understanding of the Parent, a Report on Remuneration was prepared in compliance with Article 123-ter of the Italian Consolidated Finance Act, which has been made publicly available at the same time as this Annual Report 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 was 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 28 April 2021 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 and Italian Legislative Decree No. 49/2019 implementing Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (hereinafter, the 'Decree') which, with regard to reports on remuneration, amended: (i) Legislative Decree No. 58 of 24 February 1998 (the Italian Consolidated Finance Act) and (ii) the Italian Regulation No. 11971 of 14 May 1999 on issuers (the "Issuer Regulation").

## ADDITIONAL INFORMATION

Ai sensi della comunicazione Consob del 28 luglio 2006 n. DEM/6064293, si precisa che nel corso del 2020 il Gruppo Trevi non ha posto in essere operazioni atipiche e/o inusuali, così come definito dalla Comunicazione stessa.

**Breakdown of the share capital**

The share capital of TREVI - Finanziaria Industriale S.p.A. at 31 December 2020 amounted to Euro 97,475,554.00, fully subscribed and paid up, and is made up of 150,855,693 ordinary shares without nominal value (the number of shares has been recalculated following the reverse split by resolution of 30 September 2020 of 15,085,569,300 shares in a ratio of 1 newly-issued ordinary share without nominal value for each 100 existing ordinary shares without nominal value).

At the date of this Report, the share capital structure is as follows:

- 25.67% held by FSI Investimenti S.p.A. (subsidiary of CDP Equity);
- 25.67% held by Polaris Capital Management, LLC, acting as Registered Investment Advisor pursuant to the USA Investment Advisers Act of 1940, on behalf of its investors;
- 37% held by banks and financial institutions that have entered into subscription commitments under the Restructuring Agreement; and
- approximately 12% held by other investors.

**Treasury shares and shares of parents**

At 31 December 2020 and the date of preparation of this report, the Parent held 20 treasury shares, representing 0.00001% of the share capital of the same Parent.

**Internal Dealing**

During 2020, the Parent did not receive notices relating to transactions on the investment from the relevant entities.

## Research and development

Research and development activities carried out by companies of the Group in 2020 were in the pursuit of the following objectives:

- Management, promotion and protection of the Group's intellectual property and expertise.
- Study of the application of electrification on machines, mainly for diaphragm excavation;
- Preliminary study of systems to aid stability and the calculation of ground pressures.

Numerous patent applications were filed during the year, some of which related to the third point, others to applications developed in the field of product engineering. In the same year several patents filed prior to 2020 were granted.
With regard to the second point, the designing of a rig for the excavation of diaphragm walls (cutter), equipped with a fully electrified excavation module, continued.
With regard to the third point, work continued on the study of a self-stabilizing system. This activity was accompanied by the start of a study on a system for displaying the pressures exerted by the machine on the ground.

**Related party transactions**

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

By virtue of application of the power contained in Art. 2391-bis of the Italian Civil Code, CONSOB amended Regulation No. 17221 of 12 March 2010 on the subject of related party transactions (the "RPT Regulation") and that, in accordance with the provisions of the regulations, by 30 June 2021 the Parent will adapt its procedures to the new provisions, which will come into force from 1 July 2021. The Procedure for Related Party Transactions of the Parent is available on the Parent's website www.trevifin.com.
In accordance with Consob Rule 11971 of 14 May 1999, at 31 December 2020 there were no investments held personally by Directors and standing Auditors and alternate Auditors, in the Parent and in the subsidiaries.

**Management and coordination activities**

Pursuant to Art. 93 of the Italian Consolidated Finance Act, it is reported that as at 31 December 2020 - TREVI - Finanziaria Industriale S.p.A. is no longer controlled by the European company TREVI Holding SE *(with Headquarters in Cesena)*. Upon completion of the Right of First Refusal Increase and the Capital Increase by Conversion, persons holding significant investments pursuant to Art. 120 of Italian Consolidated Finance Act are:

- FSI Investimenti S.p.A., company controlled by Cassa Depositi e Prestiti S.p.A., that indirectly holds 38,731,103 shares, representing about 25.674% of the share capital;
- Polaris Capital Management, LLC, that holds 38,731,103 shares, equal to about 25.674% of the share capital, also in its quality as Registered Investment Advisor pursuant to the USA Investment Advisers Act of 1940, on behalf of its investors;
- SACE S.p.A., a subsidiary of Cassa Depositi e Prestiti S.p.A., which directly holds 10,540,171 shares, equal to about 6.99% of the share capital;
- Intesa Sanpaolo S.p.A. that directly holds 10,417,060 shares, equal to about 6.91% of the share capital;
- Banco BPM S.p.A. that directly holds 6,916,998 shares, equal to about 4.59% of the share capital;
- Banca del Mezzogiorno S.p.A. that directly holds 6,835,935 shares, equal to about 4.53% of the share capital;
- UniCredit S.p.A. that directly holds 6,510,550 shares, equal to about 4.32% of the share capital;
- Banca Monte dei Paschi di Siena S.p.A. that directly holds 5,388,087 shares, equal to about 3.57% of the share capital;
- Stanley W. Watson Foundation that directly holds 4,529,531 shares, equal to about 3% of the share capital;

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 at 31 December 2020 and on the date of this Report, the Parent had not made any statements regarding any management and coordination activities on behalf of Parents, as at the date of this Report, and subsequent to the Capital Increase, none of the shareholders exercised any management or coordination activity or held any controlling interest.
At date of this Report, 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. in winding-up, 100% directly held by a sole shareholder;
- PSM S.p.A., 99.92% indirectly held *(100% owned by Soilmec S.p.A.)*.
- Immobiliare SIAB S.r.l., 100% directly held by a sole quotaholder.

**Significant events after the reporting period**

On 31 January 2021, the Parent announced to the market that, based on preliminary information available at that date in relation to the 2020 performance - also affected by the Covid-19 pandemic's effects on the worldwide economy, which conditioned the business of the Group -, it was possible to foresee that, at the time of approval of the Consolidated Financial Statements of the Trevi Group, one of the financial parameters set out in the Restructuring Agreement, namely the ratio of consolidated net financial debt to recurring EBITDA, would not be met.

On 24 February 2021, Trevifin informed the market about the start of discussions with the Lending Banks that are parties to the Restructuring Agreement (the "Lending Banks") aimed at identifying the amendments to the existing agreements necessary to deal with the foreseeable failure to comply with one of the financial parameters set out in the Restructuring Agreement, at the approval of the 2020 Consolidated Financial Statements. The Parent also communicated that, based on the preliminary information available at that date relating to the performance for the year 2020 and further analyses then underway on the Parent's outlook in the current market context, strongly affected by the spread of the Covid-19 pandemic, a general slowdown emerged in the achievement of the objectives identified in the Original Consolidated Plan, which did not seem to be entirely achievable within the time frame taken into account. In consideration of the above, in the discussions initiated with the Lending Banks, the Parent envisaged both the granting of the usual waivers and changes to the financial parameters originally set in the Restructuring Agreement, as well as the recalculation of some due dates scheduled for the current year relating to some exposures. The Trevi Group's performance in the first few months of the year in terms of order intake, revenue and backlog, was in line with the forecasts for the first year of the Updated Consolidated Plan as approved by the Board of Directors on 23 April 2021 and announced to the market on 24 April 2021.

**Outlook**

In 2021, the Trevi Group revenue is expected to increase by between 7% and 8% compared to 2020. The first six months of the year will still be affected by the prolonged effects of the Covid-19 pandemic, while the second half of the year is expected to be more robust, on the assumption that the spread of the pandemic will gradually reduce its impact thanks to vaccination campaigns and that there will be no new outbreak in the coming months.

The intake of new orders in 2021 is expected to be higher than in the 2020 financial year.

Discussions will continue with the Lending Banks that are parties to the Restructuring Agreement in order to reach a moratorium and standstill agreement aimed at regulating the current phase and ensuring to continue operating as a concern, in the interests of all the parties involved and, in general, of the stakeholders of the Trevi Group, pending the banks' investigation and decision-making processes and until an agreement amending the Restructuring Agreement is signed. As stated above, this amending agreement - which is expected to be signed by the end of 2021 - will be aimed at incorporating the requests made by the Parent regarding waivers on the financial parameters at 31 December 2021, the resetting of the financial covenants for the period 2021-2024 in line with the updated 2021-2024 business plan and the postponement of certain payment deadlines scheduled for 2021.

Cesena, 28 April 2021

On behalf of the Board of Directors

The Chairman
**Luca d'Agnese**

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(In thousands of Euro)*

| ASSETS | Notes | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | | |
| Land and buildings | | 52,254 | 52,227 |
| Plant and machinery | | 102,202 | 128,731 |
| Industrial and commercial equipment | | 24,401 | 30,560 |
| Other assets | | 10,329 | 16,809 |
| Assets under construction and payments on account | | 1,894 | 3,219 |
| **Total property, plant and equipment** | (1) | **191,079** | **231,546** |
| **Intangible assets** | | | |
| Development costs | | 6,646 | 5,260 |
| Industrial patents and intellectual property rights | | 182 | 290 |
| Concessions, licences and trademarks | | 177 | 142 |
| Assets under development and payments on account | | 3,392 | 218 |
| Other intangible assets | | 450 | 884 |
| **Total Intangible Assets** | (2) | **10,847** | **6,794** |
| Investment property | (3) | 0 | (0) |
| Equity investments | (4) | 3,628 | 4,000 |
| *- Equity-accounted investments in associates and joint ventures* | | *2,995* | *3,403* |
| *- Other equity investments* | | *633* | *597* |
| Deferred tax assets | (5) | 29,465 | 44,163 |
| Other non-current financial assets | (6) | 11,052 | 3,283 |
| *- of which from related parties* | (34) | *0* | *1,353* |
| Trade receivables and other non-current assets | (7) | 1,010 | 2,946 |
| **Total non-current assets** | | **247,082** | **292,732** |
| **Assets held for sale** | | **0** | **250,420** |
| **Current assets** | | | |
| Inventories | (8) | 122,711 | 118,897 |
| Trade receivables and other current assets | (9) | 240,695 | 289,331 |
| *- of which from related parties* | (34) | *10,888* | *14,711* |
| Current tax assets | (10) | 6,700 | 12,086 |
| Other current financial assets | | 0 | 145 |
| Current financial assets | (11) | 3,675 | 10,977 |
| *- of which from related parties* | (34) | 1,297 | 0 |
| Cash and cash equivalents | (12) | 69,810 | 77,709 |
| **Total current assets** | | **443,591** | **509,145** |
| **TOTAL ASSETS** | | **690,673** | **1,052,297** |

The Notes are an integral part of these consolidated financial statements.

**CONSOLIDATED FINANCIAL STATEMENTS**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*(In thousands of Euro)*

| EQUITY | Notes | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| **Share capital and reserves** | | | |
| Share capital | | 97,374 | 82,290 |
| Other reserves | | 247,974 | 157,181 |
| Losses carried forward | | (463,457) | (382,760) |
| Profit/(loss) for the year | | 241,468 | (75,802) |
| **Equity/(Deficit) attributable to the owners of the Parent** | | **123,359** | **(219,089)** |
| Share capital and reserves attributable non-controlling interests | | 1,415 | (914) |
| Loss attributable to non-controlling interests | | (4,733) | (2,162) |
| **Deficit attributable to non-controlling interests** | | **(3,318)** | **(3,076)** |
| **Total Equity/(Deficit)** | (13) | **120,041** | **(222,167)** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term bank loans and borrowings | (14) | 8,234 | 7,656 |
| Long-term loans and borrowings from other financial backers | (14) | 79,237 | 25,764 |
| Non-current derivatives | (14) | (0) | (0) |
| Deferred tax liabilities | (15) | 20,748 | 31,729 |
| Post-employment benefits | (17) | 11,508 | 13,682 |
| Non-current provisions | (15) | 15,632 | 7,235 |
| Other non-current liabilities | | 4,913 | 41 |
| **Total non-current liabilities** | | **140,272** | **86,107** |
| **Liabilities associated with assets held for sale** | | **0** | **150,455** |
| **Current liabilities** | | | |
| Trade payables and other current liabilities | (18) | 148,506 | 224,280 |
| - *of which to related parties* | (34) | *878* | *2,363* |
| Current tax liabilities | (19) | 11,677 | 12,631 |
| Short-term loans and borrowings | (20) | 194,176 | 553,193 |
| Short-term loans and borrowings from other financial backers | (21) | 71,483 | 238,316 |
| Current derivatives | (22) | 0 | 132 |
| Current provisions | (23) | 4,518 | 9,350 |
| **Total current liabilities** | | **430,360** | **1,037,902** |
| **TOTAL LIABILITIES** | | **570,632** | **1,274,462** |
| **TOTAL EQUITY/(DEFICIT) AND LIABILITIES** | | **690,673** | **1,052,297** |

The Notes are an integral part of these consolidated financial statements.

*Following the failure to meet the financial parameters at 31 December 2020 relating to the bank loans and borrowings under the Restructuring Agreement, in accordance with IFRS 9, these have been presented in the financial statements with a short-term maturity, although the original maturity date of 2024 remains unchanged.*

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*(In thousands of Euro)*

| | Notes | 2020 | 2019 |
|---|---|---|---|
| Revenue from sales and services | (24) | 456,662 | 593,970 |
| *- of which from related parties* | (34) | *1,003* | *9,190* |
| Other operating revenue | (24) | 34,654 | 29,234 |
| *- of which from related parties* | (34) | *4,255* | |
| **Sub-total of Revenue** | | **491,315** | **623,204** |
| Raw materials and consumables | | (157,580) | (213,330) |
| Change in raw materials, consumables, supplies and goods | | (968) | (217) |
| Personnel expense | (26) | (138,575) | (166,333) |
| Other operating expenses | (27) | (168,184) | (201,465) |
| *- of which to related parties* | (34) | *13* | *(5,381)* |
| Depreciation and amortisation | (1)-(2) | (41,220) | (47,014) |
| Provisions and impairment losses | (28) | (3,614) | (32,336) |
| Internal work capitalised | (25) | 13,478 | 12,241 |
| Changes in finished goods and work in progress | | 5,901 | (11,646) |
| **Operating profit/(loss)** | | **554** | **(36,896)** |
| Financial income | (29) | 293,301 | 9,227 |
| (Financial expense) | (30) | (33,960) | (25,674) |
| Net Exchange Gains/(Losses) | (31) | 2,840 | (5,100) |
| **Net financial income/(expense)** | | **262,182** | **(21,547)** |
| Adjustments to financial assets | | (694) | (1,608) |
| **Profit/(loss) before taxes** | | **262,041** | **(60,051)** |
| Income taxes | (32) | (12,465) | (6,472) |
| **Profit/(loss) from continuing operations** | | **249,576** | **(66,523)** |
| **Loss from assets held for sale** | (33) | **(12,840)** | **(11,440)** |
| **Profit/(loss) for the year** | (33) | **236,736** | **(77,963)** |
| **Attributable to:** | | | |
| Owners of the Parent | | 241,468 | (75,802) |
| Non-controlling interests | | (4,733) | (2,162) |
| | | 236,736 | (77,963) |
| **Basic earnings/(losses) per share:** | | 2.72 | (4,606) |
| **Diluted earnings/(losses) per share:** | | 2.43 | (4.12) |

The Notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*(in thousands of Euro)*

| | 2020 | 2019 |
|---|---|---|
| Profit/(loss) for the year | 236,736 | (77,964) |
| **Items that are or may be reclassified to profit or loss for the year** | | |
| Hedging reserve | | |
| Income taxes | | |
| **Change in the hedging reserve** | | |
| Translation reserve | (21,492) | 4,512 |
| **Items that are or may be reclassified to profit or loss for the year net of taxes** | **(21,492)** | **4,512** |
| **Items that will not be reclassified to profit or loss for the year:** | | |
| Actuarial gains/(losses) | 14 | (334) |
| Income taxes | | 66 |
| **Items that will not be reclassified to profit or loss for the year net of taxes** | **14** | **(268)** |
| **Comprehensive income/(expense) net of taxes** | **215,258** | **(73,720)** |
| | | |
| Owners of the Parent | 220,718 | (72,588) |
| Non-controlling interests | (5,460) | (1,132) |

The Notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(In thousands of Euro)*

| | Share capital | Other reserves | Losses carried forward | Owners of the Parent | Non-controlling interests | Total Deficit |
|---|---|---|---|---|---|---|
| **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** | | **3,213** | **(75,802)** | **(72,589)** | **(1,132)** | **(73,721)** |
| Allocation of 2018 loss and distribution of dividends | | | | | | |
| Capital increase | | | | | (1,111) | (1,111) |
| Acquisitions/disposals | | 1,572 | | 1,572 | (1,572) | |
| **31/12/2019** | **82,290** | **157,181** | **(458,562)** | **(219,091)** | **(3,076)** | **(222,167)** |

| Description | Share capital | Other reserves | Losses carried forward | Owners of the Parent | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|
| **01/01/2020** | **82,290** | **157,181** | **(458,562)** | **(219,091)** | **(3,076)** | **(222,167)** |
| Profit for the year | | | 241,468 | 241,468 | (4,733) | **236,735** |
| Actuarial gains | | 14 | | 14 | | **14** |
| Other comprehensive expense | | (20,762) | | (20,762) | (727) | **(21,489)** |
| **Total comprehensive income** | | **(20,748)** | **241,468** | **220,720** | **(5,460)** | **215,260** |
| Allocation of 2019 loss and distribution of dividends | | (196) | (377) | (573) | | (573) |
| Capital increase | 15,084 | 134,702 | | 149,786 | (591) | 149,195 |
| Acquisitions/disposals | | (22,965) | (4,518) | (27,483) | 5,811 | (21,672) |
| **31/12/2020** | **97,374** | **247,974** | **(221,989)** | **123,359** | **(3,316)** | **120,043** |

The Notes are an integral part of these consolidated financial statements.
As specified under paragraph “Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern”, as a result of the failure to meet covenants relating to bank loans and borrowings under the Restructuring Agreement, in accordance with IFRS 9, these have been presented in the financial statements with a short-term maturity, although the original maturity date of 2024 remains unchanged.

## CONSOLIDATED STATEMENT OF CASH FLOWS

*(In thousands of Euro)*

| | 2020 | 2019 |
|---|---|---|
| Profit/(loss) for the year attributable to the Owners of the Parent and Non-controlling interests | 236,736 | (77,964) |
| Income taxes | 12,465 | 6,472 |
| **Profit/(loss) before taxes** | **249,201** | **(71,492)** |
| Amortisation, depreciation and impairment losses | 38,328 | 47,014 |
| Net financial (income)/expense | (259,325) | 16,447 |
| Change in provisions for risk and charges and for post-employment benefits | (709) | (11,138) |
| Provisions for risks and charges | 6,750 | 35,419 |
| Use of provisions for risks and charges | (4,426) | 0 |
| Adjustments to financial assets and discontinued operations | 694 | 0 |
| Losses from the sale or impairment losses on non-current assets | (967) | (1,796) |
| **(A) Cash flows from operating activities before changes in the Working Capital** | **29,546** | **14,455** |
| (Increase)/Decrease in inventories | (11,467) | 16,735 |
| Decrease in trade receivables | 41,560 | 20,891 |
| Increase in trade payables | (68,593) | (33,746) |
| (Increase)/Decrease in other assets/liabilities | (13,249) | 10,958 |
| **(B) Changes in working capital** | **(51,749)** | **14,839** |
| (C) Financial income collected/Interest expense paid | (10,091) | (4,125) |
| (D) Taxes paid | (5,356) | (7,991) |
| **(E) Cash flows from/(used in) operating activities (A+B+C+D)** | **(37,650)** | **17,178** |
| | | |
| ***Investing activities*** | | |
| Investments | (6,173) | (20,749) |
| Net exchange gains/(losses) | (10,751) | |
| Net change in financial assets | 281 | (2,747) |
| **(F) Cash flows used in investing activities** | **(16,643)** | **(23,496)** |
| | | |
| ***Financing activities*** | | |
| Increase/(Decrease) in Share Capital and reserves for the repurchase of treasury shares | 15,084 | 0 |
| Other changes including those in non-controlling interests | 72,618 | 1,648 |
| Changes in loans, financing, derivatives, finance leases and other financing | (113,049) | (2,986) |
| Dividends paid | (644) | (48) |
| **(G) Cash flows used in financing activities** | **(25,991)** | **(1,385)** |
| | | |
| **(H) Change in assets/(liabilities) associated with discontinued operations** | **85,996** | **0** |
| **Net Change in Cash Flows (E+F+G+H)** | **5,712** | **(7,702)** |
| | | |
| **Opening Cash and cash equivalents** | **77,709** | **88,912** |
| Change in cash flows for assets held for sale | (8,444) | (3,500) |
| Effects of exchange fluctuations on cash and cash equivalents | (5,116) | 919 |
| Scope change effect | (50) | |
| Net change in cash flows | 5,712 | (8,621) |
| **Closing Cash and cash equivalents** | **69,811** | **77,709** |

The Notes are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

## Group profile and business activities

TREVI – Finanziaria Industriale S.p.A. (hereinafter "the Parent") and the companies that it controls (hereinafter "TREVI Group" or "the Group") carry out their activities in the sector of foundation engineering services for civil and infrastructural works and construction of equipment for special foundations (hereinafter "Foundations").

These activities are coordinated by the two main operating companies of the Group:

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

TREVI – Finanziaria Industriale S.p.A. has been listed on the Milan stock exchange since July 1999.

## Basis of preparation

These Consolidated Financial Statements were approved by the Board of Directors on 28 April 2021.

The 2020 Consolidated Financial Statements were prepared 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 were prepared in accordance with the historical cost principle except for derivatives, which were measured at fair value. The Consolidated Financial Statements are presented in thousands of Euro, unless otherwise indicated. The Consolidated Financial Statements provide comparative information in relation to the previous year.

The Consolidated Financial Statements of the Trevi Group were prepared on a going concern basis.

Specifically, at the time of the approval of the 2020 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 was taken into account, relating at least - without limitation - to 12 months following the reference date of the consolidated financial statements at 31 December 2020. Significant risk indicators that may raise doubts about the ability of the Group to continue operating as a going concern were taken into account. In the case of Trevifin and the Trevi Group, the risk indicators to be assessed with particular attention are those falling within the financial area and, especially, those related to the compliance with the Restructuring Agreement and the achievement of the Group's recovery goals through the Original Consolidated Plan and the agreements signed in 2019, which were implemented during the 2020 financial year, as briefly mentioned above.

In particular, the following circumstances were considered:

- following the execution of Trevifin's capital strengthening and restructuring of the Group's financial debt:
    - the Parent’s deficit totalled Euro 268.6 million at 31 December 2019, while a total equity of Euro 128.5 million was recognised at 31 December 2020, allowing the situation pursuant to Article 2447 of the Italian Civil Code to be overcome;
    - the Group's net financial debt decreased from approximately Euro 735 million at 31 December 2019 to approximately Euro 269.5 million at 31 December 2020; and

the Board of Directors examined the forecasts for the recovery of the Construction sector in the various economies in which the Group operates, deeming that there are various opportunities for new contracts for the Group; many governments in many countries with developed and emerging economies, after having protected their socio-economic system with lockdown initiatives and limiting the circulation of people and goods, have adopted tools to support the various economic systems, with expansive fiscal policies, making liquidity available to households and businesses, and by preparing economic recovery plans often based on infrastructure investments.

Therefore, although the Covid-19 pandemic had significant impacts on the Construction market in 2020, the forecast of recovery of this market in the course of 2021 is confirmed, based on the expected government investments to support the economy (i.e., the US plan of USD 2 trillion), which is expected to see construction as one of the key sectors for the revival; it is believed that the growth of the Construction market amplifies the underlying GDP growth by approximately 1-1.5x, in line with what has already been found in past crisis situations (Source: comparison between the trend in growth in the Construction sector over the years - data taken from IHS Global Construction Market - and the trend of GDP growth - data taken from the Economist Intelligence Unit).

In the light of that mentioned under paragraph “Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern”, Directors prepared the Consolidated Financial Statements at 31 December 2020 on a going concern basis.

## Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern

**Overview**

This section aims at: (i) examining the correct application of the going concern assumption to the financial statements (separate and consolidated) for the 2020 financial year of the Parent and the Group (as defined below) in the light of the financial position, financial performance and cash flows and other circumstances that may be relevant in this regard; and (ii) identifying current uncertainties, including the assessment of their relevance and the probability that they can be overcome, taking into consideration the measures put in place by Management and additional mitigation factors.

In particular, the following three areas of risk have been identified, all of which are analysed later in this section: **(a)** the failure to comply with the contractual clauses set out in the Restructuring Agreement (as defined below) and the possible consequences arising from this circumstance, also in light of the relationships with the Lending Banks (as defined below); **(b)** the risks, if any, associated with the Group's liquidity for a period of at least 12 months from the date of these financial statements; and **(c)** the risk arising from any failure to achieve the recovery goals, as set out in the Updated Consolidated Plan (as defined below).

In order to provide a detailed description of the specific risk areas in which the Parent's going concern has been verified, it should first be noted that the Parent and the Group have faced a complex process of economic, and financial recovery in the past years, which ended in the first half of 2020, due to some difficulties and uncertainties that arose starting from the 2017 financial year. It is therefore worth briefly recapping the main steps of this process to date.

**Short overview of the most significant events up to the date of this report**

- In order to overcome the serious situation of economic and financial tension that affected the Parent and the Group it heads (the "**Trevi Group**" or the "**Group**"), starting from 2017, the Parent initiated a process of recapitalisation and restructuring of the Group's financial debt to be implemented as part of an agreement pursuant to Art. 182-*bis* of the Italian Bankruptcy Law (as defined below), which involved, on the one hand, the financial creditors of the Trevi Group and, on the other, its main shareholders.
- The final financial manoeuvre relating to the transaction mentioned above was approved by the Board of Directors of the Parent on 8 May 2019 and following some amendments and integrations, on 17 July 2019. This manoeuvre was based on a business and financial plan relating to the Trevi Group for the period 2018-2022 (the "**Original Consolidated Plan**") - drawn up during the 2018 and 2019 financial years -

which was approved, in its final version, by the Parent's Board of Directors on 2 August 2019. In summary, this manoeuvre provided for:

i) a maximum capital increase of Euro 193.1 million, of which: **(a)** Euro 130,001,189.07 to be paid in one instalment and against consideration, to be offered with right of first refusal to the Parent's shareholders pursuant to Art. 2441, paragraph 1 of Italian Civil Code, at a subscription price per share of Euro 0.01 (considering the reverse split implemented on 18 November 2019) ("**Right of First Refusal Increase**"); and **(b)** a further amount of Euro 63,137,242.00, to be paid in one instalment up to the amount of Euro 10,593,896.00, reserved to the Lending Banks and to be executed by converting receivables at a conversion ratio of 4.5 times the issue price (the "**Capital Increase by Conversion**" and together with the Right of First Refusal Increase, the "**Capital Increase**"). The Right of First Refusal Increase was entirely guaranteed as follows: *(A)* about Euro 77.4 million by the subscription commitments undertaken by the shareholders FSI Investimenti S.p.A. ("**FSI**") and Polaris Capital Management LLC ("**Polaris**" and, along with FSI, the " **Institutional Shareholders**"); and *(B)* the remaining part of about Euro 52.6 million, by the subscription commitments undertaken by the Lending Banks by converting receivables for a total amount of Euro 284.1 million, it being understood that, if the Right of First Refusal Increase had to be subscribed by the Lending Banks by converting their receivables, this would have resulted in a consequent reduction of the amount to be subscribed under the Capital Increase by Conversion, for an amount equal to that used to subscribe for the Right of First Refusal Increase;

ii) the divestment of Drillmec S.p.A., Petreven S.p.A. and of all the companies at the time belonging to the Trevi Group and operating in the Oil & Gas Segment (the "**Oil & Gas Divestment**") in favour of the Indian group headed by Megha Engineering & Infrastructures Ltd., a leading Indian operator in the infrastructure sector ("**MEIL**"), among the leaders of the industry. The proceeds of this divestment would have been used to repay part of the indebtedness of the companies in the Oil & Gas Division, while the remaining part of this indebtedness would have been taken over by Trevifin and used to subscribe to the Capital Increase by Conversion or rescheduled consistently with the debt subject to the restructuring referred to in point (v) below;

iii) in the event of failure to subscribe in full the portion of Right of First Refusal Increase, any grant and disbursement in favour of Trevi S.p.A. ("**Trevi**") and Soilmec S.p.A. ("**Soilmec**" and, along with Trevifin and Trevi, the "**Proposing Companies**") 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 Right of First Refusal Increase 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 had to be further deducted (the "**New Loan**"). Of the above loan, Euro 12 million was paid during the period between the filing of the appeal pursuant to Art. 182 of Italian Bankruptcy Law and the date on which the decree approving the Restructuring Agreement was finalised (as defined below) (and, therefore, following the authorisation by the competent Court pursuant to of Article 182 *quinquies*, paragraph 1, of Italian Bankruptcy Law). The remaining part of this New Loan, which in consideration of the criteria set forth in the related loan agreement amounted to Euro 878,866.00, was disbursed subsequent to the execution of the Capital Increase on 31 July 2020;

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

v) the confirmation of the existing lines of credit and the granting of new unsecured lines of credit 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 Bankruptcy Law, subject to obtaining authorisation from the competent Court;

vi) 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 (i) 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

vii) the rescheduling until 31 December 2024 and the amendment of the related terms and conditions of the bond issue called "*Trevi-Finanziaria Industriale S.p.A. 5.25% 2014 – 2019*" issued by Trevifin in 2014 for Euro 50 million (the "**Bond Issue**"), already approved by the Bondholders' meeting on 2 May 2019.

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

i) the Debt Restructuring Agreement (the "**Restructuring Agreement**") signed, *inter alios*, by the Parent, Trevi and Soilmec, on the one hand, and by the Lending Banks of the Trevi Group (the "**Lending Banks**"), on the other, to be submitted to the Court for approval pursuant to Article 182-*bis* of the Italian Royal Decree No. 267 of 16 March 1942, (the "**Italian Bankruptcy Law**" or "**IBL**"), as well as further agreements with other financial creditors, also subject to approval pursuant to the same article 182-*bis* of the IBL (the "**Further Agreements**"), aimed at regulating the restructuring of the financial debt of the Trevi Group;

ii) the share purchase agreement signed by Trevifin, its subsidiaries Trevi, Soilmec and Trevi Holding USA Corporation, on the one hand, and MEIL Global Holdings B.V., a company incorporated under the Dutch law directly controlled by MEIL, on the other hand, aimed at regulating the Oil & Gas Divestment (the "**SPA**");

iii) the Investment Agreement pursuant to which the Institutional Shareholders committed to subscribe shares for approximately Euro 77.4 million in relation to the Right of First Refusal Increase; and

iv) the loan agreement, with which some Lending Banks undertook to grant a new loan to Trevi S.p.A. and Soilmec S.p.A.

- On 8 August 2019, the Restructuring Agreement and Further Agreements were filed with the Court of Forlì, competent for the purpose of requesting their approval pursuant to Article 182-*bis* of the IBL, as well as the approval pursuant Art. 182-*quinquies*, first paragraph of the IBL to take out pre-deductible loans at a time prior to approval.
- With provisions of 2 October 2019, the Court of Forlì granted the authorisation pursuant to Article 182-*quinquies* of the IBL, for the disbursement by some of Lending Banks of a new loan 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 Court of Forlì on the same date also authorised the granting to Trevifin, pursuant to Article 182-*quinquies* of the IBL, of a new interim loan 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 Agreement and Further Agreements. Trevifin and its subsidiaries Trevi S.p.A. and Soilmec S.p.A. 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 and of Further Agreements was accepted.
- 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 and Further Agreements, considering the reasons advanced by the claimants well founded, and therefore it approved the said Agreements.
- On 11 March 2020, the World Health Organisation declared Covid-19 a 'pandemic'. In response to this declaration, both the Italian Government and the majority of governments of European and non-European countries implemented actions aimed at containing and preventing the spread of the pandemic, including

the temporary closure of commercial and production activities and the restriction of travel both within the country and from/to outside (the so-called lockdown).

- On 31 March 2020 - following the completion of the so-called first closing on 28 February 2020 - the sale of the Oil & Gas Division of the Trevi Group to MEIL Global Holdings B.V. was successfully completed. Specifically, pursuant to the SPA., the entire share capital of Drillmec S.p.A., Drillmec Inc. and Petreven S.p.A. was transferred to the MEIL Group, for a debt-free consideration of approximately Euro 116.4 million. Part of the price paid by the 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 over by the Parent for approximately Euro 107.2 million, in accordance with the Restructuring Agreement. In addition, a portion of the price, equal to Euro 14 million, was used, in accordance with the agreements entered into with the MEIL Group, to establish a time deposit (the so-called "**Escrow Amount**") to guarantee any compensation obligations that may arise subsequent to the closing of the transaction.
- On 29 April 2020, the Lending Banks, through the agent, confirmed that all the conditions precedent provided for in the Restructuring Agreement had been met, and that therefore the Agreement had to be considered fully effective in all its provisions. Through this communication, the banks also confirmed the commitments to subscribe and pay up the Capital Increase undertaken by them under the Restructuring Agreement.
- On 29 May 2020, Trevifin announced that the Capital Increase was successfully completed, in the context of 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 the 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 (about Euro 77.4 million referred to Institutional Shareholders) through cash payment 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; and
    - the tranche of Capital Increase by Conversion 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 Parent to the same banks, at the same conversion ratio of 4.5:1.
- On 29 June 2020, the Board of Directors of Trevifin, despite the uncertainties relating to the actual implementation of the Original Consolidated Plan, approved the consolidated results at 31 December 2019 on a going concern basis in relation to the following elements:

i) the acceptance of the complaint filed against the rejection measure adopted by the Court of Forlì to obtain the approval of the Restructuring Agreement and Further Agreements, as well as the consequent approval of the same by decree of the Court of Appeal of Bologna on 10 January 2020;
ii) the completion of the sale of the Oil & Gas Division of the Trevi Group to MEIL Global Holdings BV on 31 March 2020;
iii) the effectiveness of the Restructuring Agreement and Further Agreements on 29 April 2020, following the occurrence of all the conditions precedent therein, with the resulting rescheduling of the financial debt of the Group pursuant to the terms therein provided for;
iv) the completion on 29 May 2020 of the Trevifin Capital Increase, in the context of which 15,083,921,496 newly issued ordinary shares of the Parent were subscribed, for a total amount of Euro 150,839,214.96; and
v) finally, with reference to the uncertainty factors associated with the Original Consolidated Plan, it should be noted that the said Plan was drawn up with the assistance of leading industrial and financial advisors. The Plan was examined several times by the Board of Directors and was certified by the expert appointed pursuant to Art. 182-*bis* of the IBL and approved by the Court of Appeal of Bologna.

- On 22 September 2020, the Trevifin's Board of Directors approved the consolidated half-year results at 30 June 2020 on a going concern basis in relation to the following elements:
  i) following the execution of Trevifin's capital strengthening and restructuring of the Group's financial debt:
     - the Parent's equity went from a deficit of Euro 268.6 million at 31 December 2019 to equity of Euro 124.0 million at 30 June 2020, allowing the situation pursuant to Article 2447 of the Italian Civil Code to be overcome;
     - the Group's net financial debt decreased from approximately Euro 736 million at 31 December 2019 to approximately Euro 251 million at 30 June 2020; and
     - the residual debt of the Group was almost entirely rescheduled (Euro 337.8 million compared to Euro 349.8 million), providing for a bullet repayment at 31 December 2024, and the amendment of the related terms and conditions;
  ii) the first half of 2020 ended in line with the most updated forecasts included in the prospectus relating to the Capital Increase and the forecasts for the current year are in line with those prepared by Management at the beginning of the Covid-19 pandemic;

iii) the Board of Directors examined the forecasts for the recovery of the Construction segment in the various economies in which the Group operates, deeming that there are various opportunities for new contracts for the Group;

iv) many governments in many countries with developed and emerging economies, after having protected their socio-economic system with lockdown initiatives and limiting the circulation of people and goods, adopted tools to support the various economic systems, with expansive fiscal policies, making liquidity available to households and businesses, and by preparing economic recovery plans often based on infrastructure investments. Therefore, although for 2020 the scenario regarding the Covid-19 pandemic was such that the expected impacts on the Construction market in 2020 were considered significant, particularly in the first half, and the growth estimates of the Construction market for 2020 were revised downwards in line with the prospects for a contraction in global GDP over the course of the year, the forecast of recovery of this market in the course of 2021 remained confirmed, based on the expected government investments to support the economy (i.e., the US plan of USD 2 trillion), which is expected to see construction as one of the key segments for the revival;

v) with regard to the Original Consolidated Plan, despite the physiological factors of uncertainty linked to its complete implementation (also due to external factors that were not predictable at the time of its preparation such as Covid-19 pandemic), it was drawn up with the help of leading industrial and financial advisors, and was examined several times by the Board of Directors, as well as a certificated by the expert appointed pursuant to Article 182-*bis* of the IBL and approved by the Court of Appeal of Bologna.

- On 31 January 2021, the Parent announced to the market that, based on preliminary information available at that date in relation to the 2020 performance - also affected by the Covid-19 pandemic’s effects on the worldwide economy, which conditioned the business of the Group -, it was possible to foresee that, at the time of approval of the consolidated financial statements of the Trevi Group, one of the financial parameters set out in the Restructuring Agreement, namely the ratio of consolidated net financial debt and recurring gross operating profit, would not be met.
- On 24 February 2021, Trevifin informed the market about the start of discussions with the Lending Banks aimed at identifying the amendments to the existing agreements necessary to deal with the foreseeable failure to comply with one of the financial parameters set out in the Restructuring Agreement, at the approval of the consolidated financial statements for the year 2020. The Parent also communicated that, based on the preliminary information available at that date relating to the performance for the year 2020 and further analyses then underway on the Parent’s outlook in the current market context, strongly affected

by the spread of the Covid-19 pandemic, a general slowdown emerged in the achievement of the objectives identified in the Original Consolidated Plan, which did not seem to be entirely achievable within the time frame taken into account. In consideration of the above, in the discussions initiated with the Lending Banks, the Parent envisaged both the granting of the usual waivers and changes to the financial parameters originally set in the Restructuring Agreement, as well as the recalculation of some due dates scheduled for the current year relating to some exposures.

Events subsequent to those listed above and further actions taken by Management in the meantime will be dealt with later in this section, with reference to the specific risk areas to which they refer.

**Main risks and uncertainties to which the Trevi Group is exposed**

The current conditions of the markets in which the Trevi Group operates, related to the Group's complex situation, required Management to carry out particularly accurate assessments with reference to the going concern assumption.

Specifically, at the time of the approval of the 2020 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 was taken into account, relating at least - without limitation - to 12 months following the reference date of the consolidated financial statements at 31 December 2020. Significant risk indicators that may raise doubts about the ability of the Group to continue to operate on a going concern basis were taken into account. It should be noted that, in the case of Trevifin and the Trevi Group, the risk indicators to be assessed with particular attention are those falling within the financial area and, especially, those related to the compliance with the Restructuring Agreement and the achievement of the Group's recovery goals through the Original Consolidated Plan and the agreements signed in 2019, which were implemented during the 2020 financial year.

In order to clear up any misunderstandings, it should be noted that, as stated in the previous section, the transactions that made up the financial manoeuvre envisaged in the Restructuring Agreement were carried out in full in accordance with the provisions of the original agreements, and this allowed the Parent and the Trevi Group to immediately rebalance their financial position, financial performance and cash flows with respect to the previous crisis situation that had required the signing of the Restructuring Agreement. This is confirmed by the fact that the Trevi Group, in spite of the significant delays in the approval and, consequently, in the subsequent implementation of the Restructuring Agreement and the underlying plan (which also led to higher costs for the Parent and lower margins) and in spite of the subsequent outbreak of the Covid-19 pandemic right around the time of completion of the Capital Increase (which, in all likelihood, had a negative impact on its full success), managed to achieve results consistent with the prudential scenarios that Management had drawn up in order to verify the continued viability of the plan (included in the prospectus relating to the Capital Increase), and to comply with the financial parameters set out in the Restructuring Agreement at the verification date of 30 June 2020. However, the continuation of the pandemic, with the second wave of the spread of the virus, the progressively stricter restrictive measures that states and companies were forced to adopt in the course of 2020 (restrictions on the movement of people and goods, closure of factories, safety measures, etc.), the resulting contraction of investments at international level and the significant delays in the acquisition of new orders and in the execution of certain projects underway and/or to be acquired, as well as the occurrence of certain additional events (such as the cancellation or non-acquisition of certain orders) negatively affected the Group's results, especially in the second half of 2020, leading to a worsening of all the main indicators (turnover, gross operating profit and Net Financial Position) compared to the forecasts of the Original Consolidated Plan for the same period and a lower net cash generation, although with a financial performance in line with the prudential scenarios developed by management and included in the prospectus relating to the Capital Increase. Uncertainties regarding the Trevi Group's ability to continue as a going concern, as well as assessments of the likelihood that they will be overcome, should therefore be framed in this context and analysed in the light of the consequences that such circumstances have had and/or may have on the recovery process and, in general, on the Trevi Group's business.

In particular, the aforementioned deviations from the Original Consolidated Plan, particularly in the second half of 2020, led on the one hand to the failure to meet the financial parameters set out in the Restructuring Agreement and, on the other, to the need to update the objectives of the aforementioned plan - again in accordance with the original strategic guidelines - and to revise the forecasts for the coming years, through the approval by the Parent's Board of Directors on 23 April 2021 of a new business plan for the period 2021-2024 (the "**Updated Consolidated Plan**"). In particular, this plan envisages lower levels of both revenue and gross operating profit compared to the Original Consolidated Plan, as well as lower cash generation and, consequently, a permanently higher Net Financial Debt. The table below shows a comparison between forecasts of the Original Consolidated Plan and those of the Updated Consolidated Plan:

| **Management Plan 2021-2024**<br>**Business plan 2021-21** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|
| Revenue | 525 | 574 | 619 | 680 |
| Recurring gross operating profit (*) | 54 | 69 | 81 | 96 |
| Net financial debt (**) | 276 | 278 | 253 | 224 |

(*) before non-recurring income and expense and applying IFRS 16

(**) includes the application of IFRS 16

| Certified plan 2019-2022<br>Business plan 2019-22 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Revenue | 724 | 747 | 783 | - | - |
| Gross operating profit (**) | 73 | 84 | 92 | - | - |
| Net financial debt (**) | 183 | 134 | 93 | - | - |

(**) these revisions did not include the application of IFRS 16 and recognised the capital increase of the Financial Manoeuvre executed in 2019 and 100% subscribed against consideration.

As shown in the above comparison table, the Updated Consolidated Plan takes into account the 2021-2024 period as a time frame, compared to the Original Consolidated Plan that considered the 2019-2022 period. This time frame is in line with the main financial debt due dates set out in the Restructuring Agreement and in the agreements with the financial creditors of the Trevi Group. This circumstance clearly implies that the achievement of the Trevi Group's recovery goals, which, under the Original Consolidated Plan, were envisaged for the end of the financial year 2022, should be assessed in the context of the Updated Consolidated Plan over a longer time horizon.

More specifically, the deviations observed with respect to the Original Consolidated Plan, and the consequent need to prepare and approve the Updated Consolidated Plan, have the following consequences, each of which will be analysed below, in order to assess whether this circumstance represents an uncertainty with respect to the Parent’s ability to continue as a going concern, and whether this uncertainty can be overcome, also by means of actions taken by Management:

- **(i)** the non-compliance with certain obligations of the Restructuring Agreement and the need to request certain amendments to the same Restructuring Agreement to the Lending Banks. On this point, further details are provided in the following Paragraph;
- **(ii)** the risk that the cash generation profile of the Updated Consolidated Plan, which remains at a lower level than that of the Original Consolidated Plan, could give rise to cash flow problems that would make it impossible for the Group to operate normally; and
- **(iii)** the risk that the Group may not be able to achieve the objectives of the Updated Consolidated Plan, and the consequent definitive rebalancing of its financial position and financial performance.

The following paragraphs set forth the considerations made by the Board of Directors regarding the going concern assumption in light of these issues.

**Non-compliance with the obligations of the Restructuring Agreement and the requests for amendments made to the Lending Banks**

With reference to the Restructuring Agreement, the consequences of the overall situation in which the Trevi Group finds itself as a result of the deviations from the Original Consolidated Plan can be summarised as follows.

**A. Breach of financial parameters at 31 December 2020:** based on the results for the 2020 financial year, as reflected in the relevant consolidated financial statements, the Trevi Group is unable to meet the financial parameters set out in the Restructuring Agreement for the verification date of 31 December 2020. In particular, according to the Restructuring Agreement, at the verification date falling on 31 December 2020, the Proposing Companies should have met the following financial parameters:

- Consolidated Net Financial Debt / gross operating profit lower than or equal to 4.5x (“**Leverage Ratio**”); and
- Consolidated Net Financial Debt / Consolidated Equity lower than or equal to 1.8x (“**Debt/Equity Ratio**”).

In light of the results of the financial statements at 31 December 2020, these financial parameters were not met and, specifically: **(a)** the Leverage Ratio was 5.36x; and **(b)** the Debt/Equity Ratio was 2.24x. This circumstance implies the following possible consequences, which constitute risks for the Parent's ability to continue as a going concern: (i) the formal declaration by the Lending Banks of the occurrence of a “Significant Event” under the Restructuring Agreement, and the consequent implementation of the remedies contractually provided for, including the acceleration clause in relation to the financial debt covered by the Restructuring Agreement, and the request for immediate early repayment of such debt; (ii) the interruption by the Lending Banks of the short-term cash lines of credit provided for in the Restructuring Agreement, thereby terminating the necessary financial support to the Group; and (iii) the interruption by the Lending Banks of the unsecured lines of credit required by the Group in connection with the related contracts. The foregoing requires a formal undertaking by the Lending Banks not to avail themselves of any of such remedies and a waiver of the exercise thereof as a consequence of such breaches;

**B. Need to update the financial parameters for the subsequent verification dates:** the forecasts of the

Updated Consolidated Plan indicate that, in all likelihood, the Proposing Companies will not be able to comply with the financial parameters provided for in the Restructuring Agreement also at the subsequent verification dates. The financial parameters that were included in the Restructuring Agreement, and that the Proposing Companies undertook to meet at each verification date falling on 30 June and 31 December of each year, were based on the forecasts of the Original Consolidated Plan which, as mentioned above, are to be considered outdated in light of the results achieved by the Group, which show a worsening trend compared to the original forecasts. Failure to meet the forecast financial parameters at the subsequent verification dates would constitute a “Significant Event” under the terms of the Restructuring Agreement and would entail the consequences described in paragraph A above, exposing the Parent and the Trevi Group to the related uncertainties regarding the ability to continue as a going concern. This implies the need to provide for financial parameters that are revised and aligned with respect to the provisions of the Updated Consolidated Plan and, to this end, it is necessary to request the Lending Banks to give their consent to the amendments made to the Restructuring Agreement aimed at **(a)** acknowledging, on the one hand, the occurrence of deviations from the Original Consolidated Plan requiring the preparation and approval of the Updated Consolidated Plan; and **(b)** providing for new financial parameters, modified in order to make them consistent with the Updated Consolidated Plan;

C. **Need to reschedule certain financial due dates:** as mentioned, the deviations from the Original Consolidated Plan, also resulting from the consequences of the Covid-19 pandemic, imply a constant decrease in cash and cash equivalents compared to the Original Consolidated Plan during the two-year period 2021-2022, with particular reference to the first half of 2021. Although the Restructuring Agreement envisages that most of the financial indebtedness towards the banks that are parties to the Restructuring Agreement is to be repaid via bullet payments at 31 December 2024, there are a number of financial due dates over the next 12 months that, if the Proposing Companies were to make the relevant payments, could create cash flow tensions and jeopardise the Group's ability to meet the financial needs of the business. More specifically, the Restructuring Agreement provides for: **(a)** the obligation to repay, within the twelfth month from the so-called Conversion Date, i.e. 29 May 2021, certain outstanding amounts that had been rescheduled at the time of signing the Restructuring Agreement, in an amount equal to approx. Euro 19.2 million (the so-called “Rescheduled Outstanding Amounts”); (b) the obligation to repay the instalments of the so-called New Loan granted under the Restructuring Agreement falling due on 30 June and 31 December 2021, for a total amount of approx. Euro 1.9 million. Failure to repay these amounts would constitute a “Significant Event” under the

Restructuring Agreement, and could result in consequences similar to those described in points (i) and (ii) of Paragraph A. above, and the Lending Banks could exercise the remedies described above. This clearly represents a further element of uncertainty to be taken into account with respect to the ability to continue as a going concern, and makes it necessary to ask the Lending Banks to suspend the aforementioned repayment obligations and reschedule them to a date that is consistent with the cash flows provided for in the Updated Consolidated Plan. In addition, the Restructuring Agreement provides that, in the event that the Escrow Amount (that constitutes a time deposit to guarantee any compensation obligations arising from the contracts relating to the Oil & Gas Divestment) is released, such amount must be allocated to early repayment to some Lending Banks (i.e., receivables due to the banks from the companies that were part of the Oil & Gas Division).

As for the circumstances described above, reference should be made to the specific considerations set out below in order to assess whether or not the relevant uncertainty arising therefrom can be considered to have been definitively overcome.

**Risks relating to liquidity trends over the next 12 months.**

An element that has been assessed with particular attention, in light of the lower cash generation foreseen in the Updated Consolidated Plan, is the suitability of the cash levels foreseen in the next 12 months to guarantee the ordinary operations of the Group, the financing of the relevant contracts and the regular payment of suppliers. For the sake of clarity, in light of the overall situation, it seems unlikely that the Group would be granted new cash lines of credit not provided for in the Original Consolidated Plan. The Group should therefore be able to meet its financial needs exclusively through the use of existing lines of credit for the financing of working capital and through the cash flows deriving from its ordinary activities, with the sole exception of the possible use of lines of credit for the non-recourse factoring of receivables included in the financial debt allowed under the Restructuring Agreement. Obviously, this aspect is central to the evaluation of the going concern assumption, and makes it necessary to carefully assess the cash flow forecasts for the next 12 months to ensure that, based on the forecasts prepared by Management, the cash flows deriving from the business are reasonably suitable to sustain the Group's financial requirements from time to time without recourse to new lines of credit, and without causing foreseeable situations of cash flow tension. To this end, Management developed a forecast of the Group's cash inflows and outflows that can be expected until March 2022, from which a reasonable expectation of a positive Group cash position until then has emerged.

**Risks related to the failure to achieve the objectives of financial rebalancing**

More in general, a risk factor on which Management particularly focused is represented by the circumstance that, as mentioned above, the original Consolidated Plan envisaged the achievement of certain financial targets that were considered suitable to allow the definitive financial rebalancing and recovery of the Group. The deviations found with respect to the Original Consolidated Plan have made it no longer current and have made it necessary to prepare and approve the Updated Consolidated Plan. It was therefore necessary to assess with particular attention whether, based on the forecasts of the Updated Consolidated Plan, the recovery goals are still achievable by the Trevi Group, albeit with a longer timeframe. In particular, the Group's performance in the first months of the year in terms of order intake, revenue and backlog was in line with the forecasts of the first year of the Updated Consolidated Plan. In this regard, in March 2021 the backlog, which had been decreasing from July 2020 to February 2021, reversed its trend and increased by 5% in March 2021 thanks to new orders acquired.

**Analyses carried out on the risks and uncertainties to which the Group is exposed, and the measures implemented by Management in order to deal with them**

In light of the above, the Board of Directors duly requested and obtained the information necessary to analyse the circumstances described above, in order to assess whether such circumstances actually represent elements that may constitute significant uncertainties with respect to the going concern assumption and whether such uncertainties may reasonably be overcome.
In this regard, the following should be considered.

**Requests to the Lending Banks and status of discussions**

With reference to the circumstances referred to in the previous paragraph 2, discussions with the Lending Banks (many of which became shareholders of the Parent in the implementation of the Restructuring Agreement) were promptly initiated in February 2021, with the involvement of their respective legal and financial advisors, aimed at representing the current situation to the banks themselves and submitting to them the necessary requests for amendments to the Restructuring Agreement. In particular, during the bank meeting held on 24 February 2021, convened by the Parent and attended by almost all the Lending Banks, a document was sent to them containing the following requests:

- granting of a waiver in relation to the non-compliance with the financial parameters provided for in the Restructuring Agreement at the verification date of 31 December 2020;

- suspension of the obligation to comply with the financial parameters at the subsequent verification dates of 30 June 2021 and 31 December 2021;
- modification of the financial parameters in relation to the verification dates for the subsequent financial years, in order to align them with the forecasts of the Updated Consolidated Plan;
- extension of the obligation to repay the so-called Outstanding Amounts, totalling approx. Euro 14.3 million, which under the Restructuring Agreement is due at the end of May 2021, until 31 December 2022;
- a moratorium on the repayment instalments of the New Loan due on 30 June and 31 December 2021, amounting to approx. Euro 1.9 million, and rescheduling them until 30 June 2022; and
- extension until 31 December 2022 of the obligation to repay any residual amounts deposited in the Escrow Account to guarantee the Parent's compensation obligations under the SPA, whereas such amounts have been released.

These requests, if accepted, should be incorporated into an agreement amending the Restructuring Agreement (the "**Amending Agreement**"), to be signed at the end of the resolution process of the banks.
Following the formulation of such requests, the banks sent the Parent, as is customary in such circumstances, a number of requests for further details and additional information, a process which is still underway. To date, no communication has been received from the Lending Banks aimed at exercising (or threatening and/or reserving the right to exercise in the future) the contractual remedies envisaged as a consequence of the circumstances described above and/or at interrupting the lines of credit with the Trevi Group. On the contrary, discussions continued, including through the relevant advisors, aimed at defining a shared path, and the banks continued to provide financial support to the Group by allowing the use of existing lines of credit, both in the form of cash and guarantee facilities.
In the context of these discussions, given that the banks will need to carry out the necessary in-depth analyses and complete the preliminary investigation processes aimed at accepting the requests made by the Proposing Companies, the need emerged to sign an agreement aimed at regulating the current phase and allowing, in the interests of all the parties involved and, in general, of the stakeholders of the Trevi Group, the continued management of the business pending the preliminary investigation and decision-making processes of the banks and until the signing of the Amending Agreement (the "**Standstill Agreemen**t"). To this end, on 14 April 2021, the Parent sent a request for a moratorium and standstill, with which it requested the banks to sign the Standstill Agreement by and no later than 31 May 2021, which, in brief, shall provide for **(i)** a general suspension of the obligations relating to compliance with the financial parameters; **(ii)** the suspension of the obligations to pay the amounts due during 2021; **(iii)** the confirmation of the existing lines of credit, both in the form of cash and

guarantee facilities; and **(iv)** the commitment not to avail themselves of the remedies resulting from the occurrence of the “Significant Events” relating to the circumstances described above. The term of the Standstill Agreement, as requested by the Proposing Companies, would be until such time as an Amending Agreement is reached, but not later than 31 December 2021. The execution of the Standstill Agreement, although it would not be sufficient in itself to definitively overcome the uncertainties relating to the possibility to continue operating as a going concern as described above - which would in fact be overcome exclusively through the execution of the Amending Agreement - would contribute to guaranteeing the Parent the possibility to operate as a going concern for the entire relevant period, and would represent a concrete indication of the willingness of the Lending Banks to reach a mutually agreed solution to the situation and not to stop providing financial support to the Group, thus enabling it to overcome the uncertainties reported, subject to the necessary completion of the relevant decision-making processes by the banks themselves.

In this regard, it should be noted that, although the Standstill Agreement had not been signed at the date of this report, on 28 April 2021, the legal and financial advisors of the Lending Banks (Studio Molinari e Associati and Rothschild & Co. respectively) sent a comfort letter to the Parent, in which they confirmed that the Lending Banks - subject to the positive outcome of the ongoing analysis of the documentation provided by the Parent and the reaching of an agreement on the content of the Standstill Agreement - intend to submit to their decision-making bodies the proposal to formalise the Standstill Agreement. This indication, although not binding or definitive, nevertheless demonstrates the existence of a shared path, and the absence at present of any intention on the part of the banks to initiate action and/or interrupt financial support for the Group. This therefore makes it reasonable to believe that, without prejudice to the respective investigation processes that the banks will have to complete, a Standstill Agreement can be signed within the envisaged time frame.

In conclusion, although significant uncertainty remains with regard to the successful conclusion of the negotiations underway with the Lending Banks, and the signing of the Amending Agreement, in light of the steps taken by Management, the subsequent behaviour of the banks as well as the additional elements briefly described in the previous paragraph, the Directors believe that they can reach the signing of the Amending Agreement within the terms indicated herein, enabling the Parent and the Group to overcome the relevant uncertainty by adopting the measures described above, which also appear appropriate in light of the provisions of the Updated Consolidated Plan.

**Expected liquidity trend over the next 12 months**

With reference to the uncertainty mentioned above, related to the risk that, due to the lower cash generation resulting from the Covid-19 pandemic and reflected in the forecasts of the Updated Consolidated Plan, situations of cash flow tension may arise during the 12 months subsequent to the reporting date, the following should be noted.

First of all, the Parent's Management constantly monitors the Group's cash flow, also at the level of the individual Trevi and Soilmec Divisions. In particular, Management prepares a short-term treasury plan analysing the cash flow trend over the next 20 weeks, a document that is updated every 4 weeks based on actual available data from all the Group's legal entities. This tool, the results of which are analysed and discussed with the local management, allows the short-term cash flow to be monitored and any shortfalls to be known well in advance, so that the necessary actions can be taken. This treasury plan was last updated on 21 April 2021, and shows a liquidity trend that, even at peak times, remains positive with a sufficient margin to guarantee the Group's normal operations.

In addition, Management prepared, on the basis of the Updated Consolidated Plan, a monthly budget that analyses the consolidated cash flow on a monthly basis throughout the current financial year. This document was last updated on 14 April 2021. This document also shows that the middle part of 2021 is the most critical time for the Group's cash flow. However, also on the basis of the latest actual data available, which show a consistent (and in some cases better) trend compared to the Updated Consolidated Plan, no particular critical issues emerge with regard to cash during the current financial year.

The liquidity budget was also examined in the note by Enrico Laghi (on which reference should be made to Paragraph 3.3), who confirmed that, although a limited sizing of consolidated cash is observed in the middle months of the 2021 financial year, assuming that the Lending Banks adhering to the Restructuring Agreement accept the requests having as their object the postponement of certain financial due dates scheduled for May and June 2021, the liquidity profile of the Trevi Group appears reasonably sufficient to ensure it to continue operating as a going concern.

In addition, in order to have greater certainty about the foreseeable trend of cash flow even over a longer time period than that considered in the treasury plan, the Parent's Management collected the necessary updated information from all the Group's legal entities, and prepared a further detailed liquidity analysis, which examines, starting from the information available and updated to 16 April 2021, the foreseeable trend of consolidated liquidity on a monthly basis, up to March 2022. This analysis confirmed that the highest cash absorption occurs in certain months of the year such as April, May and September, while, in the following months, also thanks to the recovery of the market and some significant collections expected in this period, it shows a progressively increasing trend throughout the year, without highlighting particularly critical situations. As far as the first months of 2022 are concerned, the Group's positive cash flow trend is expected to continue.

Therefore, on the basis of these projections, even in the month in which the liquidity trend has a negative peak, the Group's minimum cash will remain positive and such as to allow the Group to continue operating on a going concern basis and to meet its financial needs throughout the period considered.

Management's monitoring of the Group's liquidity trend therefore appears adequate to the situation and the results of the analysis carried out do not currently show situations of cash tensions and/or shortfalls until March 2022. The cash forecasts appear to have been drawn up in a prudent manner, taking into consideration only those collections whose timing has been duly verified, and not including the forecasts of collections for which there are doubts regarding the timing of payment, and also not including customer advances on orders of significant size.

In conclusion, based on the above, there does not appear to be any reason to believe that, during the 12 months following the reporting date, and also in the following months, up to 31 March 2022, situations of cash flow tensions are foreseeable that would compromise the Group's normal operations. The relevant uncertainty, although duly analysed, must therefore be considered overcome on the basis of the analyses carried out and the information available.

**Achievement of recovery goals**

As noted above, the consolidated figures at 31 December 2020 show deviations from the Original Consolidated Plan, also due to the significant impacts of the Covid-19 pandemic. The Parent's Management began promptly working in November 2020 to develop updated forecasts based on these baseline results, which are contained in the Updated Consolidated Plan. To this end, Management has been assisted by leading industrial and financial advisors. In addition, Management engaged Enrico Laghi, who had previously certified the feasibility of the Original Consolidated Plan and the Restructuring Agreement pursuant to Article 182-*bis* of the Italian Bankruptcy Law, to assess the significance of the changes between the pre-closing data at 31 December 2020 and the consolidated data reflected in the Original Consolidated Plan, as well as between the forecasts of the latter and those contained in the Updated Consolidated Plan.

On the basis of the results of these activities, the following considerations can be made:

**(i)** The changes observed with respect to the Original Consolidated Plan, although in some cases entailing appreciable variations with respect to the values of the Original Consolidated Plan, are mostly due to effects attributable to the spread of the Covid-19 pandemic or linked to other one-off extraordinary events, which by their very nature could not be foreseen when the Original Consolidated Plan was drawn up;

**(ii)** Although the Updated Consolidated Plan shows, in relation to the years 2021 and 2022, a worse trend than the Original Consolidated Plan for the main indicators (turnover, gross operating profit, NFP and cash flow), the recovery goals that were at the basis of the Restructuring Agreement do not appear to be compromised. On the contrary, the Updated Consolidated Plan shows a recovery in margins which, again at the end of 2022, should lead the Parent to reach a Leverage Ratio (net financial debt/consolidated gross operating profit) of 4x; although this figure is certainly worse than the forecasts in the Original Consolidated Plan for the same period, it is in line with that of other market operators comparable in terms of size and business sector, and still leads to the conclusion that the level of net financial debt is sustainable;

**(iii)** Furthermore, it should be considered that the main due dates of the financial debt to which the Group is exposed are not in 2022 but in 2024, and therefore it is at that date that its “refinancing” should be assessed, i.e. the Group's ability to obtain sufficient creditworthiness to be able to refinance the debt. There is therefore a margin of two additional years to further improve the Group's refinancing indicators. The Updated Consolidated Plan, in fact, develops the related forecasts also with reference to the financial years subsequent to 2022 (2023 and 2024). The growth assumptions for these years appear sustainable and not inconsistent with those of previous years and, on the basis of the relevant projections of the Updated Consolidated Plan, all of the Group's main indicators should further improve so that, at the end of the relevant plan period, the Group should achieve a leverage ratio of 2.3x, a financial parameter that is consistent with that which, already at the time of the Restructuring Agreement, was considered by the certifier, Enrico Laghi, to be suitable to allow the refinancing of the Group's financial debt (although, as mentioned, on the basis of the forecasts of the Original Consolidated Plan, this parameter should have been reached as early as 2022).

On the basis of the foregoing considerations, therefore, assuming a gradual recovery of the economy following the overcoming of the Covid-19 pandemic, the recovery goals that were at the basis of the Original Consolidated Plan and the Restructuring Agreement do not appear to be jeopardised by the new forecasts contained in the Updated Consolidated Plan but, at most, shifted forward in time, in any case consistent with the due dates of most of the Group's financial debt.

To further support this conclusion, the preliminary data available to Management for the first few months of 2021 are providing important confirmation of the assumptions made in the Updated Consolidated Plan. The Trevi Group's performance in the first few months of the year in terms of order intake, revenue and backlog, was in line with the forecasts for the first year of the Updated Consolidated Plan.

The Updated Consolidated Plan is based on forecasts which, as such, are by nature uncertain and may not occur or may occur only in part, and which depend only in part on internal variables and factors controllable by the Parent's Management, while remaining exposed to external factors. However, it is believed that, in the light of the analyses carried out, including on the basis of the results of the critical review that Enrico Laghi carried out on the deviations between the Original Consolidated Plan and the Updated Consolidated Plan:

(i) the Updated Consolidated Plan still allows the Trevi Group, albeit over a longer period of time, to achieve results that, at the time, were considered adequate for the definitive financial and equity rebalancing of the Group itself;

(ii) the Updated Consolidated Plan appears to have been drawn up in accordance with reasonable and prudent criteria and in any case shows the possibility of having, at the end of the plan, a balanced financial position and performance, and its feasibility is confirmed by the performance in the first months of 2021.

Therefore, it is believed that the uncertainty relating to the concrete possibility of definitively reaching a balanced financial position and performance through the implementation of the Updated Consolidated Plan is to be considered overcome on the basis of the above considerations.

**Concluding remarks**

In conclusion, even taking into account all of the circumstances outlined above, there remains significant uncertainty that may cast relevant doubt on the compliance with the going concern assumption that relates to the successful conclusion of the negotiations with the Lending Banks for the acceptance of the proposed amendments to the Restructuring Agreement (on which reference should be made to the considerations made in the previous paragraph).

Despite this significant uncertainty that may cast relevant doubt on the ability of the Parent and the Group to continue operating as a going concern, the Board of Directors believes that, at present, there are no circumstances that would require the abandonment of the going concern basis in the preparation of the separate and consolidated financial statements of the Trevi Group, and therefore considers it appropriate to prepare the separate and consolidated financial statements on a going concern basis upon the considerations outlined above.

**Preparation of financial statements**

The consolidated Statement of Profit or Loss aggregates costs and revenue by nature, as this classification is deemed more useful for the purpose of understanding the Group’s financial performance.

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

The consolidated Statement of Financial Position is classified based on the operating cycle, with the distinction between current and non-current items. On the basis of this distinction, assets and liabilities are considered current, if they are assumed to be realised or settled within the Group’s normal operating cycle and within 12 months after the reporting date.

The consolidated Statement of Cash Flows is prepared using the indirect method for determining the cash flows derived from investing or financing activities.

In order to prepare these consolidated Financial Statements, the Parent and its Italian and foreign subsidiaries prepared the individual statements of financial position, statements of profit or loss, statements of comprehensive income and statements of cash flows in compliance with IFRS, adjusting their own financial statements by preparing them 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 2020.

Subsidiaries:

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

Specifically, and in accordance with the provisions of IFRS 10, companies are defined as subsidiaries, if and only if the Parent has:

- Power over the investee (or has valid rights that give it the current ability to direct the relevant activities);
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of its returns.

When the Group holds less than the majority of voting rights (or similar rights), it must consider all relevant facts and circumstances in order to establish whether it controls the investee.

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

The Financial Statements of all the 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. The line-by-line method requires that assets, liabilities, expense and revenue of the consolidated companies are assessed on a line-by-line basis for the preparation of the consolidated financial statements, attributing the share of 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.

Pursuant to IFRS 10, the overall loss (including the profit/loss for the year) is attributed to the owners of the Parent and to the non-controlling interests, even when the equity attributable to non-controlling interests shows a deficit balance.

Payables/receivables and expense/revenue between the companies included in the scope of consolidation are derecognised, as are the effects of all significant transactions between them. Unrealised gains with third parties deriving from intragroup transactions are eliminated, including those derived from the measurement of inventories at the reporting date.

The carrying amount of investment in each subsidiary is eliminated against the corresponding portion of equity of each subsidiary, including any adjustments to fair value at the date of acquisition of control. On that date, goodwill is determined as follows and is recorded under intangible assets, while any "gain from a purchase at a favourable price (or negative goodwill)" is recognised in the statement profit or loss.

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

- derecognises the assets (including any goodwill) and the liabilities of the subsidiary, based on their carrying amounts when control is lost;

- derecognises the carrying amounts of any previous non-controlling interests in the former subsidiary, when control is lost (including any other component of comprehensive income attributable to it);
- recognises the fair value of the consideration received as a result of the transaction, event or circumstances that led to the loss of control;
- recognises, if the transaction that led to the loss of control implies a distribution of the shares of the subsidiary to the shareholders in their capacity as owners, said distribution;
- recognises any investment previously held in the former subsidiary at the respective fair value, on the date of the loss of control;
- reclassifies under profit or loss for the year, or to retained earnings if required under IFRS, amounts previously recognised under other statement of profit or loss items with regard to the subsidiary;
- recognises the gain or the loss associated with the loss of control attributable to the former controlling interest.

Associates:

Associates are those companies over which the Group exercises significant influence. Significant influence is the power to participate in determining the financial and management policies of the investee, without having control or joint control over it. Influence is presumed when the Group holds a significant share (between 20% - 10% for investments in listed companies - and 50%) of voting rights in the Shareholders' Meeting.

Investments in associates are recognised in the Consolidated Financial Statements by applying the equity method in accordance with IAS 28 ("Investments in associates and joint ventures").

The investment is initially recognised at cost and adjusted following the acquisition according to the change in the investor's share of the equity of the investee.

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

Unrealised gains or losses from transactions with associates are eliminated based on the Group's share in those companies.

Following the application of the equity method, the Group assess whether it is necessary to recognise an impairment loss with respect to its investment in the associate. At each reporting date, the Group assesses whether there is any objective evidence that the investment in the associate is impaired. In this case, 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”.

After the loss of significant influence on the associates, the Group evaluates and recognises the residual investment at fair value. The difference between the carrying amount of the investment at the date of loss of significant influence and the fair value of the residual investment and the amounts received 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 presented in Euros, as the functional and presentation currency adopted by the Parent. The translation into Euro of the Financial Statements of the foreign companies subject to consolidation is carried out based on the current exchange rate method, which requires the use of closing rates for the statement of financial position items and the average exchange rates for the year for the statement of profit or loss items. Differences derived from the translation of the opening equity to the closing rates compared to the opening amount and the amounts 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 an entry in the Statement of Comprehensive Income up to the termination of the investment, at which time these gains and losses are recorded in the Statement of Profit or Loss.

Here follows the exchange rates used in the 2020 financial year (foreign currency equal to 1 Euro, according to Bank of Italy data):

| **Currency** | **Average exchange rate in 2020** | **Closing rate at 31/12/2020** | **Average exchange rate in 2019** | **Closing rate at 31/12/2019** |
|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| United Arab Emirates Dirham | AED | 4.19 | 4.51 | 4.11 | 4.13 |
| Argentine Peso | ARS | 80.92 | 103.25 | 53.82 | 67.27 |
| Australian Dollar | AUD | 1.65 | 1.59 | 1.61 | 1,60 |
| Brazilian Real | BRL | 5.89 | 6.37 | 4.41 | 4.52 |
| Swiss Franc | CHF | 1.07 | 1.08 | 1.11 | 1.09 |
| Chilean Peso | CLP | 903.14 | 872.52 | 786.89 | 844.59 |
| Chinese Renminbi | CNY | 7.87 | 8.02 | 7,74 | 7.82 |
| Colombian Peso | COP | 4,217.06 | 4,202.34 | 3,676.52 | 3,688.66 |
| Danish Krone | DKK | 7.45 | 7.44 | 7.47 | 7.47 |
| Algerian Dinar | DZD | 144.85 | 162.11 | 133.68 | 133.89 |
| Euro | EUR | 1.00 | 1.00 | 1.00 | 1.00 |
| Pound Sterling | GBP | 0.89 | 0.90 | 0.88 | 0.85 |
| Hong Kong Dollar | HKD | 8.858 | 9.514 | 8.77 | 8.75 |
| Indian Rupee | INR | 84.64 | 89.66 | 78.84 | 80.19 |
| Japanese Yen | JPY | 121.85 | 126.49 | 122.01 | 121.94 |
| Kuwait Dinar | KWD | 0.35 | 0.37 | 0.34 | 0.34 |
| Libyan Dinar | LYD | 1.58 | 1.64 | 1.57 | 1.57 |
| Mexican Peso | MXN | 24.52 | 24.42 | 21.56 | 21.22 |
| Mozambican Metical | MZN | 79.28 | 91.70 | 69.94 | 69.59 |
| Nigerian Naira | NGN | 407.45 | 465.68 | 343.05 | 344.32 |
| Norwegian Crown | NOK | 10.72 | 10.470 | 9.85 | 9.86 |
| Omani Rial | OMR | 0.44 | 0.47 | 0.43 | 0.43 |
| Philippine Peso | PHP | 56.61 | 59.13 | 57.99 | 56.90 |
| Qatari Riyal | QAR | 4.16 | 4.47 | 4.07 | 4.09 |
| Romanian Leu | RON | 4.84 | 4.87 | 4.75 | 4.78 |
| Russian Ruble | RUB | 82.72 | 91.47 | 72.46 | 69.96 |
| Saudi Riyal | SAR | 4.28 | 4.60 | 4.20 | 4.21 |
| Swedish Krona | SEK | 10.48 | 10.03 | 10.59 | 10.45 |
| Singapore Dollar | SGD | 1.5742 | 1.621 | 1.53 | 1.51 |
| Thai Baht | THB | 35.71 | 36.73 | 34.76 | 33.42 |
| Turkish Lira | TRY | 8.05 | 9.11 | 6.36 | 6.68 |
| US dollar | USD | 1.14 | 1.23 | 1.12 | 1.12 |
| Uruguayan Peso | UYU | 47.99 | 51.79 | 39.43 | 41.84 |

## Scope of consolidation

Compared to 31 December 2019, the scope of consolidation was changed to exclude the companies Cifuven Ca, Asasat JV and Trevi Drilling Services, which are no longer operational and have been definitively closed. It should also be noted that with the completion of the Oil & Gas sale transaction, the companies of the Drillmec and Petreven Division subject to sale are deconsolidated at 31 December 2020.

The associates in which the Parent directly or indirectly holds a non-controlling interest and the Joint Ventures are measured at equity. Annex *1a* shows investments measured at equity. The equity accounting is carried out using the last approved financial statements of these companies as a reference.

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 consortium companies and consortia, specifically founded as operating entities for initiatives or work acquired in a temporary grouping of companies, which present financial statements with no profit as they offset the costs directly incurred through corresponding charges to the combined companies, are measured at cost.

The company Hercules Trevi Foundation A.B. was measured at cost, being its dimension deemed immaterial. This company was established in previous years in order to execute works in the relevant countries. The percentage held is the following:

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

For further details concerning investments measured at cost, refer to the Group Organisational Chart (attachment No. 2).

## ACCOUNTING POLICIES AND BASIS OF PREPARATION

The most significant accounting policies and basis of preparation adopted for preparing the Consolidated Financial Statements at 31 December 2020 are the following:

### Property, plant and equipment and right-of-use assets

Property, plant and equipment are measured at cost as established by the IAS 16. Under this standard, Property, Plant and Equipment are recognised at their acquisition or production cost, including direct costs incurred and subsequently adjusted for depreciation, impairment losses and reversals of impairment losses.

Depreciation is calculated and recognised in the Statement of Profit or Loss on a straight-line basis, over the estimated useful life of the asset, based 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 recognised in the Statement of Profit or Loss.

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.

The depreciable amount of each significant component of an asset, having a different useful life, is allocated on a straight-line basis over its estimated useful life.

| Description | Years | % |
|---|---|---|
| Land | Indefinite useful life | - |
| Industrial buildings | 33 | 3% |
| Light constructions | 10 | 10% |
| General Equipment and Accessories | 20 | 5% |
| Drilling equipment | 13 | 7.5% |
| Miscellaneous and minor equipment | 5 | 20% |
| Motor vehicles | 5-4 | 18.75%-25% |
| Transport vehicles | 10 | 10% |
| Excavators and shovels | 10 | 10% |
| Office furniture and fittings | 8.3 | 12% |
| Electro-mechanical machinery for office use | 5 | 20% |
| Watercrafts | 20 | 5% |

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

The depreciation criteria used, the useful life and the residual value are reviewed and redefined at least at the end of each year, in order to take into account any significant changes, and are adjusted prospectively where necessary.

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 Statement of Financial Position as long as that amount can be recovered from their use. The carrying amount of an item of Property, Plant and Equipment is derecognised at the moment its sale or when no future economic benefits are expected from its use or sale. Any associated gains or losses (calculated as the difference between the consideration received and the carrying amount) are included in the Statement of Profit or Loss at the time of elimination.

Ordinary maintenance costs are fully recognised in the Statement of Profit or Loss. Those costs that are of an incremental nature, as they prolong the useful life of property, plant and equipment, are capitalised.

Right-of-use assets are measured under IFRS 16.

**Leases**

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

***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.

***i) Right-of-use asset***

The Group 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.

***ii) Lease liabilities***

At the commencement date, the Group recognises 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 Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Group 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 Group 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.

***Short-term leases or leases of low-value assets***

The Group 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 Group 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.

***The Group as lessor***

Leases where the lessor is substantially responsible for all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term and is included among other operating revenue in the Statement of Profit or Loss due to its operating nature. Initial negotiation costs are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

**Changes in accounting standards 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 Group is a lessor.

The Group 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 Group 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 Group 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.

The Group has leases for various types of property, vehicles and hardware. Prior to the adoption of IFRS 16, the Group classified each of its leases (as a lessee) at the inception date of the lease, distinguishing between operating and finance leases.

On first-time adoption of IFRS 16, the Group adopted a single recognition and measurement model for all leases except for short-term and low-value leases.

- *Leases previously classified as finance leases*

The Group 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 Group 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. The standard contains specific first-time adoption requirements and practical expedients, which have been applied by the Group.

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.

The Group has leases for buildings, vehicles and equipment used in operating activities.

The Group has also certain leases with a duration of 12 months or less and low-value equipment. As already mentioned, the Group chose to apply the exemptions provided for by IFRS 16 for these contracts.

Information on the carrying amounts of right-of-use assets is provided below:

*(in thousands of Euro)*

| | Property | Vehicles | Equipment | Total Right-of-use assets |
|---|---|---|---|---|
| **At 1 January 2020** | **6,988** | **1,363** | **13,952** | **22,303** |
| Increases for the year | 3,883 | 603 | 8,368 | 12,854 |
| Decreases for the year | (13) | (36) | (1,901) | (1,950) |
| Exchange difference and other changes | (1,837) | 271 | (651) | (2,217) |
| Depreciation costs for the year | (2,427) | (1,165) | (9,987) | (13,579) |
| **At 31 December 2020** | **6,594** | **1,036** | **9,781** | **17,411** |

Information on the carrying amounts of lease liabilities (included in the item Loans and borrowings) and the relating changes are provided below.

| | 2020 |
|---|---|
| **At 1 January** | **22,519** |
| Increases for the year | 12,313 |
| Decreases for the year | (2,213) |
| Interest | 535 |
| Payments | (13,421) |

| | |
|---|---|
| Exchange difference and other changes | (2,133) |
| **At 31 December** | **17,600** |
| Current | ***11,037*** |
| Non-current | ***6,563*** |

Below are the amounts recognised in the Statement of Profit or Loss for the year:

| | **2020** |
|---|---|
| Cost for right-of-use assets depreciation | (13,579) |
| Financial expense on lease liabilities | (535) |
| **Total amount recognised in profit/(loss) for the year** | **(14,114)** |

**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 sum of the fair values of other assets transferred and liabilities assumed by the Group at the date of acquisition 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.

Identifiable assets acquired and liabilities assumed are recognised at their fair values at the acquisition date; the following items are instead measured according to the accounting standard of reference:

- Deferred tax assets and liabilities;
- Assets and liabilities for employee benefits;
- Liabilities or equity instruments relating to share-based payments of the acquired company or share-based payments relating to the Group issued in exchange for contracts of the acquired entity.
- Assets held for sale and discontinued operations.

Goodwill is measured as the difference between the sum of the consideration paid, the equity attributable to non-controlling interests, the fair value of any previously held equity interest in the entity and the fair value of the net assets acquired less the liabilities assumed at the date of acquisition. If the difference between the net assets acquired and the liabilities assumed at the acquisition date exceeds 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 acquired, the excess sum is immediately recognised in the Statement of Profit or Loss as income 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 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 paid for the business combination in order to measure goodwill. Any subsequent adjustments to this fair value, which are considered a measurement period adjustment, are included in 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 at the acquisition date, obtained during the measurement period (which cannot exceed twelve months from the date of the business combination).

When a business acquisition is achieved in stages, any equity interest previously held by the Group is measured at fair value at the date of obtaining control and any resulting profits or losses are recognised in the Statement of Profit or Loss. Any amounts deriving from the previously held interest and recognised in other comprehensive income or expense are reclassified to the Statement of Profit or Loss as if the interest 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 in the measurement period to take into account the new information obtained on facts and circumstances as they existed at the acquisition date that, if known, would have had an effect on the amount of the assets and liabilities recognised at that date.

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

**Goodwill**

Goodwill arising on a business combination is recognised at cost on the date of acquisition as described in the preceding section. Goodwill is not amortised but is subject to impairment testing at least annually and more frequently if there is any evidence of impairment ("impairment test"). In order to test for impairment, goodwill acquired in a business combination is allocated at 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 entity acquired 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 sale of a part or of the entire entity previously acquired, from the purchase of which goodwill emerged, the capital gain or loss on the sale takes account of the residual value of the goodwill.

**Intangible assets**

Intangible assets acquired separately or produced internally, in the case of development costs, are recognised as assets when it is probable 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 having a finite useful life are amortised on a straight-line basis over the estimated useful life of the assets as follows:

- *Development costs:*

Research costs are recognised in the Statement of Profit or Loss at the time they are incurred. Development costs that are required by IAS 38 to be classified as an asset (only after the technical and commercial feasibility of the asset for sale or use has been established, this means that the entity must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits) are usually amortised based on their estimated future useful life from the moment such assets are available for economic use. The useful life is revised and modified if there is any estimated change in its future usefulness.

- *Industrial patents, intellectual property rights, concessions, licences and trademarks:*

These are measured at cost net of accumulated amortisation, calculated on a straight-line basis over the expected period of use unless significant impairment losses are detected. The amortisation criteria used, the useful life and the residual value are re-examined and recalculated at least as often as at the end of each reporting period in order to take into account any significant changes.

Intangible assets with an indefinite useful life are not amortised but are tested annually for impairment, both individually and at cash generation levels. Assessment of indefinite useful life is revised annually to determine if this evaluation is still justifiable, otherwise the change from indefinite useful life to finite useful life is applied prospectively.

**Impairment of assets**

The Group tests intangible assets (including capitalised development costs) for impairment at least once a year as defined by IAS 36, in order to determine if there are any indications that an asset has 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) is 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 proportion pro-rata 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 the level of the cash-generating unit.

The recoverable amount of the asset is the higher of its fair value less costs to sell and its value in use. To determine the value in use of the cash-generating unit, the Group calculates the present value of estimated future cash flows, before tax, by applying a pre-tax discount rate that reflects the current market valuations of the time value of money and the specific risks of the activity. An impairment loss is recognised if the recoverable amount is lower than the carrying amount.

When the impairment loss of an asset no longer exists or decreases, the carrying amount of the asset or cash-generating unit is reinstated only up to the new estimate of recoverable amount. The reinstated amount cannot exceed the value that would have been measured if there had been no impairment.

Reversal of an impairment loss is immediately recognised in the Statement of Profit or Loss.

**Financial assets and financial liabilities**

Financial assets and liabilities are measured 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 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 (Solely Payment of Principal and Interest) 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 held 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), for assets that failed to pass 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.

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 held 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 held 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 held for trading or that, although falling within the HTC or HTC&S business models, failed to pass the SPPI test, is measured at fair value with the effects recognised in the statement of profit or loss (from now on 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. 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".

**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)”.

The fair value of financial assets is measured on the basis of listed offer prices or 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 losses.

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. Previously recognised impairment losses are reversed if the reason for the original recognition of the impairment no longer exists.

**Treasury shares**

In accordance with IAS 32, when equity instruments are reacquired, these treasury shares are deducted directly from equity under the entry Treasury shares. Gains or losses are not recognised in the Statement of 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.

**Equity investments in other companies**

Investments in entities other than subsidiaries, associates or joint ventures, for which reference is made to the scope of consolidation, are recognised at the acquisition date under the item "Equity investments" and measured at cost when the fair value cannot be measured reliably; in this case the cost is adjusted for any impairment in accordance with IFRS 9.

**Grants**

Grants are recognised, regardless of the existence of a formal granting, when there is a reasonable assurance that the entity will comply with any conditions attached to the grant and that the grant will be received, in accordance with IAS 20 ("Accounting for Government Grants and Disclosure of Government Assistance").

The grant is recognised in the Statement of Profit or Loss based on the useful life of the asset for which it is granted, by means of the deferral method in order to deduct the calculated depreciation.

A grant receivable as compensation for costs already incurred or for immediate financial support to the entity with no future related costs shall be recognised in the Statement of Profit or Loss of the period in which it is receivable.

**Inventories**

Inventories are recorded at the lower of purchase cost and net realisable value; any write-down accounted for following impairment is reversed if in future financial periods the causes of the impairment no longer exist.

The cost is calculated using the average weighted cost method for raw materials, ancillary materials, consumables and semi-finished products and the specific cost for the other categories of inventories.

The net realisable value is the estimated selling price in the ordinary course of business, less the estimated completion costs 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 estimated realisable value. If this is expressed in foreign currency, receivables are measured at the closing exchange rate. Receivables due within normal payment terms or which carry interest at market rates are not discounted but are recognised at nominal value net of the loss allowance, with direct deduction of the receivables themselves, so their carrying amount is in line with the estimated realisable value.

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.

**Factoring of receivables**

The Group factors some of its trade receivables and tax assets.

Transfer of receivables may be recourse or non-recourse. Some non-recourse transactions include deferred payment clauses (e.g., the payment of a minor part of the purchase price by the factor is subject to total recovery of the receivables), require a guarantee on behalf of the seller or imply continued material exposure to in cash flows from the receivables transferred.

This type of transaction does not comply with the requirements of IFRS 9 for the derecognition of assets from the Financial Statements, as the relevant risks and rewards have not been substantially transferred.

Consequently, all the receivables transferred through factoring transactions that do not meet the requirements for derecognition under IFRS 9 are recorded in the Group's Consolidated Financial Statements, although they have been legally transferred. A financial liability of the same amount is recorded in the Consolidated Financial Statements under the item "Loans and borrowings from other financial backers". All receivables transferred through factoring agreements that meet the requirements for derecognition under IFRS 9, when substantially all the risks and rewards are transferred, are derecognised from the Statement of Financial Position.

Any gains and losses resulting from the factoring of receivables are recognised when the assets are derecognised from the Statement of Financial Position of the Group.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash, demand deposits with banks and short-term investments (with an original maturity not exceeding three months), easily convertible into known amounts of money and subject to no relevant change from fair value.

For the purposes of preparing the Statement of Cash Flows, cash and cash equivalents comprise cash, demand deposits with banks and current account overdrafts. In the Statement of Financial Position, current account 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.

– *Share premium:*

The item includes the excess of the issue price of shares compared 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)*

This item includes the profit or loss for previous financial years, for the part not distributed or allocated to a reserve (in case of earnings) or covered (in case of losses) and the transfers from other equity reserves when the constraint to which they were subjected is released. This item also includes the profit or loss for the year.

**Derecognition**

A financial liability is derecognised when the underlying obligation has been discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender with substantially different terms, or where there has been a substantial modification 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 Risk Policy approved by the Board of Directors on 1 February 2008. Derivatives are initially measured at fair value on the date the contract is signed and subsequently measured at fair value. Derivatives are accounted for 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 measured at each reporting date using quoted market prices or broker quotes (bid prices for non-current positions and ask prices for current positions), with no deduction of transaction costs.

If there is no active market for a financial instrument, fair value is established by using a valuation technique, which can include:

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

The fair value analysis of financial instruments and other information on their measurement are given in the paragraph, “Additional disclosures on financial instruments”, in this document.

Under IFRS 9, the recognition of changes in the fair value varies according to the designation of the derivative instrument (speculative 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 the Statement of Profit or Loss.

If the Fair Value Hedge is applied, both the fair value changes of the hedging instrument and the hedged instrument are accounted for in the statement of profit or loss, regardless of the measurement method adopted for the latter.

If the Cash Flow Hedge is applied, changes in the fair value of the hedging instrument are recognised in other comprehensive income if the hedging instrument is determined to be an effective hedge, whilst the portion determined as ineffective in recognised in the Statement of Profit or Loss. Changes recognised in other comprehensive income are released to the statement of profit or loss in the same financial period or periods in which the hedged asset or liability affects profit or loss.

Purchases and sales of financial assets are accounted for on the trading date.

**Payables**

Payables are carried at amortised cost. If expressed in foreign currency, the amounts are measured at the closing exchange rate.

**Employee benefits**

- *Short-term benefits*

Short-term employee benefits are charged to the Statement of Profit or Loss in the period of service rendered by the employee.

- *Defined benefit plans*

The Parent 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 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 public and private pension funds on a mandatory, contractual or voluntary basis. Contributions are recognised as personnel expense.

As of 1 January 2007, the finance act and related implementing decrees introduced significant changes in the rules governing post-employment benefits, including the employee's choice as to the destination of his or her accruing benefits. In particular, the new post-employment benefits flows can be directed by employees to supplementary pension schemes chosen by them or maintained in the company.

– *Defined contribution plans*

The Group participates in pension plans with a defined contribution and subject to public management. The contributions paid fulfils the Group's obligation to its employees. The contributions are costs recognised in the period in which the benefit is earned.

– *Share-based payments*

Top executives and some managers of the Parent may receive part of their remuneration in the form of share-based payments. Under IFRS 2 these are considered equity settled plans. 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, 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 consolidated financial statements. However, information is provided for those of a significant amount.

**Income taxes for the year**

Current income taxes are determined based on the estimated taxable income for the financial year according to the enacted legislation and at the tax rates in force at the end of the reporting period.

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

Current taxes for transactions or events outside the statement of profit or loss are also recognised outside the statement of profit or loss and, therefore, 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 for all deductible temporary differences and for carried forward tax assets and liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

The carrying amount of deferred tax assets is revised at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be used. Deferred tax assets not recognised are revised at each reporting period and are recognised to the extent that it is considered probable that there will be sufficient taxable income to allow 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 recognised at nominal value. Financial guarantees are recognised at their fair value under liabilities; other guarantees are recognised under provision for risks when they are included in the criteria for recognition.

**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.

Revenue for contract works is recognised according to the stage of completion of the contract.

Costs are accounted for on an accruals basis.

Alongside the development of the five-step model, IFRS 15 deals with topics such as contract costs and modifications as well as disclosure.

The application procedures followed by the Group in applying IFRS 15 are summarised below.

*Identifying the contract with the customer*

A contract with a customer is identified and measured in accordance with IFRS 15 following the binding signing of the contract, which determines the mutual obligations between the TREVI Group and the customer.

The following conditions provided for in paragraph 9 of IFRS 15 are taken into consideration when identifying the contract:

(a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;

(b) the entity can identify each party's rights regarding the goods or services to be transferred;

(c) the entity can identify the payment terms for the goods or services to be transferred;

(d) the contract has commercial substance (i.e., the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and

(e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

*Identifying the performance obligation and allocating the transaction price*

IFRS 15 defines performance obligation as a promise with a customer to transfer:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

In contracts with customers of the TREVI Group, the performance obligation is usually represented by the work as a whole. Although the individual performance obligations provided for in the contract may be distinct in nature, in the context of the contract they are characterised by strong interdependence and integration aimed at transferring the infrastructure as a whole to the customer. In cases where several performance obligations are identified within the same contract, it is necessary to allocate the appropriate portion of the transaction price to the individual performance obligations in accordance with IFRS 15. In the commercial practices of the TREVI Group, contracts with customers usually specify in detail the price components for each contractual item (price observable from the contract).

*Determining the timing of satisfaction of performance obligations and recognition of revenue*

Under IFRS 15, revenue is recognised when (or as) an entity satisfies a performance obligation by transferring a promised good or service to a customer (the asset). An asset is transferred when (or as) the customer obtains control of that asset. The Trevi Group’s contracts with customers are usually long-term contracts that include obligations to be satisfied over time based on the progress towards completion and transfer of control of the asset to the customer over time.

The reasons why recognition of revenue over time is considered the correct approach are:

▪ the customer controls the asset as it is constructed (the asset is built directly in the area made available by the customer);

▪ the asset under construction does not have an alternative use and the TREVI Group has an enforceable right to payment for its performance completed to date over the contract term.

IFRS 15 requires that progress towards satisfaction of a performance obligation be measured using the method that best represents the transfer of control of the asset under construction to the customer. The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer. The Group considers its market sector and the complex mix of goods and services it provides when it selects the appropriate revenue recognition method.

IFRS 15 provides for two alternative methods to recognise revenue over time:

a) Output method;

b) Input method

Output methods recognise revenue on the basis of direct measurements of the value of the goods or services transferred to date (e.g., surveys of performance completed to date, milestones reached, units delivered, etc.).

Input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs. The most appropriate method for measuring revenue is the cost to cost method calculated by applying the percentage of completion (the ratio of costs incurred to total estimated costs) to contract revenue. The calculation of the ratio of costs incurred to estimated costs only considers costs that contribute to the actual transfer of control of the goods and/or services. This method allows the objective measurement of the transfer of control to the customer as it considers quantitative variables related to the contract as a whole. When choosing the appropriate method for measuring the transfer of control to the customer, the "physical measurement" criterion is applied to determine the percentage of completion of "Foundations Segment" contracts.

*Determining the transaction price*

Given the engineering and operating complexities, the size and length of time involved in completing the contracts, in addition to the fixed consideration agreed in the contract, the transaction price also includes additional consideration, whose conditions need to be assessed. Specifically, considerations deriving from claims are additional considerations requested as reimbursement for costs incurred (and/or to be incurred) due to reasons or events that could not be foreseen and are not attributable to the contractor, for more work performed (and/or to be performed) or variations that were not formalised in riders. The measurement of the additional consideration is subject to a high level of uncertainty, given its nature, both in terms of the amounts that the customer will pay and the collection times, which usually depend on the outcome of negotiations between the parties or decisions taken by judicial bodies. This type of consideration is regulated by IFRS 15 as "contract modifications". The standard provides that a contract modification exists if it is approved by the parties to the contract. IFRS 15 provides that a contract modification could be approved in writing, by oral agreement or implied by customary business practices. A contract modification may exist even though the parties to the contract have a dispute about the scope or price (or both) of the modification. In this case, it shall be assessed if the rights to the consideration are provided for contractually, generating an enforceable right. Once the enforceable right has been identified, in order to recognise the claims and amount of the additional consideration requested, the Group applies the guidance about the "Variable Consideration" given in IFRS 15. Therefore, in order to adjust the transaction price to include the additional consideration arising from the claims, it is necessary to decide whether it is highly probable that the revenue will not be reversed in the future. All the relevant aspects and circumstances, such as the contract terms, business and negotiating practices of the sector or other supporting evidence are taken into account when taking the above decision.

*Penalties*

Contracts with customers may include penalties due to non-compliance with certain contract terms (such as, for example, non-compliance with delivery times). When the contract penalties are "reasonably expected", the transaction price is reduced accordingly. All the indicators available at the reporting date are analysed to assess the probability of a contract default that would lead to the application of penalties.

*Losses to complete*

IFRS 15 does not specifically cover the accounting treatment of loss-making contracts but refers to IAS 37, which regulates the measurement and classification (previously covered by IAS 11) of onerous contracts. IAS 37 provides that an onerous contract is one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The present obligation under the contract shall be recognised and measured as a provision when the loss is probable based on the most recent forecasts prepared by Management. The unavoidable costs are all those costs that: ▪ are directly proportionate to the contract and increase the performance obligation transferred to the customer; ▪ do not include those costs that will be incurred regardless of satisfaction of the performance obligation; ▪ cannot be avoided by the company through future actions. Measurement of any loss-making contracts (the onerous test) is performed at individual performance obligation level. This approach best represents the different contract profits or losses depending on the nature of the goods and services transferred to the customer.

*Incremental costs of obtaining a contract*

IFRS 15 allows an entity to recognise the incremental costs of obtaining a contract as an asset if it expects to recover those costs through the future economic benefits of the contract. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred (costs not explicitly chargeable to the customer). The incremental costs are recognised as an asset (contract costs) and amortised on a systematic basis that is consistent with the pattern of transfer of control of the goods or services to the customer.

*Costs to fulfil a contract*

Under IFRS 15, an entity shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: ▪ the costs relate directly to a contract; ▪ the costs generate and enhance resources of the entity that will be used in satisfying performance obligations; and ▪ the costs are expected to be recovered. It is the practice of the TREVI Group's sector that these costs usually consist of pre-operating costs that are recognised by customers and included in precise contract items or are not explicitly recognised and are covered by the contract profit. Formal recognition of these costs implies that, when they are incurred, control of the asset provided for in the contract is transferred. Therefore, they cannot be recognised as assets and contribute to the stage of completion. When the contract does not provide for their explicit recognition and the above three criteria are met, the pre-operating costs are recognised as assets and amortised on a systematic basis that is consistent with the pattern of transfer of control of the goods and/or services to the customer. In addition, IFRS 15 defines all those costs that, by their nature, do not contribute to the stage of completion as, although they are referred to in the contract and can be recovered, they do not contribute to generating or enhancing the resources that will be used to satisfy the performance obligations or to transfer of control of the good and/or service to the customer.

*Presentation in the financial statements*

Contract assets and liabilities are presented in the statement of financial position items "Trade receivables and other current assets" and "Trade payables and other current liabilities", respectively under assets and liabilities. The classification in line with IFRS 15 depends on the relationship between the TREVI Group's performance obligation and payment by the customer. These items show the sum of the following components analysed individually for each customer: (+) Amount of work performed calculated using the cost-to-cost method pursuant to IFRS 15 (-) Progress payments and advances received (SAL) (-) Contractual advances. When the total is positive, the net balance is recognised as "Trade receivables and other current assets". If it is negative, it is recognised as "Trade payables and other current liabilities". When the amounts represent an unconditional right to payment of the consideration, they are recognised as financial assets. The TREVI Group's statement of profit or loss includes a revenue item "Revenue from sales and services" that is presented and measured in accordance with the new standard. The item "Other operating revenue" includes income from transactions other than contracts with customers and is measured in line with other standards or the Group's specific accounting policy elections. It includes income related to gains on the sale of non-current assets, income on cost recharges, prior year income and income from the recharging of costs of Italian consortia and consortium companies. With respect to the last item, the TREVI Group’s activities involve its participation in numerous Special Purpose Entities that, especially in Italy, use the consortium structure, which works using a cost recharging system. Under IFRS 10 and IFRS 11, these entities have been classified as subsidiaries, associates and joint ventures. As this income does not arise on the performance of the activities foreseen in the construction contract and does not derive from contractual transactions with the customer, it is recognised among “Other operating income”.

**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 estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the 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 right of the Shareholders to receive the payment is established, 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 shares by the average weighted number of outstanding ordinary shares, excluding any treasury shares.

Diluted earnings per share are calculated by dividing the profit or loss attributable to the owners of the Parent by the average weighted number of outstanding shares, taking into account the effects of all dilutive potential ordinary shares.

**Non-current Assets Held for Sale and Discontinued Operations**

A discontinued operation is a component of the Group whose operations and financial flows are clearly distinguishable from the rest of the Group that:

- represents a separate major line of business or 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 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 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 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 and assumptions given the uncertainty surrounding the assumptions and conditions on which the estimates are based.

The 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 Consolidated Financial Statements of the Group:

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

Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in the Statement of Profit or Loss for the period in which the change occurred.

**Impairment losses on financial assets and financial guarantees**

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 Parent 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 Parent. 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 Parent 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 Parent 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 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 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 Parent 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 Parent 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 "line of credit" 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.

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 Parent defined an Expected Credit Loss method 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 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),

1 IFRS 9 §par. B.5.5.17.

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 Parent'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 S.p.A. and the change in the probability of default as the primary parameter. 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.

    - On the basis of the parameters used for stage allocation purposes, the financial guarantees provided by the Parent Trevi Finanziaria S.p.A. 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 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 Parent 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.

- **Calculation of the expected loss**: as described for the Group's trade receivables, the calculation of the

[2] The classification as stage 3, with consequent lifetime incurred loss assessment of the impairment, of the guarantees provided to the Divisions belonging to the Construction segment (Trevi S.p.A. and Soilmec S.p.A.) and the Oil & Gas segment (Petreven and Drillmec) of the Group, derives from the withdrawal of the rating last July 2018, by the rating agency Cerved, previously downgraded to the last rating class on the scale of the same agency (C2.1).

[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."

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 Parent 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 Parent 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 Parent expects to recover from the position's recovery activity.

With specific reference to the financial guarantees provided by the Parent Trevi Finanziaria S.p.A. in favour of the Trevi Group's divisions, the Parent 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 Parent 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, contract work 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.

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.**

In preparing the Consolidated Financial Statements at 31 December 2020, the Group has not chosen the early application of standards, amendments or improvements issued for which application is not yet mandatory.

Below is a list of the accounting standards, amendments and interpretations issued by IASB and approved by the European Union applied starting from 1 January 2020:

| Standard/Interpretation | IASB effective date |
|---|---|
| Amendments to references to the Conceptual Framework in IFRSs | 1 January 2020 |
| Amendments to IFRS 3 (Business combinations) Definition of a business (issued on 22 October 2018) | 1 January 2020 |
| Amendments to IFRS 9 (Financial instruments), IAS 39 (Financial instruments: recognition and measurement) and IFRS 7 (Financial instruments: disclosures): Interest Rate Benchmark Reform (issued on 26 September 2019) | 1 January 2020 |
| Amendments to IAS 1 (Presentation of financial statements) and IAS 8: (Accounting policies, changes in accounting estimates and errors) Definition of material | 1 January 2020 |

Below are the accounting standards, amendments and interpretations issued by the IASB and the International Financial Reporting Standard Interpretations Committee (IFRS IC) whose approval process has not yet been completed by the competent bodies of the European Union at the date of these Financial Statements:

| Standard/Interpretation | IASB effective date |
|---|---|
| Amendments to IFRS 16 (Leases) Covid-19 Related Rent Concessions (issued on 28 May 2020) | 1 January 2020 |
| IFRS 17 (Insurance contracts) issued on 18 May 2017, including the amendment to IFRS 17 issued on 25 June 2020 | 1 January 2023 |
| Amendments to IAS 1 (Presentation of financial statements): Classification of current and non-current financial liabilities (issued on 23 January 2020) | 1 January 2022 (an Exposure draft has been issued proposing a deferral to 1 January 2023) |

| | |
|---|---|
| Amendments to:<br>▪ IFRS 3 Business combinations;<br>▪ IAS 16 Property, plant and equipment;<br>▪ IAS 37 Provisions, contingent liabilities and contingent assets<br>▪ 2018-2020 Annual Improvements<br>issued on 14 May 2020 | 1 January 2022 |
| Amendments to IFRS 4 (Insurance contracts) – deferral of IFRS 9 issued on 25 June 2020 | 1 January 2021 |

## 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 financial risks to which the Group is exposed, in accordance with the directives contained in the Group's Treasury Risks Policy.

The Group'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, bonds and finance leases, the main function of which is to finance operating activities.

The risks generated by these financial instruments are represented by interest rate risk, currency risk, liquidity risk and credit risk.

The Trevi Group only carries out a systematic monitoring of the financial risks described above, since, pursuant to the Restructuring Agreement, it not authorised to use derivatives 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 established at a consolidated level. The management of currency, liquidity and interest rate risks is performed primarily by the Parent and the sub-holding companies of the division, while 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.

Cash and cash equivalents are partially subject to currency restrictions in some countries in which the Group operates, as detailed in the following table:

| **Division** | **Company** | **Country** | **Restriction** | **Eur mln 31.12.2020** |
|---|---|---|---|---|
| Trevi | Treviicos | USA | CRA - Bonding Company (Subject to Covenant) | *8.0* |
| Trevi | Trevi Foundations Nigeria Ltd | Nigeria | Currency Restrictions | *5.5* |
| Trevi | Foundation Construction Ltd | Nigeria | Currency Restrictions | *0.3* |
| Trevi | Trevi Cimentaciones Ca (Venezuela) | Venezuela | Currency Restrictions | *0.1* |
| Trevi | Swissboring Overseas Piling Corp. Ltd (Dubai) | Dubai | Cash collateral on a revolving line | *2.5* |
| **Total** | | | | **16.4** |

To date, most of the lines of credit with lending banks are governed by the Restructuring Agreement, which was finalised with the capital increase and by converting the banks’ receivables into capital.

The geographical distribution of the Group's cash and cash equivalents at 31 December 2020 is shown below:

| **Description** | **31/12/2020** | **31/12/2019** | **Change** |
|---|---|---|---|
| Italy | 14,430 | 23,471 | (9,041) |
| Europe (excluding Italy) | 14,388 | 7,092 | 7,296 |
| United States and Canada | 14,908 | 17,412 | (2,504) |
| South America | 4,959 | 3,510 | 1,449 |
| Africa | 7,956 | 9,864 | (1,908) |
| Middle East and Asia | 6,354 | 9,663 | (3,309) |
| Far East and Rest of the World | 6,815 | 6,697 | 118 |
| **Total** | **69,810** | **77,709** | (7,899) |

Bank loans and borrowings of the Group at the end of the year are broken down as follows:

| **Short-term bank loans and borrowings** | | | |
|---|---|---|---|
| **Description** | **31/12/2020** | **31/12/2019** | **Change** |
| Italy | 180,506 | 526,794 | (346,288) |
| Europe (excluding Italy) | 0 | 1,754 | (1,754) |
| United States and Canada | 5,705 | 16,913 | (11,208) |
| South America | 533 | 690 | (157) |
| Africa | 113 | 15 | 98 |
| Middle East and Asia | 0 | 0 | 0 |
| Far East | 6,517 | 7,027 | (510) |
| Rest of the world | 803 | 0 | 803 |
| **Total** | **194,177** | **553,193** | **(359,016)** |

| **Medium/long-term bank loans and borrowings** | | | |
|---|---|---|---|
| **Description** | **31/12/2020** | **31/12/2019** | **Change** |
| Italy | 4,660 | 7,282 | (2,622) |
| Europe (excluding Italy) | 1,794 | 0 | 1,794 |
| United States and Canada | 0 | 0 | 0 |
| South America | 0 | 34 | (34) |
| Africa | 0 | 0 | 0 |
| Middle East and Asia | 0 | 0 | 0 |
| Far East | 1,779 | 340 | 1,439 |
| Rest of the world | 0 | 0 | 0 |
| **Total** | **8,233** | **7,656** | **577** |

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** | **31/12/2020** | **31/12/2019** | **Change** |
| Italy | 243,226 | 761,041 | (517,815) |
| Europe (excluding Italy) | 1,721 | 2,598 | (877) |
| United States and Canada | 6,766 | 17,248 | (10,482) |
| South America | 1,897 | 1,369 | 528 |
| Africa | 259 | 15 | 244 |
| Middle East and Asia | 882 | 0 | 882 |
| Far East | 10,031 | 9,293 | 738 |
| Rest of the world | 877 | 76 | 801 |
| **Total** | **265,660** | **791,640** | **(525,980)** |

| **Non-current financial liabilities** | | | |
|---|---|---|---|
| **Description** | **31/12/2020** | **31/12/2019** | **Change** |
| Italy | 77,790 | 28,337 | 49,453 |
| Europe (excluding Italy) | 2,881 | 928 | 1,953 |
| United States and Canada | 880 | 1,322 | (442) |
| South America | 17 | 201 | (184) |
| Africa | 427 | 416 | 11 |
| Middle East and Asia | 1,351 | 1,207 | 144 |
| Far East | 4,090 | 1,008 | 3,082 |
| Rest of the world | 34 | 0 | 34 |
| **Total** | **87,470** | **33,419** | 54,051 |

## 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, raw material 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 derivatives.

## Interest rate risk

The exposure to risk of changes in market interest rates is connected to short-term and long-term financing transactions, with a variable interest rate.

As at 31 December 2020, following the signing and execution of the Restructuring Agreement, the Group's loans are fixed-rate loans.

| | | | 31/12/2020 |
|---|---|---|---|
| **Description** | **Fixed rate** | **Variable rate** | **Total** |
| Loans and leases | 303,129 | | 303,129 |
| Bond issue | 50,000 | | 50,000 |
| **Total Financial liabilities** | **353,129** | **0** | **353,129** |

## Currency risk

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

- **Transaction-related**: 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 variation 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). These changes do not lead to an immediate deviation between expected cash flows and actual cash flows, but to an accounting effect on the Group's consolidated Financial Statements. The effect on cash flows only manifests itself if operations are performed on the assets of the Group company that prepares the financial statements in foreign currency.

The Group assesses its exposure to the currency risk; 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 derivatives. The Group does not use instruments of an explicitly speculative nature for its hedging against the currency risk. However, if derivatives do not meet the conditions required for the accounting treatment of the hedging instruments required by IFRS 9 or the Group decides not to avail of the possibility of hedge accounting, their changes in fair value are recognised in the statement of profit or loss as financial expense/income.

Specifically, the Group manages the transaction-related risks. 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 in the Dollar area, the Group's consolidated financial statements may be affected considerably by changes in the Euro/USD exchange rates.

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 at 31 December.

To assess the impact of fluctuations in the Euro/USD exchange rate, a sensitivity analysis was carried out by simulating likely changes to the above-mentioned exchange rate.

Consolidated items considered significant for the purposes of the analysis are: Trade Receivables, Intragroup Receivables and Payables, Trade Payables, Financial Liabilities, Cash and Cash Equivalents and Derivatives.

The amounts of these items on which the sensitivity analysis was performed are those at 31 December 2020. The analysis only focused on the items denominated in US dollars that deviate from the functional and presentation (Euro) items of the individual Financial Statements included in the consolidated Financial Statements.

**Credit risk**

The Group is subject to the risk that the creditworthiness of a financial or commercial counterparty becomes 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 Finance Department.

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 90% of the total revenue. The Group’s growth mostly occurred in Europe, the USA and the Far East.

Less than 15% of revenue is located in area with medium to high political and commercial risk, namely characterised 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:

Algeria

The collapse in oil prices, which started already in 2014 and worsened due to the fall in global consumption during lockdown periods, has further burdened state finances and the only partial increase planned for 2021 will not be sufficient to cover all necessary expenditures. While in May 2020 President Tebboune announced a 50% cut in public spending while reassuring that this would not affect food and raw materials needed for domestic industry, in the budget law document for the new year, the government has instead decided on a 10% increase in public spending, worth an estimated more than 8 trillion Algerian dinars (USD 61.3 billion). This will be used to cover an increase in subsidies, which have risen by 4.3%, and in particular to cover huge healthcare costs, public salaries, family allowances and the purchase of basic foodstuffs such as milk, cereals and sugar. An emergency package of USD 37 million was also allocated to rural areas. Faced with this increase in public spending, to which the reduced revenue from gas and oil exports must be added in light of an average price per barrel that should not go beyond 40-45 dollars, the state deficit is expected to reach 13.5% of GDP by the same Algerian authorities. Among the measures adopted to deal with the growing financial difficulty, for example, there is a cut of around 20% in imports of goods and services, which will still cost USD 28 billion this year. The government will, however, be forced to draw on foreign exchange reserves, which have fallen precipitously since the 2014 oil shock, from USD 195 billion to less than USD 60 billion in 2019, falling to USD 31 billion by the end of 2021, according to projections by the Economist Intelligence Unit (the government estimates instead that they will fall to USD 48 billion). The negative trend emerging from both estimates appears unsustainable, with the country at risk of seeing its reserves evaporate within the next four years. This is why the government may exceptionally decide to rely on international loans, especially from allied countries such as China, despite the fact that President Tebboune has repeatedly reiterated his desire to avoid loans from the International Monetary Fund or other financial institutions that would undermine the country's sovereignty. The International Monetary Fund itself forecasts an increase in real GDP of 3.2% after a contraction of 5.5% in 2020, while the GDP level for 2019 will only be reached in 2024. Given the Algerian economy's structural dependence on hydrocarbon export revenue, which account for more than 90% of national exports and 60% of the state budget, economic recovery will largely depend on the performance of the energy sector. The national company Sonatrach, which had already cut its 2020 budget by 50% from USD 14 billion to USD 7 billion, is planning to suspend non-priority projects and cut production costs also in 2021, but through CEO Toufik Hakkar has announced a five-year investment plan of around USD 40 billion, half of which will be financed in national currency.

The aim is to upgrade existing fields and extend exploration and exploitation to new territories in a potentially rich area of resources that stretches over 1.7 million km2, thanks in part to new regulations aimed at attracting foreign investment and offering advantageous contract and taxation conditions for companies in the sector, as provided for in Law 19-13 promulgated at the end of 2019. But relying solely on oil and gas may not be enough, as well as being counterproductive in the medium to long term. According to a study by the Oxford Institute for Energy Studies published in 2016, Algeria could even become a net importer of gas by 2030 in light of increasing domestic consumption - mainly due to population growth - and the gradual depletion of its gas resources. Diversification of the economy, including the energy sector, therefore becomes crucial and indeed inevitable, with renewable resources, tourism and private initiative as priority sectors. At the moment only 3% of the electricity produced in Algeria, for example, comes from renewable sources, and the path to the government's target of 27% by 2030, which will require the installation of at least 22,000 MW over the next 10 years, is uphill.

Argentina

In 2020, Argentina's economy suffered more than many others in Latin America and the world from the crisis caused by the pandemic. The country's GDP fell by more than 11 per cent, adding to the decline in previous years: the economy had already been in recession for two years, and GDP had fallen between 2 and 3 per cent in 2018 and 2019.

During the year, the percentage of people living below the poverty line in Argentina reached 44 per cent (it was above 30 per cent already in previous years). In addition, inflation increased by 36 per cent year-on-year, and in January 2020 alone the prices of basic goods rose by 4 per cent. The value of Argentina's financial market, i.e., the total value of all listed companies, fell from USD 350 billion in 2018 to USD 20 billion, a sign both that some companies lost value and that others left the country. In May 2020, Argentina technically went into default because it failed to repay some debts on time. This did not mean that the functioning of the state came to a standstill, but it did have serious consequences, firstly because the country was no longer able to access international markets to finance itself by making new debt.

**Risk related to the trend in raw material prices**

The year 2020 was marked by the health crisis that erupted following the spread of Covid-19, first in China and then worldwide. In the first part of the year, the spread of the contagion led many countries to implement lockdown measures, which brought industrial activities to a standstill and the resulting collapse in demand for raw materials, pushing prices down across the board. In the second half of the year, China's recovery and producers' supply reduction policies in some cases mitigated the fall in prices, and in others caused a reversal of the course taken at the beginning of the year.

**Financial raw material prices**

A useful perspective on the evolution of financial prices in international markets in the past year can be given by considering the percentage change in prices between the beginning and the end of 2020. The financial prices considered are those of the main world stock exchanges such as the **London Metal Exchange** (LME), the **International Continental Exchange** (ICE) and the **Chicago Mercantile Exchange** (CME).

The price that has grown the most is that of **softwood lumber** (CME), which has more than doubled since the beginning of 2020. In fact, in the last summer months, the fire season in the United States has driven the spot price to all-time highs. The highest percentage change was recorded on 14 September (an increase of 144%).

**Energies**

A particularly interesting element that emerges from the chart concerns energy commodities: WTI oil, diesel (both quoted on the CME) and natural gas (ICE) recorded the highest decreases during the year. In particular, for the barrel, the maximum decrease occurred on 20 April 2020, when the price recorded a minus sign. The fall in WTI was due to the saturation of US oil stocks and the collapse in demand in April. The overall decline at year-end is more “moderate” (down by 23%), slightly less than that of diesel, which recorded a decrease of 27% at year-end.

Although it had a maximum decrease second only to that of oil, the price of natural gas at the end of the year is up by 68% compared to the beginning of 2020, also due to the fact that last winter was one of the warmest in Europe. The price increase this year was therefore more an effect of the low prices at the beginning of the year than the result of market tensions. In the energy sector, ICE-listed coal also ended 2020 on a positive note (up by 31%).

**Metals**

Listed metal commodity prices also ended 2020 on a positive note. The prices of iron ore and coils, both listed on the CME, show year-end percentage changes up by 66% and 50% respectively. In particular, the upward trend, which has characterised the price of minerals since May, was consolidated in December due to a landslide at a mine in Brazil, one of the largest producers of iron ore.

Non-ferrous metals listed on the LME also ended 2020 on an upward trend. The spot price of aluminium alloys had the largest percentage increase (up by 44.5%); copper, nickel, and zinc grew between 20% and 30%, while primary aluminium rose by 13.5%. Lead grew more modestly (up by 4%).

In general, prices were supported by the recovery of industrial activities in China, which launched a major investment programme, especially in those sectors where metal products are widely used (construction, infrastructure, etc.).

**Cyber risk**

A cybercrime occurs when a crime uses or targets 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 DISCLOSURES 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 show the assets and liabilities at 31 December 2020 and 31 December 2019 according to the categories provided by IFRS 9.

| Key to IFRS 9 Categories | |
|---|---|
| Fair value through profit or loss | FVTPL |
| Fair value through other comprehensive income | FVOCI |
| Amortised cost | AC |
| HI - Hedging instrument | FVOCI or FVTPL |

Below are the additional disclosures on financial instruments pursuant to IFRS 7.

*(in thousands of Euro)*

| Description | IFRS 9 categories | Notes | 31/12/2020 | Fair Value in Equity | Fair value through Profit or Loss | Effect on Profit or Loss |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Non-current financial assets** | | | | | | |
| Other non-current financial assets | AC | 6 | 11,052 | | | |
| **Total non-current financial assets** | | | **11,052** | | | |
| **Current financial assets** | | | | | | |
| Other current financial assets | AC | | 1,320 | | | |
| Current derivatives | FVTPL | | - | | | |
| Current financial assets | AC | 11 | 2,355 | | | |
| Cash and cash equivalents | AC | 12 | 69,810 | | | |
| **Total current financial assets** | | | **73,485** | | | |
| **Total financial assets** | | | **84,537** | | | |
| **LIABILITIES** | | | | | | |
| **Non-current financial liabilities** | | | | | | |
| Long-term bank loans and borrowings | AC | 14 | 8,234 | | | |
| Long-term loans and borrowings from other financial backers | AC | 14 | 79,237 | | | 1,908 |
| Non-current derivatives | FV | | - | | | |
| **Total non-current financial liabilities** | | | **87,471** | | | |

| | | | | | |
|---|---|---|---|---|---|
| **Current financial liabilities** | | | | | |
| Short-term bank loans and borrowings | AC | 20 | 194,176 | 6,330 | 18,771 |
| Short-term loans and borrowings from other financial backers | AC | 21 | 71,483 | | 1,721 |
| Current derivatives | FVTPL | | - | | |
| **Total current financial liabilities** | | | **265,660** | | |
| **Total financial liabilities** | | | **353,130** | | |

### Impairment Test Analysis at 31 December 2020

The Group reviewed its impairment indicators at 31 December 2020. 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 segment 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 costs, if any) and the present 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 2019, 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 a company's economic capital on a certain date (in this case, 31 December 2020) 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 provided for in the Updated Consolidated Plan were used, as approved by the Board of Directors on 23 April 2021. This Plan was updated compared to the Original Consolidated Plan in order to take into account the slowdown recorded in the financial year ended 31 December 2020 and the outlook for the Trevi Group in the current market context, which is strongly affected by the global effects of the spread of the Covid-19 pandemic. In this context, the business plan was updated both in terms of its quantitative objectives and its time frame, which was extended to 2024, in accordance with the original strategic guidelines and confirming the achievement of the recovery goals, albeit over a longer period than initially forecast. For any further information, reference should be made to Paragraph "Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern". The planning flows considered have been sterilised by the effects of future restructuring and efficiency improvements not yet initiated, which the accounting standard requires to be excluded.

That said, the expected cash flow has been constructed based on the financial data collected in the 2021 - 2024 Plans of each CGU and based on the Actual 2020 data. More specifically, using the operating profit of each period, taxes charged directly at the full rate have been 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, amounts due to personnel, etc.). - changes in the Net Working Capital. Finally, the cash flow from operations was determined by taking into account investments (net of divestments) in non-current assets - so-called CAPEX.

In continuity with the method at 31 December 2019, a weighted average cost of capital "WACC" was calculated for the discounting of cash flows, determined according to the CAPM economic model (Capital Asset Pricing Model) for the CGUs business segment: "Foundations". The WACC was determined at 6.75%, and the individual variables were derived as follows:

- risk-free rate: 0.82%, 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 2020;
- beta levered: 0.70, 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 4.72% (Source: Aswath Damodaran, update of 2021);
- country risk: 1.92%, 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 CGUs of the "Foundations" segment operate, weighted by the percentage of production of operating profit in 2024 in these countries;
- inflation differential: 0.56%, 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 translated 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 3 percentage points;

- cost of the gross debt: equal to 2.41% (post tax: 1.80%) determined by adding to the average actual rates of the Group's medium/long-term lines;
- financial structure: D/D+E= 36.41%; E/D+E= 63.59%, determined as the average of the comparables already considered for the definition of the beta.

As can be seen from the above, the change in the discount rate calculated at 31 December 2020 compared to that determined at 31 December 2019 is attributable - all sources and calculation methods being equal - to the significant lowering of the parameters and key variables adopted for the construction of the WACC, mainly due to the particular economic context of reference. In order to reduce the temporary effects of the current historical period, it was considered appropriate to increase the alpha coefficient by 1.5 percentage points with respect to 31 December 2019 (prudence premium of execution).

For the years after 2024, 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 (2024), net of imputed tax at the full rate. Furthermore, a g growth rate was considered, based on the average expected inflation rate in countries where these CGUs operate, weighted by the percentage of operating profit in 2024 actually produced by these CGUs in those countries. In particular, the g growth rate identified for the Foundations segment is 2.76%. It is specified that for the purposes of determining the Terminal Value, on a prudential basis, the WACC was increased by 2 percentage points (namely a WACC equal to 8.75%). As a result, the discount rate adopted for the Terminal Value, resulting from the difference between the aforementioned WACC increased by 2 percentage points (1 point more than last year) and the g growth rate is 6%. This is a significant figure, given that the Terminal Value represents on average 85.00% of the Enterprise Value of the CGUs.

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.

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.

IAS 36 makes it possible to consider the risks involved in implementing the plan by making adjustments to the expected flows and by making adjustments to 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 CGUs to be at least equal to the relevant carrying amount (i.e. the zeroing of the headroom found in the first level of the test). In this case, a precise increase in the WACC of 1.45% (with WACC of 10.20% against a WACC of 8.75% 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, while a significant headroom of about Euro 265 million would be obtained between the recoverable amount and carrying amount of the assets of the Trevi 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 CGUs to be at least equal to the relevant carrying amount (i.e. the zeroing of the headroom found in the first level of the test). In this case, a precise decrease in the g growth rate equal to 1.35% (with a g rate equal to 1.41% compared to 2.76% 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, while a significant headroom of about Euro 265 million would be obtained between the recoverable amount and carrying amount of the assets of the Trevi 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 CGUs to equal the relevant carrying amount.

This percentage of decrease was identified as 15.03% for the Soilmec CGU (corresponding to an operating profit for TV equal to Euro 11.83 million against an operating profit for TV in the base case equal to Euro 14.69 million). The same decrease in the operating profit of the Trevi CGU Terminal Value would lead to a significant headroom of about Euro 250 million between the recoverable amount and carrying amount of the assets of the Trevi CGU.

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:

- (+) the Enterprise Value of the Trevi and Soilmec CGUs;
- (+) the present value of cash flows of the Parent Trevi Finanziaria Industriale;
- (+) the value of the assets pertaining to accessory investments;
- (-) the carrying amount of non-operating funds comparable to financial debt.

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

- (+)equity attributable to the owners of the parent at 31 December 2020;
- (+) the net financial debt, recognised at the carrying amount at 31 December 2020.

This comparison shows a positive difference of Euro 319.7 million.

Management, in line with 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 relevant carrying amount (i.e. the zeroing of the headroom found in the second level of the test). In this case, a precise increase in the WACC of 6.03% for the Trevi and Soilmec CGUs (with WACC of 14.78% against a WACC of 8.75% 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 114 million compared to Euro 361 million in the base case and for the Soilmec CGU of Euro 44 million compared to the headroom of Euro 28 million in the base case).
Subsequently, a sensitivity analysis was carried out on the g growth rate adopted for the Terminal Value by assuming the zeroing of the same. The zeroing of the g growth rate would bring to a second-level margin, namely a margin between the recoverable amount of the Group assets and their carrying amount. In this case, the second-level margin would be Euro 106.8 million compared to Euro 319.7 million in the base case (with a first-level margin of Euro 196.9 million for the Trevi CGU compared to Euro 361 million in the base case and of Euro 20.1 million for the Soilmec CGU compared to the headroom of Euro 28 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 relevant carrying amount.
This percentage of decrease was identified as 34.32% (corresponding to an operating profit for TV equal to: Euro 24.1 million for the Trevi CGU against an operating profit for TV in the base case equal to Euro 50 million and Euro 8.2 million for the Soilmec CGU against an operating profit for TV in the base case equal to Euro 14.7 million). In this case, a first-level margin of Euro 106 million would be obtained for the Trevi CGU compared to Euro 361 million in the base case and Euro 36 million for the Soilmec CGU compared to Euro 28 million in the base case.

In line with what has already been done as of 31 December 2019, a specific impairment test has been carried out on the Research and Development Projects carried out by the Trevi and Soilmec divisions 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 6.75%. The test did not lead to evidence of any impairment loss.

# NOTES ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

## Non-current assets

### *(1) Property, plant and equipment*

Property, Plant and Equipment at 31 December 2020 totalled Euro 191 million, marking a decrease of Euro 40.5 million compared to 31 December 2019 (Euro 231.5 million).

Changes relating to the 2020 financial year are summarised in the table below:

| Description | Original cost at 31/12/2019 | Accumulated depreciation 31/12/2019 | Carrying amount at 31/12/2019 | Incr. | Decr. | Depr. | Use of Provision | Impairment | Reclass. of changes in acc. depr. | Reclass. of changes in historical cost | Exchange diff. | Exchange diff. in acc. depr. | Original cost at 31/12/2020 | Accumulate depreciatio 31/12/2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Land | 8,772 | 0 | 8,772 | 231 | (710) | 0 | 0 | 3,600 | 0 | 4,831 | (568) | 0 | 16,156 | 0 |
| Buildings | 72,269 | (28,813) | 43,456 | 2,980 | (2,500) | (4,833) | 894 | 964 | (1,071) | (2,473) | (2,541) | 1,222 | 68,699 | (32,601) |
| Plant and machinery | 332,846 | (204,113) | 128,733 | 13,779 | (18,448) | (20,460) | 11,901 | (509) | 15,772 | (21,103) | (24,919) | 17,456 | 281,646 | (179,444) |
| Industrial and commercial equipment | 89,488 | (58,927) | 30,561 | 1,619 | (1,788) | (10,076) | 914 | (674) | 17,350 | (12,885) | (3,922) | 3,303 | 71,837 | (47,436) |
| Other assets | 71,058 | (54,252) | 16,806 | 3,641 | (7,603) | (4,297) | 2,385 | (483) | 19,590 | (19,391) | (4,439) | 4,120 | 42,783 | (32,454) |
| Assets under construction and payments on account | 3,220 | 0 | 3,220 | 236 | (2,024) | 0 | 0 | 0 | 0 | 519 | (57) | 0 | 1,894 | 0 |
| **TOTAL** | **577,653** | **(346,105)** | **231,548** | **22,486** | **(33,074)** | **(39,666)** | **16,094** | **2,898** | **51,640** | **(50,502)** | **(36,446)** | **26,101** | **483,016** | **(291,936)** |

The gross increases for the year amounted to Euro 22.5 million while the decreases for the year amounted to Euro 33 million, net of the accumulated depreciation of Euro 16.1 million; the changes shown refer to normal plant and equipment replacement activities.

The exchange rate effect in 2020 was negative for Euro 10.3 million. Some assets were encumbered by mortgages against loans received, as described in the item Payables. During the year, some impairment losses were recognised by subsidiaries, for a total amount of Euro 1.6 million, aligning the balances to the estimated realisable value; revaluations of the subsidiary Soilmec S.p.A. were also recognised for a land and a building totalling Euro 4.6 million, in accordance with Art. 110 of Italian Law Decree 104/2020, the so-called "August decree".

The carrying amount of Property, Plant and Equipment held under lease at 31 December 2020 with right-of-use is equal to Euro 40.8 million (Euro 75.1 million at 31 December 2019). The decrease of Euro 34.3 million was mainly attributable to the performance of the existing finance lease contracts and, in part, to the exchange rate effect.

*(In thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Land and buildings | 18.539 | 25,141 | (6,602) |
| Plant and machinery | 15,680 | 34,351 | (18,671) |
| Industrial and commercial equipment | 4,684 | 14,022 | (9,338) |
| Other assets | 1,944 | 1,632 | 312 |
| **Total** | **40,847** | **75,146** | **(34,299)** |

Assets under finance leases are used as collateral for the related assumed liabilities.

### *(2) Intangible assets*

Intangible Assets at 31 December 2020 amounted to Euro 10.9 million, an increase of Euro 4.1 million compared to the amount at 31 December 2019 (Euro 6.8 million).

Changes relating to the 2020 financial year are summarised in the table below:

*(in thousands of Euro)*

| Description | Original cost at 31/12/2019 | Accumulated amortisation on 31/12/2019 | Carrying amount at 31/12/2019 | Incr. | Decr. | Amortisation | Use of Provision | Impairment | Exchange Rate diff. | Exchange Rate Diff. Acc. Amortisation | Other changes | Other changes Acc. Amortisation | Original cost at 31/12/2020 | Accumulated amortisation on 31/12/2020 | Carrying amount at 31/12/2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 459 | (459) | 459 | (459) | 0 |
| Development costs | 61,321 | (56,062) | 5,259 | 2,658 | (431) | (1,269) | 0 | (7) | 0 | 0 | (47,606) | 48,042 | 15,935 | (9,289) | 6,646 |
| Industrial patents and intellectual property rights | 7,969 | (7,679) | 290 | 145 | (91) | (116) | 88 | 0 | 0 | 0 | (4,054) | 3,920 | 3,969 | (3,787) | 182 |
| Concessions, licences, trademarks and similar rights | 3,934 | (3,792) | 142 | 7 | (23) | (108) | 23 | 0 | (18) | 18 | (1,089) | 1,225 | 2,811 | (2,634) | 177 |
| Assets under development and payments on account | 218 | 0 | 218 | 3,174 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,392 | 0 | 3,392 |
| Other intangible assets | 18,776 | (17,892) | 884 | 196 | (1,724) | (62) | 1,724 | 0 | (495) | 364 | (14,214) | 13,777 | 2,539 | (2,089) | 450 |
| **TOTAL** | **92,218** | **(85,425)** | **6,793** | **6,180** | **(2,269)** | **(1,555)** | **1,835** | **(7)** | **(513)** | **382** | **(66,504)** | **66,505** | **29,105** | **(18,258)** | **10,847** |

The item Increases, amounting to Euro 6.2 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 2020 amounted to Euro 6.6

million (Euro 5.3 million at 31 December 2019), with a gross increase for the year of Euro 2.6 million.

Regarding the item Industrial Patents and Intellectual Property Rights, the gross increase of Euro 0.1 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 0.007 million (Euro 0.08 million in the previous year).

Other Intangible Assets amounted to Euro 0.5 million at 31 December 2020, down by Euro 0.4 million compared to the previous year. The change 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) Investment property*

There were no investments in non-operating property.

### *(4) Equity investments*

Equity investments amounted to Euro 3.6 million marking a decrease compared to Euro 4.4 million recorded at the previous year end.

A summary of changes in investments in 2020 is given below:

*(in thousands of Euro)*

| Description | Balance at 31/12/2019 | Increases | Decreases | Impairment gains | Impairment losses | Other changes | Balance at 31/12/2020 |
|---|---|---|---|---|---|---|---|
| Associates | 3,811 | 0 | (745) | 81 | (1) | (151) | 2,995 |
| Other companies | 597 | 16 | 0 | 0 | 0 | 20 | 633 |
| **TOTAL** | **4,408** | **16** | **(745)** | **81** | **(1)** | **(131)** | **3,628** |

The change in the year, as well as the impairment gain, refer almost exclusively to the company Trevi Nicholson JV.

### *(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 following tables provide net changes in deferred tax assets and deferred tax liabilities:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Deferred tax assets | 29,465 | 44,163 | (14,698) |
| **TOTAL** | **29,465** | **44,163** | **(14,698)** |
| Deferred tax liabilities | (20,748) | (31,729) | 10,981 |
| **TOTAL** | **(20,748)** | **(31,729)** | **10,981** |
| **Net deferred tax assets at the end of the year** | **8,717** | **12,434** | **(3,717)** |

The item Net deferred tax assets at the end of the year of Euro 8.7 million refers mainly to a US subsidiary for an equivalent value of Euro 7 million, whose tax losses are considered recoverable, as the Parent generates sufficient profits to recover the tax credit.

Deferred tax assets refer in part to temporary differences and prior tax losses which, in accordance with tax regulations, may be recovered in future years and, for the remaining part, they refer to the deferred tax effects deriving from consolidation entries. At 31 December 2020, deferred tax assets amounted to Euro 29.5 million, down by a total of Euro 14.7 million compared to 31 December 2019. Deferred tax assets are considered recoverable in part through the offsetting against deferred tax liabilities that will be concurrently reversed in the future and, for the remaining part, are attributable to tax losses of the U.S. holding company, which generates sufficient taxable income in its tax consolidation to recover net deferred tax assets.

Deferred tax liabilities mainly refer to the differences between the carrying amounts of assets and liabilities shown in the Consolidated Financial Statements and the corresponding amounts recognised for tax purposes in the countries where the Group operates. At 31 December 2020, deferred tax liabilities amounted to Euro 20.7 million, down by a total of Euro 11 million compared to 31 December 2019.

Below the table showing the changes in question:

| Description | Balance at 31/12/2019 | Provisions and Releases | Decreases | Other Changes | Balance at 31/12/2020 |
|---|---|---|---|---|---|
| Deferred tax assets | 44,163 | (2,739) | (243) | (11,716) | 29,465 |
| Deferred tax liabilities | (31,729) | (1,014) | 1,524 | 10,471 | (20,748) |

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:

*(in thousands of Euro)*

| | Elimination Intragroup profits | Application of IFRS | Development costs | Group Rates Adjustment | Financial Statements and Other | Total |
|---|---|---|---|---|---|---|
| **Balance at 01/01/2019** | **13,930** | **(9,719)** | **(1,162)** | **(4,700)** | **12,557** | **10,905** |
| Effect on profit or loss | 936 | 616 | 205 | 14 | 3,073 | 4,844 |
| Effect on equity | | | | | | |
| Exchange rate differences | | | | | | |
| Reclassifications and other changes | | | | | (3,315) | (3,315) |
| **Balance at 31/12/2019** | **14,866** | **(9,103)** | **(957)** | **(4,686)** | **12,315** | **12,434** |
| Effect on profit or loss | (2,582) | 178 | 68 | 57 | 182 | (2,097) |
| Effect on equity | | | | | | |
| Exchange rate differences | 38 | (143) | | 240 | 874 | 1,009 |
| Reclassifications and other changes | (7,041) | 7,332 | 444 | 3,627 | (6,992) | (2,630) |
| **Balance at 31/12/2020** | **5,281** | **(1,736)** | **(444)** | **(763)** | **6,379** | **8,717** |

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 amounting to approximately Euro 6.4 million at 31 December 2020.

Losses carried forward at 31 December 2020 relating to the Italian companies participating in the tax consolidation, on which deferred tax assets were not recorded, totalled approximately Euro 155 million.

***Non-current derivatives***

At 31 December 2020 there were no non-current derivatives.

***(6) Other non-current financial assets***

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Due from associates | 0 | 1,353 | (1,353) |
| Guarantee deposits | 854 | 1,709 | (855) |
| Other | 10,198 | 222 | 9,976 |
| **TOTAL** | **11,052** | **3,284** | **7,768** |

Other non-current financial assets at 31 December 2020 amounted to Euro 11 million and referred to guarantee deposits held by Group companies for Euro 0.8 million and to Euro 10 million for a loan granted to the MEIL Global Holdings BV Group following the agreements for the sale of the Oil & Gas Division completed on 30 March 2020, for which a 3-year bullet repayment at 2% was provided for.

### *(7) Trade receivables and other non-current assets*

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Trade receivables | 1,591 | 2,185 | (594) |
| Prepayments and accrued income | (572) | 581 | (1,153) |
| Other non-current assets | (9) | 179 | (188) |
| **TOTAL** | **1,010** | **2,945** | **(1,935)** |

Trade receivables refer to receivables from third parties due beyond one year, for Euro 1.6 million from the subsidiary Swissboring Overseas Piling Corporation.

Prepayments are mainly attributable to the subsidiary Trevi Nigeria for Euro 0.4 million and to the subsidiary Soilmec S.p.A. for about Euro 0.2 million.

## CURRENT ASSETS

### *(8) Inventories*

Total inventories at 31 December 2020 amounted to Euro 122.7 million and were made up as follows:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Raw materials, consumables and supplies | 80,173 | 79,129 | 1,044 |
| Work in progress and semi-finished products | 13,856 | 11,167 | 2,689 |
| Contract work in progress | 0 | 0 | 0 |
| Finished goods | 28,597 | 28,123 | 474 |
| Payments on account | 86 | 478 | (392) |
| **TOTAL INVENTORIES** | **122,712** | **118,897** | **3,815** |

The Group's closing inventories relate to the production of underground engineering rigs and consist in materials and spare parts used by the Foundations segment; inventories are shown net of the allowance for inventory write-down of Euro 24.5 million (Euro 26 million at 31 December 2019).

Contract work in progress is expressed net of the related payments on account received from customers and reclassified under trade receivables or other liabilities respectively depending on whether the progress of the work is higher than the advances received or lower.

The allowance for inventory write-down amounted to Euro 24.5 million. Changes relating to this allowance were as follows:

*(in thousands of Euro)*

| Description | 31/12/2019 | Increases | Uses of allowance | Other and Reclassifications | 31/12/2020 |
|---|---|---|---|---|---|
| Raw materials, consumables and supplies | 24,076 | 2,340 | (2,088) | (1,600) | 22,728 |
| Work in progress and semi-finished products | 209 | 0 | 0 | (36) | 173 |
| Contract work in progress | 0 | 0 | 0 | 0 | 0 |
| Finished goods | 1,782 | 176 | 0 | (398) | 1,560 |
| Payments on account | 0 | 0 | 0 | 0 | 0 |
| **TOTAL ALLOWANCE FOR INVENTORY WRITE-DOWN** | **26,067** | **2,516** | **(2,088)** | **(2,034)** | **24,461** |

The item Uses of the allowance refers to the subsidiaries of the Soilmec Division, specifically for approximately Euro 1.6 million to Soilmec S.p.A. and for approximately Euro 0.5 million to PSM. Increases amounted to Euro 2.5 million and are mainly attributable to the Middle East subsidiaries of the Trevi Division for a total amount of Euro 1.6 million, Trevi S.p.A. for Euro 0.5 million, Pilotes Trevi for Euro 0.2 million and the companies of the Soilmec division for a total of Euro 0.2 million. The item Other and Reclassifications mainly includes exchange rate differences.

***(9) Trade receivables and other current assets***

The total amount at 31 December 2020 was Euro 247.4 million. This item includes:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Trade receivables | 184,907 | 229,430 | (44,523) |
| Due from customers | 15,007 | 4,048 | 10,959 |
| **Sub Total: Trade receivables** | **199,914** | **233,478** | **(33,564)** |
| Due from associates | 10,888 | 14,711 | (3,823) |
| VAT assets | 12,723 | 22,430 | (9,707) |
| Due from others | 13,205 | 13,963 | (758) |
| Prepayments and accrued income | 3,964 | 4,749 | (785) |
| **Total Trade Receivables and Other current assets** | **240,694** | **289,331** | **(48,637)** |

Below is a breakdown of the items Due from customers and Due to customers:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| ***Current assets*** | | | |
| Contract work in progress | 16,019 | 41,188 | (25,170) |
| Allowance for contract losses to complete | 0 | (29,928) | 29,928 |
| **Total contract work in progress** | ***16,019*** | ***11,261*** | ***4,758*** |
| Payments on account from customers | (1,012) | (7,212) | 6,201 |
| **Total Due from customers** | **15,007** | **4,048** | **10,959** |
| **Current liabilities:** | | | |
| Contract work in progress | (349) | 142 | (491) |
| Due to customers | 0 | 0 | 0 |
| Payments on account from customers | (5,718) | (1,009) | (4,709) |
| **Total Due to customers** | **(6,068)** | **(868)** | **(5,200)** |

The loss allowance amounted to Euro 62.5 million. Changes relating to this allowance were as follows:

| Description | Balance at 31/12/2019 | Accruals | Uses of allowance | Releases | Other changes | Balance at 31/12/2020 |
|---|---|---|---|---|---|---|
| Loss allowance | 74,979 | 2,810 | (7,264) | (2,817) | (5,256) | 62,452 |
| **TOTAL** | **74,979** | **2,810** | **(7,264)** | **(2,817)** | **(5,256)** | **62,452** |

The item Other changes includes exchange rate differences amounting to Euro 5 million.

*Prepayments and accrued income*

This item is mainly composed of prepayments detailed as follows:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Accrued income | 351 | 579 | (228) |
| Prepayments | 3,058 | 4,143 | (1,085) |
| Sabatini law interest | 555 | 27 | 528 |
| **TOTAL** | **3,964** | **4,749** | **(785)** |

The items Prepayments and Accrued income include costs incurred by the end of the year but pertaining to subsequent years of a different nature.

The breakdown of trade receivables and other current assets by geographical segment at 31 December 2020 is as follows:

| 31/12/2020 | Italy | Europe (excluding Italy) | U.S.A. and Canada | Latin America | Africa | Middle East and Asia | Far East | Rest of the world | Total |
|---|---|---|---|---|---|---|---|---|---|
| Trade receivables | 23,551 | 23,943 | 30,011 | 8,943 | 41,660 | 37,051 | 31,407 | 3,347 | **199,914** |
| Due from associates | 5,101 | 4,161 | 1,434 | 0 | 0 | 0 | 191 | 0 | **10,887** |
| Tax and VAT assets | 7,903 | 2,457 | 0 | 182 | 135 | 410 | 1,513 | 123 | **12,723** |
| Due from others | 1,095 | 1,205 | 269 | 471 | 510 | 7,769 | 1,860 | 27 | **13,206** |
| Prepayments and accrued income | 2,112 | 161 | 40 | 511 | 501 | 598 | 22 | 19 | **3,964** |
| **TOTAL** | **39,762** | **31,927** | **31,754** | **10,107** | **42,806** | **45,828** | **34,993** | **3,516** | **240,694** |

| 31/12/2019 | Italy | Europe (excluding Italy) | U.S.A. and Canada | Latin America | Africa | Middle East and Asia | Far East | Rest of the world | Total |
|---|---|---|---|---|---|---|---|---|---|

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Trade receivables | 34,768 | 24,933 | 32,546 | 7,819 | 37,994 | 63,499 | 25,048 | 6,872 | **233,478** |
| Due from associates | 4,248 | 5,831 | 4,342 | 6 | 0 | 0 | 284 | 0 | **14,711** |
| Tax and VAT assets | 19,276 | 3,777 | 398 | 4,850 | 1,570 | 3,165 | 1,483 | (3) | **34,516** |
| Due from others | 5,197 | 762 | 100 | 2,242 | 632 | 3,211 | 1,809 | 10 | **13,963** |
| Prepayments and accrued income | 1,503 | 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** |

Amounts due from associates at 31 December 2020 amounted to Euro 10.8 million; details are provided in Note (34) – Related party transactions.

The breakdown of trade receivables by currency is as follows:

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| EURO | 74,255 | 84,365 | (10,110) |
| USD | 32,915 | 34,253 | (1,338) |
| AED | 13,089 | 25,972 | (12,883) |
| NGN | 2,443 | 3,456 | (1,013) |
| GBP | 547 | 786 | (239) |
| DKK | 4 | 4,218 | (4,214) |
| OTHERS | 76,661 | 80,428 | (3,767) |
| **Total** | **199,914** | **233,478** | **(33,564)** |

In accordance with IFRS 7, the following is an analysis of the trend in past due loans, divided into homogeneous risk categories:

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Not past due | 82,341 | 116,986 | (34.645) |
| Past due from 1 to 3 months | 46,623 | 42,328 | 4,295 |
| Past due from 3 to 6 months | 9,444 | 24,123 | (14,679) |
| Past due from more than 6 months | 61,506 | 50,041 | 11,465 |
| **Total** | **199,914** | **233,478** | **(33,564)** |

With a view to a policy of constant credit monitoring by the individual Group companies, standard assessment ranges have been identified, made explicit in the following table:

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Standard monitoring | 187,731 | 171,615 | 16,116 |
| Special monitoring | 2,221 | 48,279 | (46,058) |
| Monitoring for possible legal proceedings | 1,264 | 1,378 | (114) |
| Out-of-court monitoring in progress | 6,797 | 1,672 | 5,125 |
| Monitoring for ongoing legal proceedings | 1,901 | 10,535 | (8,634) |
| **Total** | **199,914** | **233,478** | **(33,564)** |

The breakdown of the item Due from others is as follows:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Due from employees | 584 | 1,090 | (506) |
| Advances to suppliers | 2,914 | 4,741 | (1,827) |
| Other | 9,707 | 8,132 | 1,575 |
| **TOTAL** | **13,205** | **13,963** | **(758)** |

***(10) Current tax assets***

Tax assets are mostly represented by direct taxes and tax advances.

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Direct taxes | 6,700 | 12,086 | (5,386) |
| **TOTAL** | **6,700** | **12,086** | **(5,386)** |

The most significant amounts are represented by the credits for taxes paid abroad and by the payments on account paid to the subsidiaries in Italy.

***Current derivatives and marketable securities measured at fair value.***

As at 31 December 2020, the balance was 0.

### *(11) Current financial assets*

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Current financial assets | 3,675 | 10,977 | (7,302) |
| **TOTAL** | **3,675** | **10,977** | **(7,302)** |

The item Current financial assets amounted to Euro 3.7 million at 31 December 2020 and includes Euro 1.3 million of financial assets from unconsolidated associates and Euro 2.4 million of guarantee time deposits related to the Middle East subsidiary Swissboring.

### *(12) Cash and cash equivalents:*

This item includes:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Bank and post office accounts | 69,292 | 76,898 | (7,606) |
| Cash-in-hand and cash equivalents | 518 | 811 | (293) |
| **TOTAL** | **69,810** | **77,709** | **(7,899)** |

For the analysis of the net financial debt and cash and cash equivalents of the Trevi Group, reference should be made to the Director's Report and the Statement of Cash Flows.

The item Cash and cash equivalents includes non-transferable amounts without authorisation from the bank in which they are deposited as they guarantee bank lines of credit for commercial bond issues; at 31 December 2020 they amounted to approximately Euro 2.5 million in the United Arab Emirates.

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 8.3 million).

## EQUITY AND LIABILITIES

### *(13) EQUITY*

Group consolidated statement of changes in equity:

| Description | Share capital | Share premium reserve | Legal Reserve | Other reserves | Translation Reserve | Losses carried forward | Profit/(Loss) for the year attributable to the Group | Total equity (deficit) attributable to the owners of the parent |
|---|---|---|---|---|---|---|---|---|
| **Balance at 01/01/2019** | **82,290** | **114,480** | **8,353** | **15,934** | **13,628** | **(239,333)** | **(143,427)** | **(148,075)** |
| Allocation of 2018 loss | | | | | | (143,427) | 143,427 | |
| Distribution of dividends | | | | | | | | |
| Translation differences and other changes | | | | | 3,482 | | | 3,482 |
| Actuarial gains/(losses) and stock grant | | | | (268) | | | | (268) |
| Acquisition of non-controlling interests | | | | 1,572 | | | | 1,572 |
| Hedging reserve | | | | | | | | |
| Loss for the year attributable to the Owners of the Parent | | | | | | | (75,802) | (75,802) |
| **Balance at 31/12/2019** | **82,290** | **114,480** | **8,353** | **17,238** | **17,110** | **(382,760)** | **(75,802)** | **(219,091)** |
| Allocation of 2019 loss | | | | | | (75,802) | 75.802 | |
| Capital increase | 15,084 | 135,755 | | (1,053) | | | | 149,786 |
| Distribution of dividends | | | | | | (377) | | (377) |
| Translation differences and other changes | | | | (196) | (20,762) | | | (20,958) |
| Actuarial gains/(losses) and stock grant | | | | 14 | | | | 14 |
| Acquisitions/(disposals) | | | | (5,251) | (17,714) | (4,518) | | (27,483) |
| Hedging reserve | | | | | | | | |
| Profit for the year attributable to the Owners of the Parent | | | | | | | 241,468 | 241,468 |
| **Balance at 31/12/2020** | **97,374** | **250,235** | **8,353** | **10,752** | **(21,366)** | **(463,457)** | **241,468** | **123,359** |

– *Share capital*

The Parent issued 15,085,569,328 shares, of which 204,000 were purchased as treasury shares. At 31 December 2020, the Parent's fully subscribed and paid-up Share Capital amounted to Euro 97,374 thousand, marking an increase compared to 31 December 2019 following the share capital increase completed in May 2020.

The current breakdown of the share capital is shown below, net of treasury shares held, which at 31 December 2020 amounted to Euro 97,373,554:

| | Number of shares | Share capital | Reserve for 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)** |
| Repurchase and sale of treasury shares | - | - | - |
| **Balance at 31/12/2020** | **150,855,693** | **97,373,554** | **(736,078)** |

– *Share premium reserve:*

At 31 December 2020, the share premium reserve amounted to Euro 250,235 thousand, marking an increase compared to Euro 135,755 thousand following the share capital increase completed in May 2020.

– *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. Compared to 31 December 2019, the legal reserve did not change. At 31 December 2020, 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 derivatives measured as cash flow hedges under IAS 39.

– *Extraordinary reserve:*

The Extraordinary reserve at 31 December 2020 totalled Euro 12,858 thousand, marking a decrease of Euro 2,947 thousand compared to 31 December 2019. This decrease is representative of the costs incurred by the Group for the operations strictly related to the capital increase and which, therefore, in accordance with the IFRS, are not to be recognised in the statement of profit or loss, but to be deducted directly from equity. In particular, they refer to the fees relating to the consultancy costs for advisors and companies that supported Trevi Finanziaria Industriale S.p.A. in carrying out the share capital increase.

The item includes the effects of the transition to IFRS of the Group companies as of 1 January 2004.

– *Reserve for Treasury Shares:*

At 31 December 2020, the reserve for treasury shares amounted to Euro 736 thousand, unchanged compared to 31 December 2019.

– *Translation reserve:*

This reserve, equal to a negative amount of Euro 21,366 thousand at 31 December 2020, 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):*

The item includes the profit or loss of previous years, for the part not distributed as dividends to Shareholders. The increase compared to 31 December 2019 is due to the loss of the previous year.

The recapitalisation carried out by the Parent, partly consists in 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, 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 above-mentioned capital increase falls within the scope of IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”.

The Parent determined, in accordance with the above mentioned IFRIC 19 interpretation document, the fair value of the financial instruments converted into equity taking as reference the official price at the date before the conversion, 28 May 2020, and as such available on the day of conversion, equal to Euro 0.0103 per share, multiplied by the number of shares issued to partially extinguish the financial debt, equal to 6,313,724,191; therefore, the fair value of the shares issued is equal to Euro 65,031 thousand. As a result, taking as a reference the Euro 284.1 million that the banks implicitly cancelled for the execution of the financial manoeuvre in the statement of profit or loss, approximately Euro 219.5 million was recognised as income from the execution of the financial manoeuvre.

The recapitalisation carried out by the Parent partly consists in 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, without nominal value, having the same characteristics as the outstanding shares, at an issue price per share of Euro 0.013, of which Euro 0.001 to be attributed to capital and Euro 0.012 to be attributed to share premium, serving the exercise of a maximum of 1,645,793 warrants that will be assigned to the shareholders before the detachment of the right of first refusal relating to the Right of First Refusal Increase according to the Right of First Refusal pursuant to Art. 2441, paragraph 1 of Italian Civil Code with free-of-cost issue before 31 May 2020, granting the right to subscribe these Conversion Shares at the expiry date set on the fifth anniversary of the issue date according to the ratio on 934 new Conversion Shares per each 1 Warrant held.

The Trevifin share is the financial instrument underlying the Warrants. The latter grant the holder the right to subscribe newly issued shares in the ratio of 934 Conversion Shares per each Warrant held. The exercise of the subscription right can only take place on the expiry date of the Warrants (of European type), 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 Bonus Share for every 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 give the right to subscribe the Bonus Shares. Warrants are freely transferable and may circulate independently and separately from the shares to which they are attached at the time of issue.

Share capital increase through the exercise of warrants falls within the scope of IAS 32 “Financial Instruments”.

According to paragraph 15 of IAS 32 “the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument”.

Specifically, according to paragraph 16 “when an issuer applies the definitions in paragraph 11 (“rights, options or warrants to acquire a fixed number of the entity’s own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own equity instruments”) to determine whether a financial instrument is an equity instrument rather than a financial liability, the instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met:

(a) The instrument includes no contractual obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

(b) If the instrument will or may be settled in the issuer's own equity instruments, it is:

(i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

(ii) a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

A contractual obligation, including one arising from a derivative financial instrument, that will or may result in the future receipt or delivery of the issuer's own equity instruments, but does not meet conditions (a) and (b) above, is not an equity instrument" (the so-called fixed for fixed test).

Paragraph 21 further clarifies that the warrant is a financial liability even though the entity must or can settle it by delivering its own equity instruments. It is not an equity instrument because the entity uses a variable number of its own equity instruments as a means to settle the contract.

Therefore, in order to consider a warrant as an equity instrument, it must pass the fixed for fixed test, i.e. the warrant must provide that the number of shares that can be subscribed is fixed in a given quantity (fixed) and that the consideration received if the warrant is exercised is also determined in any currency in a given quantity.

Taking into account the difficulties of interpretation of IAS 32 and after a comparison with the technical bodies of the independent auditors, the fixed for fixed test was not passed due to the presence of bonus shares. Therefore, in accordance with the interpretation given to IAS 32, a non-current liability under IFRS 9 was recognised in the statement of financial position at 31 December 2020. The warrant fair value was measured by using a model based on the market value of Trevi Finanziaria shares and on the volatility of the stock price of shares of a pool of comparables of the Trevi Group. Fair value was updated at 31 December 2020, thus determining a carrying amount in approximately Euro 5.2 million and will be re-measured at each reporting date.

This liability was not classified as financial debt in the net financial position since:

- the Parent has no contractual obligation to deliver cash to the holder of Warrants;
- no interest of any kind accrues on this type of liabilities;
- this liability derives from an instrument that will provide the Parent with a capital increase at the time of its possible future exercise.

Management will continue to monitor the existence of the conditions that led to the recognition of this liability as from 4 November 2020 (the date on which the uninterrupted ownership of the warrants will give right to bonus shares).

In the financial statements closed at 31 December 2020, this liability has a balancing entry in profit or loss among the costs related to the execution of the overall financial manoeuvre.

## NON-CURRENT LIABILITIES

### *14) Bank loans and borrowings, loans and borrowings from other financial backers and derivatives*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Bank loans and borrowings | 8,234 | 7,656 | 578 |
| Lease liabilities | 19,741 | 14,998 | 4,743 |
| Loans and borrowings from other financial backers | 59,495 | 10,766 | 48,729 |
| Derivatives | 0 | 0 | 0 |
| **TOTAL** | **87,470** | **33,420** | **54,050** |

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 | After 5 years | Total |
|---|---|---|---|
| Bank loans and borrowings | 8,234 | | 8,234 |
| Lease liabilities | 19,741 | | 19,741 |
| Loans and borrowings from other financial backers | 59,495 | | 59,495 |
| **TOTAL** | **87,470** | | **87,470** |

Regardless of that indicated below in relation to the failure to comply with bank covenants, bank loans and borrowings, lease liabilities and loans and borrowings from other financial backers, following the effectiveness of the Restructuring Agreement on 29 April 2020, was rescheduled within the next 5 years.

Lease liabilities amounted to Euro 19.7 million, mainly relating to the debt arising from the application of the new IFRS 16.

Loans and borrowings from other financial backers were entirely attributable to the Parent for a bond issue amounting to Euro 50 million.

Non-current derivatives were zero.

As specified under paragraph “Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern”, as a result of the failure to meet covenants relating to bank loans and borrowings under the Restructuring Agreement, in accordance with IFRS 9, these have been presented in the financial statements with a short-term maturity, although the original maturity date of 2024 remains unchanged, as shown in the table below.

It should be noted that at 31 December 2020, the financial parameters provided for in the “Trevi Finanziaria Industriale 2014-2024” Bond Issue regulations were met.

The terms and conditions of bank loans and borrowings were as follows:

| In thousands of Euro | Currency | Spread | Indexing | Year due | Nominal Value | Carrying amount |
|---|---|---|---|---|---|---|
| | | | | 31/12/2020 | | |
| Unsecured bond issue | Euro | 2.00% | - | 2024 | **50,000** | **50,000** |
| Unsecured bank loan | Euro | 2.00% | - | 2024 | **84,726** | **84,726** |
| Unsecured bank loan | Euro | 2.00% | - | 2025 | **4,660** | **4,660** |
| Enforcements/repayments on bank loans | Euro | - | - | - | - | - |
| **Total current liabilities** | | | | | **139,386** | **139,386** |

204

### *(15) Deferred tax liabilities and non-current provisions*

Deferred tax liabilities and provisions for risks and charges totalled Euro 20.7 million, down by Euro 11 million compared to 31 December 2019, when they amounted to Euro 31.7 million.

Changes in deferred tax liabilities are as follows:

*(in thousands of Euro)*

| Description | Balance at 31/12/2019 | Accruals | Uses | Releases | Other Changes | Balance at 31/12/2020 |
|---|---|---|---|---|---|---|
| Deferred tax liabilities | 31,728 | 1,294 | (1,524) | (280) | (10,471) | 20,748 |
| **TOTAL** | **31,728** | **1,294** | **(1,524)** | **(280)** | **(10,471)** | **20,748** |

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.

The item Other changes refers to reclassifications of approximately Euro 10 million related to the provision for deferred tax assets and the effect of exchange rates and changes in tax rates during the year.

For details on the composition of the deferred tax liabilities, reference should be made to information already explained in note (5).

### *(16) Contingent liabilities*

The balance of the item Other non-current provisions amounted to Euro 15.6 million, an increase of Euro 8.4 million compared to 31 December 2019, equal to Euro 7.2 million. This balance was the result of changes in 2020 as shown below:

*(in thousands of Euro)*

| Description | Balance at 31/12/2019 | Accruals | Uses | Other Changes | Balance at 31/12/2020 |
|---|---|---|---|---|---|
| Non-current provisions for risks and charges | 7,235 | 5,983 | (3,365) | 5,780 | 15,633 |

The item Other Changes mainly includes exchange rate effects of approximately Euro 0.5 million and, for the remaining part, asset reclassifications from the current provision for risks and charges and amounts due from customers.

The breakdown of the item Non-current provisions for risks and charges was as follows:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Contractual risks | 7,487 | 659 | 6,828 |
| Work carried out under warranty | 828 | 636 | 192 |
| Loss allowance for investees | 46 | 1,042 | (996) |
| Dispute risks | 235 | 3,110 | (2,875) |
| Other non-current provisions for risks and charges | 7,037 | 1,787 | 5,250 |
| **TOTAL Non-current provisions for risks and charges** | **15,633** | **7,234** | **8,399** |
| Other current provisions for risks and charges | 4,518 | 9,350 | (4,832) |
| **TOTAL Current provisions for risks and charges** | **4,518** | **9,350** | **(4,832)** |

The balance of the provision for contractual risks amounted to approximately Euro 7.5 million and was mainly attributable to the subsidiary Trevi S.p.A.

The provision for work carried out under warranty of Euro 0.8 million relates to the provisions for technical guarantees on products that can be serviced by companies in the engineering segment.

The loss allowance for investees of Euro 46 million refers to minor investments of Trevi S.p.A.

The provision for Dispute risks equal to Euro 0.2 million was totally attributable to the subsidiary Trevi S.p.A..

This provision represents 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 proceedings involving tax authorities.

The item Other non-current provisions for risks and charges mainly includes provisions for risks related to corporate reorganisation and bonuses to employees and debt assumption for a total amount of approximately Euro 6 million, mainly attributable to the Italian subsidiaries and in particular to Trevi Finanziaria Industriale S.p.A. for Euro 3.8 million and Trevi S.p.A. for Euro 1.7 million.

The item Other current provisions for risks and charges, amounting to Euro 4.5 million at 31 December 2020, mainly includes provisions for risks attributable to the subsidiary Trevi France for approximately Euro 2.5

million, relating to contract work in progress, as well as approximately Euro 0.5 million attributable to tax and legal disputes.

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 proceedings 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, at 31 December 2020, 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 consolidated financial statements. The main disputes relating to Italian and foreign companies directly or indirectly controlled 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 9 December 2019, the Parent filed a tax assessment proposal to reach a possible agreement. This agreement was reached and formalised through the signing on 28 May 2020 of an agreement between the Parent and the Treviso Tax Authorities, which provides for the partial use of tax losses accrued in the tax consolidation for IRES purposes and a cash out to be paid by the Parent, with reference to the tax years 2014-2015-2016 amounting to approximately Euro 460,000 for direct and indirect taxes; this amount was entirely allocated to a specific provision for outstanding tax disputes. On 29 May 2020, the Parent entered into a mutually-agreed assessment settlement procedure with reference to the 2014 tax period. On 2 October 2020, the Parent entered into a mutually-agreed assessment settlement procedure with reference to the 2015 tax period. Lastly, the 2016 tax period will be defined, like previous years, according to the timing and instructions provided by the Treviso Tax Authorities, presumably by the end of the 2021 financial year.

With reference to two Italian consortia in which Trevi S.p.A. holds the controlling interest, it is noted that:

- The Tax Authorities, availing themselves of the provisions of Article 54, paragraph 5, of Italian Presidential Decree No. 633/1972, adjusted the VAT returns for 2001 and 2002, submitted by a consortium company, recovering the amount of Euro 736,000 as VAT assets not due, for 2001, and cancelling in full the part of the

VAT assets requested for reimbursement, for 2002, equal to Euro 1.6 million. The consortium company quantified, based on an analysis shared with the legal counsel, the risk associated with the matter at Euro 0.4 million and set aside a specific provision. For the sake of completeness, it should be noted that, in the meantime, the collection agent also notified two tax collection files on the same case, covering the years 2001-2002, concerning the amounts indicated above. The Parent filed a further dispute on the tax assessment notices, which is independent from the one relating to the two assessments. 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 Euro 1.6 million on invoices for the recharging of costs to shareholders but also provided for the non-applicability of penalties. The higher VAT charged to shareholders may be requested by the latter for a reimbursement. On 8 June 2020, the consortium company, before issuing a VAT variation note to the shareholders, as a precaution, in order to have confirmation of the actual exercise of recourse by the shareholders, filed an appeal to which, on 28 August 2020, the Regional Directorate of Sicily responded by stating that "the appeal request in question is inadmissible". The inadmissibility of the appeal is due to the fact that there are still two pending disputes on tax bills. This results in an extension of the time required to settle the dispute, since the two disputes relating to the two tax bills must be settled before the right of recourse can be exercised.

- The Tax Authorities, availing themselves of the provisions of Article 54, paragraph 5, of Italian Presidential Decree No. 633/1972, adjusted the VAT returns for the 2013 and 2014 tax years, submitted by a second consortium company owned by Trevi S.p.A., recovering as VAT assets not due, for the year 2013, the amount of Euro 2.5 million, 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 commission issued a ruling in favour of the Parent. The Tax Authorities filed an appeal and the hearing to be set in the Regional Court is awaited.

Lastly, on 13 August 2020, the Forlì Tax Authorities summoned the Parent to appear before it in order to cross-examine the 2015 VAT reimbursement (requested on the basis of the same assumptions considered for 2013 and 2014).

During the cross-examination, the Parent asked for the VAT assets to be recognised, but on 4 December 2020, the Forlì Tax Authorities rejected the above request and confirmed that it would issue a notice of assessment in 2021 relating to the 2015 tax year for an amount of approximately Euro 3.0 million plus penalties and interest.

In view of the nature of the VAT compensation and the favourable judgment, and after being made aware of the response of the lawyer, the Parent did not set aside amounts for the dispute in question.

Foreign subsidiaries

The following two tax disputes are reported with reference to foreign companies:

On 29 December 2018, the Dutch Tax Authorities 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 4.6 million regarding the 2014 tax period.

Since 20 July 2019 and upon multiple requests, the company has submitted defences, deeds, opinions and information to tax authorities.

On 21 February 2021, the Dutch Tax Authorities informed the company that it intends to proceed shortly with the notification of a final objection, thus confirming the content of what was provisionally notified in December 2018.

At the time of writing, no final objection, announced in the above-mentioned notice, has been received. Following receipt of this notice, the company will consider whether to appeal (there are still two levels of judgement) or to attempt to reach an agreement with the tax authorities.

It should be noted that, following the sale of the Oil & Gas Division to the Indian group Meil in March 2020, the company is no longer an integral part of the Trevi Group; this being the case, the tax dispute described above, on the basis of the agreements with the transferee, remains the responsibility of the Trevi Group.

- On 31 October 2020, the Dutch Tax Authorities notified a complaint against the Dutch sub-holding company of the Trevi division concerning the recovery of a higher Corporate Income Tax and interest amounting to approximately Euro 380,000 related to the 2016 tax period.

A provision of approximately Euro 400,000.00 was set aside at 31 December 2020 to fully cover the tax dispute.

On 9 December 2020, the company filed an appeal.

During 2021, the dispute should be settled at first instance.

- On 19 January 2018, the Tax Authorities of the Dominican Republic, where a foreign company in the Trevi division owns a branch, notified a complaint for the recovery of higher corporate income tax, in addition to penalties and interest, amounting to approximately Euro 2.3 million for tax periods 2012/13/14/15/16.

The company accrued provisions of approximately Euro 1.3 million and impaired trade receivables for an amount equal to Euro 900,000.

Subsequently, the branch was subject to insolvency proceedings; the Official Receiver proposed to the Delegated Judge to cover the tax liabilities in part with funds in the local bank account, equal to approximately Euro 250,000, and in part through the use of trade receivables equal to Euro 900,000, as indicated above.

On 15 July 2020, the Parent was notified of the competent court's approval of the closure of the branch's insolvency proceedings. This resulted in the closure of the tax dispute through the procedures proposed by the Official Receiver described above. The formal closure of the procedure and the cancellation of the branch from the local Register of Companies is expected in 2021.

***(17) Post-employment benefits***

The post-employment benefits and the provision for pensions are defined benefit plans and amounted to Euro 11.5 million at 31 December 2020 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.

These were determined as the present value of the defined service obligation and 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 over the year were as follows:

*(in thousands of Euro)*

| **Description** | **Balance at 31/12/2019** | **Accruals** | **Benefits and advances paid** | **Other changes** | **Balance at 31/12/2020** |
|---|---|---|---|---|---|
| Post-employment benefits | 6,143 | 1,460 | (1,679) | (520) | 5,404 |
| Provisions for pensions and similar obligations | 7,539 | 2,167 | (2,497) | (1,105) | 6,104 |
| **TOTAL** | **13,682** | **3,627** | **(4,176)** | **(1,625)** | **11,508** |

Other changes in the provision for pensions were due to the exchange effects of foreign subsidiaries, as well as actuarial gains/losses.

*(in thousands of Euro)*

| **Description** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| **Opening balance** | **6,143** | **5,998** |
| Service costs | 235 | 261 |
| Interest expense | 43 | 91 |
| Benefits paid | (837) | (388) |
| Other changes | (179) | 181 |
| **Closing balance** | **5,405** | **6,143** |

The main actuarial assumptions were:

| **Description** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Annual technical discount rate | 0.34% | 0.77% |
| Annual rate of inflation | 1.00% | 1.00% |
| Annual rate of increase in total salaries | 2.50% | 2.50% |
| Annual rate of increase in post-employment benefits | 2.25% | 2.25% |

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 2020.

The additional assumptions used as the basis for the actuarial calculation are as follows:

- the Ragioneria Generale dello Stato [State General Accounting Office] RG48 gender adjusted assumptions were used for the mortality rate;
- the gender adjusted assumptions in the INPS [National Social Welfare Institution] 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 at 31 December 2020 are shown below:

*(in thousands of Euro)*

| Past Service Liability<br>Annual discount rate | | |
|---|---|---|
| | **0.50%** | **-0.50%** |
| Trevi S.p.A. | 1,973 | 2,124 |
| Trevi Finanziaria Industriale S.p.A. | 677 | 714 |
| Soilmec S.p.A. | 1,680 | 1,865 |
| PSM S.r.l. | 843 | 947 |
| **Total** | **5,173** | **5,650** |

| Past Service Liability<br>Inflation rate | | |
|---|---|---|
| | **0.25%** | **-0.25%** |
| Trevi S.p.A. | 2,068 | 2,025 |
| Trevi Finanziaria Industriale S.p.A. | 699.2 | 691.5 |
| Soilmec S.p.A. | 1,796 | 1,742 |
| PSM S.r.l. | 902.8 | 882.3 |
| **Total** | **5,466** | **5,341** |

| Past Service Liability<br>Annual turnover rate | | |
|---|---|---|
| | **2.00%** | **-2.00%** |
| Trevi S.p.A. | 2,025 | 2,071 |
| Trevi Finanziaria Industriale S.p.A. | 687 | 704.8 |
| Soilmec S.p.A. | 1,736 | 1,810 |
| PSM S.r.l. | 855.9 | 940 |
| **Total** | **5,304** | **5,526** |

## CURRENT LIABILITIES

Current liabilities amounted to Euro 430.4 million in 2020, a decrease of Euro 607.5 million over the previous year.

A breakdown of changes of the various items is provided below:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Short-term loans (bank loans and borrowings) | 157,568 | 482,777 | (325,209) |
| Bank overdrafts | 6,081 | 25,200 | (19,119) |
| Trade advances | 30,527 | 45,216 | (14,689) |
| **Sub-total of short-term loans and borrowings** | **194,176** | **553,193** | **(359,017)** |
| Lease liabilities | 16,711 | 51,200 | (34,489) |
| Loans and borrowings from other financial backers | 54,772 | 187,115 | (132,343) |
| **Sub-total of loans and borrowings from other financial backers** | **71,483** | **238,315** | (166,832) |
| Current derivatives | 0 | 132 | (132) |
| **Sub-total of current derivatives** | **0** | **132** | (132) |
| Trade payables | 99,549 | 168,302 | (68.753) |
| Payments on account | 9,896 | 15,982 | (6,086) |
| Due to customers | 6,068 | 4,017 | 2,051 |
| Due to associates | 878 | 2,363 | (1,485) |
| Due to social security institutions | 3,776 | 5,049 | (1,273) |
| Accrued expenses and deferred income | 2,469 | 4,736 | (2,267) |
| Other amounts due | 16,878 | 15,931 | 947 |
| VAT liabilities | 8,992 | 7,900 | 1,092 |
| Current provisions | 4,518 | 9,350 | (4,832) |
| **Sub-total of other current liabilities** | **153,024** | **233,630** | (80,606) |
| Current tax liabilities | 11,677 | 12,631 | (954) |
| **Sub-total current tax-liabilities** | **11,677** | **12,631** | (954) |
| **TOTAL** | **430,360** | **1,037,901** | **(607,541)** |

Concerning past due trade payables, loans and borrowings, tax liabilities and amounts due to employees at 31 December 2020, overdue trade payables were totalling approximately Euro 37.5 million, overdue loans and borrowings totalled Euro 0.7 million and overdue tax liabilities approximately Euro 0.04 million. There were no overdue amounts due to employees or social security institutions.

### *(18) Trade payables and payments on account by geographical segment and currency*

There was a decrease in trade payables at 31 December 2020 (equal to approximately Euro 99.5 million) compared to the corresponding balance at 31 December 2019 (Euro 168.3 million).

The breakdown by geographical segment of current trade payables and payments on account is the following:

| 31/12/2020 | Italy | Europe (excluding Italy) | U.S.A. and Canada | Latin America | Africa | Middle East and Asia | Far East | Rest of the world | Total |
|---|---|---|---|---|---|---|---|---|---|
| Suppliers | 50,729 | 10,119 | 7,674 | 4,133 | 5,600 | 9,131 | 9,557 | 2,605 | 99,548 |
| Payments on account from customers | 1,600 | 7 | 0 | 1,337 | 2,401 | 590 | 3,750 | 212 | 9,897 |
| Due to customers | 3,417 | 994 | 1,657 | 0 | 0 | 0 | 0 | 0 | 6,068 |
| Due to associates | 630 | 0 | 0 | 0 | 92 | 0 | 156 | 0 | 878 |
| **TOTAL** | **56,376** | **11,120** | **9,331** | **5,470** | **8,093** | **9,721** | **13,463** | **2,817** | **116,391** |

| 31/12/2019 | Italy | Europe (excluding Italy) | U.S.A. and Canada | Latin America | Africa | Middle East and Asia | Far East | Rest of the world | Total |
|---|---|---|---|---|---|---|---|---|---|
| Suppliers | 68,939 | 22,092 | 21,991 | 9,249 | 9,883 | 28,683 | 6,260 | 1,205 | **168,302** |
| Payments on account from customers | 714 | 4,007 | 2,084 | 1,879 | 4,746 | 1,653 | 574 | 325 | **15,982** |
| Due to customers | 357 | 1,433 | 1,904 | 0 | 151 | 0 | 0 | 172 | **4,017** |
| Due 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** |

The breakdown of trade payables by currency was as follows:

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| EURO | 59,257 | 102,252 | (42,995) |
| USD | 9,267 | 27,688 | (18,421) |
| AED | 2,344 | 15,411 | (13,067) |
| NGN | 1.577 | 847 | 730 |
| GBP | 142 | 0 | 142 |
| DKK | 948 | 1,824 | (877) |
| OTHERS | 26,013 | 20,280 | 5,733 |
| **Total** | **99,548** | **168,302** | **(68,755)** |

**Trade payables and other current liabilities:**

*Due to customers:*

This item, for an amount of Euro 6 million, shows contract work in progress net of the related payments on account.

*Due to associates:*

This item totalling Euro 0.8 million refers almost entirely to trade payables of the subsidiary Trevi S.p.A. to consortia, see Note (34) – Related party transactions for details of these amounts.

*VAT liabilities:*

VAT liabilities increased compared to the balance at 31 December 2019 (Euro 7.9 million) by approximately Euro 1 million and amounted to Euro 8.9 million at 31 December 2020.

*Accrued expenses and deferred income:*

Accrued expenses and deferred income amounted to Euro 2.5 million at 31 December 2020. This item is composed as follows:

| Description | 31/12/2020 | 31/12/2019 | Other Changes |
|---|---|---|---|
| Accrued expenses | 1,335 | 3,162 | (1,827) |
| Deferred income | 984 | 1,543 | (559) |
| Sabatini and Ossola law deferred interest income | 150 | 31 | 119 |
| **TOTAL** | **2,469** | **4,736** | **(2,267)** |

The above tables mainly include the profit or loss effects of some job orders of subsidiaries in the Foundations segment to recognise contract revenue on an accruals basis.

Additionally, the balances include the residual lease-back capital gains made by some Group companies in sales to lease companies. These capital gains, under IFRS, are recognised based on the duration of the underlying contracts.

*Other amounts due:*

The item Other amounts due mostly includes:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Other Changes |
|---|---|---|---|
| Due to employees | 9,230 | 13,578 | (4,348) |
| Other | 7.648 | 2,353 | 5,295 |
| **TOTAL** | **16,878** | **15,931** | **947** |

Amounts due to employees relate to wages and salaries for December 2020 and provisions for leave accrued but not used.

### *(19) Current tax liabilities*

Tax liabilities at 31 December 2020 amounted to Euro 11.7 million and are broken down as follows:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Direct taxes | 0 | 9,369 | (9,369) |
| IRES taxes | 504 | 0 | 504 |
| IRAP taxes | 1,664 | 0 | 1,664 |
| Other | 9,509 | 3,262 | 6,247 |
| **TOTAL** | **11,677** | **12,631** | **(954)** |

### *(20) Short-term loans and borrowings*

Short-term loans and borrowings amounted to Euro 194.2 million at 31 December 2020 and are broken down as follows:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Bank overdrafts | 6,081 | 25,200 | (19,119) |
| Trade advances | 30,527 | 45,217 | (14,690) |
| Bank loans and borrowings | 155,207 | 3,956 | 151,251 |
| Share of mortgages and loans expiring within twelve months | 2,362 | 478,821 | (476,460) |
| **TOTAL Short-term loans and borrowings** | **194,176** | **553,194** | **(359,018)** |

Short-term loans and borrowings are made up of bank loans and borrowings and of short-term residual instalments for long-term mortgages. The significant decrease compared to 31 December 2019 is due to the effectiveness of the restructuring agreement and the positive outcome of the capital increase that in May 2020 led to the conversion into equity, with a ratio of 4.5 to 1, of about Euro 284.1 million by banks.

As specified under paragraph “Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern”, as a result of the failure to meet covenants relating to bank loans and borrowings under the Restructuring Agreement, in accordance with IFRS 9, these have been presented in the financial statements with a short-term maturity, although the original maturity date of 2024 remains unchanged.

### *(21) Lease liabilities and loans and borrowings from other financial backers*

216

Lease liabilities and loans and borrowings from other financial backers at 31 December 2020 amounted to Euro 71.5 million and can be broken down as follows:

*(in thousands of Euro)*

| Description | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Lease liabilities | 16,711 | 51,200 | (34,489) |
| Loans and borrowings from other financial backers | 54,772 | 187,115 | (132,343) |
| **TOTAL Loans and borrowings from other financial backers** | **71,483** | **238,315** | **(166,832)** |

Lease liabilities refer to the capital element of instalments payable within twelve months.

The item Loans and borrowings from other financial backers at 31 December 2020 relates to the first application of IFRS 16.

### *(22) Current derivatives*

At 31 December 2020, there were no current derivatives.

### *(23) Current provisions*

Provisions classified as current at 31 December 2020 amounted to Euro 4.5 million (Euro 9.4 million at 31 December 2019). The most significant amount of this balance is attributable to Trevi France.

Changes during the year are shown below:

| Description | Balance at 31/12/2019 | Accruals | Uses of provision | Other Changes | Balance at 31/12/2020 |
|---|---|---|---|---|---|
| Current provisions for risks and charges | 9,350 | (1,862) | (1,061) | (1,909) | 4,518 |

The item Other changes was entirely attributable to the reclassification to non-current provision.

### *Net financial debt*

Details of the Net Financial Debt are shown.

| | Description | Notes | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|---|---|
| A | Cash and other cash equivalents | (12) | (69,810) | (77,709) | 7,899 |
| B | Securities held for trading | | | | |
| **C** | **Cash and cash equivalents (A+B)** | | **(69,810)** | **(77,709)** | **7,899** |
| D | Current financial assets | (11) | (3,675) | (10,977) | 7,302 |
| E | Current bank loans and borrowings | (20) | 191,815 | 74,372 | 117,443 |
| F | Current portion of non-current debt | (20) | 2,362 | 478,821 | (476,460) |
| G | Other current financial liabilities | (21) | 71,483 | 238,448 | (166,965) |
| **H** | **Current financial debt (E+F+G)** | | **265,659** | **791,641** | **(525,982)** |
| **I** | **Net current financial debt (H-D-C)** | | **192,174** | **702,954** | **(510,780)** |
| J | Non-current bank loans and borrowings | (14) | 8,234 | 7,656 | 578 |
| K | Bonds issued | | 50,000 | | 50,000 |
| L | Other non-current liabilities | (14) | 29,237 | 25,764 | 3,473 |
| | Non-current derivatives | | 0 | 0 | 0 |
| **M** | **Non-current financial debt (J+K+L)** | | **87,471** | **33,419** | **54,052** |
| **N** | **Net financial debt (I+M) (in accordance with Consob notice of 28 July 2006 No. DEM/6064293)** | | **279,645** | **736,374** | **(456,729)** |
| O | Other non-current financial assets | | (10,198) | (1,353) | (8,845) |
| **P** | **Total Net Financial debt (N+O)** | | **269,447** | **735,021** | **(465,574)** |

The item financial assets does not include guarantee deposits to calculate the Net Financial Position.

For the purposes of classification between short and medium/long-term, as a result of the failure to meet the covenants relating to the bank loans and borrowings under the Restructuring Agreement (as reported under paragraph "Business plan, main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern"), in accordance with IFRS 9, these have been presented in the financial statements with a short-term maturity, although the original maturity date of 2024 remains unchanged.

The main guarantees provided are listed below:

- Guarantees given to Insurance companies (both in Euro and US dollars): these amounted to Euro 47,318,091 and refer to the issuance of sureties for VAT reimbursements of the Parent 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.
- Guarantees given to third parties: these amount to Euro 263,049,656 and refer in particular to:
- Bank guarantees for Euro 194,795,861.00 to guarantee cash and secured lines as well as leases for subsidiaries of Trevi Finanziaria Industriale S.p.A.;
- Commercial guarantees (mainly to take part in tenders, performance bonds and contractual advances) for Euro 64,474,181.00;
- Financial guarantees of Euro 3,779,614.00 issued to banks for loans received.

# COMMENT ON THE MAIN ITEMS OF THE STATEMENT OF PROFIT OR LOSS

Below are some details and information relating to the statement of profit or loss for the year ended 31 December 2020. For a more detailed analysis of the performance for the year, reference should be made to the comments in the Director's Report.

**REVENUE**

***(24) Revenue from sales and services and other operating revenue***

These items amounted to Euro 491.3 million compared to Euro 623.2 million in 2019, a decrease of Euro 131.9 million.

The Trevi Group completed the sale of the US company Watson Inc., which had contributed in 2019 with approximately Euro 29 million of revenue.

Furthermore, the Mosul contract in Iraq generated revenue for approximately Euro 39 million in 2019.

The Group operates in various business segments and in different geographical segments.

The breakdown of revenue from sales and services and other revenue is as follows:

| Geographical segment | 2020 | % | 2019 | % | Change | % |
|---|---|---|---|---|---|---|
| Italy | 48,676 | 10% | 58,091 | 9% | (9,415) | -16% |
| Europe | 115,810 | 24% | 110,172 | 18% | 5,638 | 5% |
| U.S.A. and Canada | 109,542 | 22% | 135,180 | 22% | (25,638) | -19% |
| Latin America | 31,371 | 6% | 34,154 | 5% | (2,783) | -8% |
| Africa | 36,710 | 7% | 43,746 | 7% | (7,036) | -16% |
| Middle East and Asia | 53,816 | 11% | 138,303 | 22% | (84,487) | -61% |
| Far East and Rest of the World | 95,390 | 19% | 103,559 | 17% | (8,169) | -8% |
| **Total revenue** | **491,315** | **100%** | **623,205** | **100%** | **(131,890)** | |

The decrease of sales in Italy and in the rest of Europe was mainly attributable to the Trevi Division while the sales of Soilmec were in line with those recorded in 2019.

In the US, the decrease resulted from the exclusion of Watson Inc. from the scope of consolidation of the Group.

In Latin America and Africa, the worsening was largely due to the activities of the Trevi division as a result of the completion of some contracts, while in the Middle and Far East the worsening was mainly due to the sales activities of the Soilmec division.

The breakdown of revenue between the Foundations segment and the Parent is shown below:

| Activity | 2020 | % | 2019 | % | Change | % |
|---|---|---|---|---|---|---|
| Special foundation works | 377,627 | 76% | 417,227 | 67% | (39,600) | -9.49% |
| Manufacturing of special machinery for foundations | 118,458 | 24% | 209,089 | 33% | (90,631) | -43.35% |
| Intradivisional eliminations and adjustments | (6,446) | | (11,847) | | 5,401 | |
| **Sub-Total of Foundations Segment (Core Business)** | **489,639** | **100%** | **614,469** | **100%** | **(124,830)** | |
| | | | | | | |
| **Parent** | **15,601** | | **32,446** | | **(16,845)** | |
| Intradivisional and Parent eliminations | (13,925) | | (23,710) | | 9,785 | |
| | | | | | | |
| **TREVI GROUP** | **491,315** | | **623,205** | | **(131,890)** | |

***Other operating revenue***

The item Other operating revenue amounted to Euro 34.6 million at 31 December 2020, up by Euro 5.4 million compared to the previous year. This item includes:

| Description | 2020 | 2019 | Change |
|---|---|---|---|
| Grants related to income | 452 | 270 | 182 |
| Recovery of expenses and recharges to Consortia | 4,830 | 7,035 | (2,205) |
| Sales of spare parts and raw materials | 2,859 | 3,972 | (1,113) |
| Gains on sale of capital goods | 3,488 | 4,149 | (661) |
| Compensation for damage | 1,544 | 3,148 | (1,604) |
| Lease income | 620 | 2,291 | (1,671) |
| Prior year income | 9,523 | 1,921 | 7,602 |
| Other | 11,338 | 6,448 | 4,890 |
| **Total** | **34,654** | **29,234** | **5,420** |

In 2020, the item Recovery of expenses and recharges to Consortia amounted to Euro 4.8 million, down by Euro 2.2 million compared to the previous year; the item Sales of spare parts amounted to Euro 2.9 million, down by Euro 1.1 million; the item Gains on sale of capital goods amounted to Euro 3.5 million compared with Euro 4.1 million in the previous year; the item Compensation for damage amounted to Euro 1.5 million, down by Euro 1.6 million compared to 2019. The item Other was largely affected to Trevi Denmark since, on the basis of the settlement agreement reached with CMT, relating to the Cityringen order, a net income of approximately Euro 5.2 million was recorded in the financial statements.

***(25) Internal work capitalised***

The item Internal work capitalised amounted to Euro 13.5 million in 2020, an increase of Euro 1.3 million compared to 2019.

**PRODUCTION COST**

Production cost totalled Euro 490.7 million in 2020 compared to Euro 660.1 million in the previous year, a decrease of Euro 169.4 million; the main items are analysed below.

### *(26) Personnel expense*

This item amounted to Euro 139.6 million in 2020, a decrease of Euro 27.8 million over the previous year.

| Description | 2020 | 2019 | Change |
|---|---|---|---|
| Wages and salaries | 105,840 | 127,148 | (21,308) |
| Social security charges | 23,277 | 25,702 | (2,425) |
| Post-employment benefits | 1,300 | 1,494 | (194) |
| Pension fund | 2,167 | 3,541 | (1,374) |
| Other costs | 5,992 | 8,448 | (2,456) |
| **Total** | **138,576** | **166,333** | **(27,757)** |

The breakdown of personnel and changes compared to the previous year is as follows:

| Description | 2020 | 2019 | Change | Average |
|---|---|---|---|---|
| Executives | 108 | 120 | (12) | 114 |
| White-collar workers and Managers | 1,499 | 2,030 | (531) | 1,765 |
| Blue-collar workers | 2,097 | 2,387 | (290) | 2,242 |
| **Total staff** | **3,704** | **4,537** | **(833)** | **4,121** |

| | Workforce | |
|---|---|---|
| **Geographical segment** | **31/12/2020** | **31/12/2019** |
| Italy | 869 | 790 |
| Europe (excluding Italy) | 171 | 249 |
| United States and Canada | 151 | 424 |
| South America | 376 | 583 |
| Africa | 577 | 885 |
| Middle East and Asia | 702 | 996 |
| Far East | 858 | 610 |
| Rest of the World | 0 | 0 |
| **Total** | **3,704** | **4,537** |

The above number of employees at 31 December 2019 does not include the resources in force in the Oil & Gas Segment, which amounted to 1,366 employees.
The reductions in personnel expense were significant, both due to the reduction in the Group's workforce, which went from 4,537 units at 31 December 2019 to 3,704 units at 31 December 2020 and due to cost containment actions. The Italian companies of the Group benefited from the legal instruments for the reduction of personnel expense as reported in the paragraph “COVID-19” included in the Director's Report.

### *(27) Other operating expenses*

This item amounted to Euro 168.2 million in 2020, a decrease of Euro 33.3 million compared with the previous year, details of which are mentioned below.

| Description | 2020 | 2019 | Change |
|---|---|---|---|
| Services | 130,289 | 164,213 | (33,924) |
| Use of third-party assets | 25,890 | 24,185 | 1,705 |
| Other operating expenses | 12,005 | 13,067 | (1,062) |
| **Total** | **168,184** | **201,465** | **(33,281)** |

*Services:*
This item amounted to Euro 130.3 million in 2020 against Euro 164.2 million in 2019. This item mainly includes:

| Description | 2020 | 2019 | Change |
|---|---|---|---|
| Sub-contracts | 34,742 | 31,603 | 3,139 |
| Technical, legal, tax consultancy services | 13,928 | 35,254 | (21,326) |
| Other expenses for the provision of services | 7,267 | 14,642 | (7,375) |
| Food, accommodation and travel expenses | 8,652 | 16,882 | (8,230) |
| Insurance companies | 7,734 | 10,601 | (2,867) |
| Shipping, customs and transport costs | 11,435 | 13,725 | (2,290) |
| Maintenance and repairs | 8,538 | 11,288 | (2,750) |
| Bank services | 2,696 | 4,526 | (1,830) |
| Expenses for energy, telephone, gas, water and post | 3,866 | 3,285 | 581 |
| Outsourcing | 17,304 | 6,837 | 10,467 |
| Technical assistance | 6,062 | 9,416 | (3,354) |
| Advertising and promotions | 806 | 1,637 | (831) |
| Administrative services | 740 | 1,322 | (582) |
| Driving force | 4,689 | 1,616 | 3,073 |
| Commissions and ancillary charges | 1,622 | 879 | 743 |
| Entertainment expenses | 221 | 605 | (384) |
| Consortium cost share | (13) | 95 | (108) |
| **Total** | **130,289** | **164,213** | **(33,924)** |

The item Services decreased by 20.66% compared to the previous year, down by Euro 33.9 million.

*Use of third-party assets:*
This item amounted to Euro 25.9 million in 2020, an increase of Euro 1.7 million over the previous year.
The item mainly refers to:

| Description | 2020 | 2019 | Change |
|---|---|---|---|
| Equipment leases | 16,740 | 16,357 | 383 |
| Lease expense | 9,150 | 7,829 | 1,321 |
| **Total** | **25,890** | **24,186** | **1,704** |

The item Equipment leases includes operating lease costs relating to contracts that meet the requirements to be excluded from the accounting treatment provided by IFRS 16.

*Other operating expenses:*
This item amounted to Euro 12 million in 2020, a decrease of Euro 1 million over the previous year. Its

composition is as follows:

| Description | 2020 | 2019 | Change |
|---|---|---|---|
| Indirect duties and fees | 2,530 | 2,899 | (369) |
| Prior year expense | 3,984 | 2,295 | 1,689 |
| Other sundry expenses | 2,970 | 1,576 | 1,394 |
| Ordinary losses on the sale of assets | 2,521 | 6,307 | (3,786) |
| **Total** | **12,005** | **13,077** | **(1,072)** |

Indirect duties and fees were mainly attributable to the Parent Trevi Finanziaria Industriale S.p.A. for Euro 0.8 million, Soilmec S.p.A. for Euro 0.5 million and Trevi Foundation Philippines Inc. for Euro 0.4 million.

### *(28) Provisions and impairment losses*

| Description | 2020 | 2019 | Change |
|---|---|---|---|
| Provisions for risks | 5,672 | 5,385 | 287 |
| Accruals to loss allowances | 834 | 9,142 | (8,308) |
| Impairment losses | (2,891) | 17,809 | (20,700) |
| **Total** | **3,614** | **32,336** | **(28,722)** |

*Provisions for risks:*

This item amounted to Euro 5.7 million and mainly refer to accruals related to contractual risks and bonuses to employees.

*Accruals to loss allowances:*

The amount of Euro 0.8 million refers almost exclusively to the loss allowances on trade receivables of the individual subsidiaries.

*Impairment losses:*

Impairment losses on advances to suppliers of Euro 1.7 million and reversals of impairment losses of Euro 4.6 million were recognised. The reversals of impairment losses refer to the subsidiary Soilmec S.p.A. and refer to land for Euro 3.6 million and a building for approximately Euro 1 million.

### *(29) Financial income*

Financial income amounted to Euro 293.3 million in 2020, up by Euro 284 million compared to the previous year.
This item is broken down as follows:

| Description | 2020 | 2019 | Change |
|---|---|---|---|
| Bank interest income | 156 | 1,109 | (953) |
| Interest income on trade receivables | 537 | 327 | 209 |
| Financial income from fair value measurement | 44,313 | 0 | 44,313 |
| Financial income from financial manoeuvre | 247,632 | 6,860 | 240,772 |
| Other financial income | 664 | 931 | (268) |
| **Total** | **293,301** | **9,227** | **284,074** |

The item Financial income from fair value measurement includes the adjustment to fair value of non-current financial liabilities, following the rescheduling of liabilities at 31 December 2024, which took place when the Restructuring Agreement became effective.
The item Financial income from financial manoeuvre mainly includes Euro 247,632 thousand, which represents the positive difference deriving from the conversion of part of the financial liabilities into capital by lending banks and, in particular, from the simultaneous elimination of part of the financial liabilities in execution of the restructuring agreement pursuant to Art. 182-*bis* of the Italian Bankruptcy Law.
This income derives:

a) for an amount of Euro 230 million, from a conversion of a pre-existing debt and consequent elimination of the remaining liability and, therefore, not from a relationship characterised by a financial cause that may be an interest or similar income;
b) for an amount of Euro 18 million, from a waiver by banks of interest accrued but not collected.

### *(30) Financial expense*

Financial expense amounted to Euro 33.9 million in 2020, up by Euro 8.3 million compared to the previous year.
This item is broken down as follows:

*(In thousands of Euro)*

| Description | 2020 | 2019 | Change |
|---|---|---|---|
| Interest expense on bank borrowings | 16,505 | 19,882 | (3,377) |
| Financial expense from fair value measurement | 6,330 | 0 | 6,330 |
| Bank fees and commissions | 2,227 | 217 | 2,010 |
| Interest expense on loans | 39 | 1,216 | (1,177) |
| Interest expense on right-of-use assets | 1,233 | 1,545 | (312) |
| Interest expense on loans and borrowings from other financial backers | 2,396 | 2,814 | (418) |
| Expense deriving from the recognition of Warrants | 5,229 | 0 | 5,229 |
| **Total** | **33,960** | **25,674** | **8,286** |

The item Interest expense on bank borrowings 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.
The item Financial expense from fair value measurement includes the adjustment to fair value of non-current financial liabilities, following the rescheduling of liabilities at 31 December 2024, which took place when the Restructuring Agreement became effective.
The item Expense deriving from the recognition of Warrants reflects that detailed above with reference to fair value measurement of the Warrant.

### *(31) Exchange gains/(losses)*

At 31 December 2020, net exchange gains amounted to Euro 2.8 million, mainly due to the fluctuation between the Euro and US Dollar and between the Euro and the currencies of the countries in South America.

The composition of this item is shown below:

| Description | 2020 | 2019 | Change |
|---|---|---|---|
| Realised exchange gains | 7,673 | 7,623 | 50 |
| Realised exchange losses | (9,339) | (8,417) | (922) |
| **Net realised exchange losses** | **(1,666)** | **(794)** | **(872)** |
| Unrealised exchange gains | 19,164 | 4,367 | 14,797 |
| Unrealised exchange losses | (14,658) | (8,673) | (5,985) |
| **Net unrealised exchange gains/(losses)** | **4,506** | **(4,306)** | **8,812** |
| **Net Exchange Gains/(Losses)** | **2,840** | **(5,100)** | **7,940** |

### *(32) Income taxes*

Net taxes for the year increased by Euro 6 million in 2020 compared with the previous year and are broken down as follows:

| Description | 2020 | 2019 | Change |
|---|---|---|---|
| Current taxes: | | | |
| - Regional Business Tax (IRAP) | 1,664 | 493 | 1,171 |
| - Income taxes | 6,968 | 10.824 | (3,856) |
| Deferred tax expense | 1,094 | (1,492) | 2,586 |
| Deferred tax income | 2,739 | (3,353) | 6,092 |
| **Total Income Taxes** | **12,465** | **6,472** | **5,993** |

Income taxes for the year refer to the estimate of direct taxes, 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 | 2020 | 2019 | Change |
|---|---|---|---|
| **Profit/(Loss) for the year before taxes and non-controlling interests** | **249,200** | **(71,492)** | **320,692** |
| I.R.E.S. - Italian companies | 0 | 0 | 0 |
| Deferred taxes of Italian companies and consolidation entries | 4,152 | (5,319) | 9,471 |
| Current and deferred total income taxes on foreign companies | 4,857 | 8,274 | (3,417) |
| Regional Business Tax (IRAP) | 1,664 | 493 | 1,171 |
| Taxes paid abroad | 1,721 | 1,958 | (237) |
| I.R.E.S. tax differences from previous years | 72 | 1,067 | (995) |
| **Income taxes shown in the consolidated statement of profit or loss** | **12,465** | **6,472** | **5,992** |
| **Tax rate** | **5%** | **-9%** | |

### (33) Earnings/(losses) per share

The calculation of basic and diluted earnings/(losses) per share was as follows:

| | Description | 2020<br>Profit/(loss) from continuing operations | 2020<br>Profit/(loss) from assets held for sale | 2019<br>Profit/(loss) from continuing operations | 2019<br>Profit/(loss) from assets held for sale |
|---|---|---|---|---|---|
| A | Profit/(loss) for the year (thousands of Euro) | 254,308 | (12,840) | (64,362) | (11,440) |
| B | Weighted average number of ordinary shares for the determination of basic earnings per share | 88,624,205 | 88,624,205 | 16,458 | 16,458 |

| | | | | | |
|---|---|---|---|---|---|
| **C** | Basic earnings/(losses) per share: (A*1000) / B | 2.87 | (0.14) | (3,911) | (695) |
| **D** | Profit/(loss) adjusted for the dilution analysis (thousands of Euro) | 254,308 | (12,840) | (64,362) | (11,440) |
| **E** | Weighted average number of ordinary shares for calculating basic earnings per share (B) | 99,414,606 | 99,414,606 | 18,385,232 | 18,385,232 |
| **F** | Diluted earnings/(losses) per share: (D*1000) / E | 2.558 | (0.129) | (3.50) | (0.62) |

## Discontinued operations

The Oil & Gas segment was sold on 31 March 2020; the profit for the year from discontinued operations still includes the results of the Oil & Gas Division for the first quarter of 2020.

### *34) Related party transactions:*

### Transactions with key management personnel

### Directors' remuneration

For the year 2020, 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:

*(in thousands of Euro)*

| Name | Company | Position | Remuneration for the office | Remuneration for subsidiaries | Other remuneration |
|---|---|---|---|---|---|
| **Luca d'Agnese** | Trevi - Fin. Ind. S.p.A. | Chairman of the Board of Directors | 40 | | 0 |
| **Cesare Trevisani** | Trevi - Fin. Ind. S.p.A. | Deputy Chairman | 100 | | 0 |
| **Giuseppe Caselli** | Trevi - Fin. Ind. S.p.A. | Chief Executive Officer | 0 | | 500 |
| | Trevi S.p.A. | Chairman of the Board of Directors; Chief Executive Officer | | 0 | |
| | Soilmec S.p.A. | Chairman of the Board of Directors; Chief Executive Officer | | 0 | |
| **Sergio Iasi** | Trevi - Fin. Ind. S.p.A. | Chief Executive Officer | 347.5 | | 2,000 |
| | Trevi S.p.A. | Non-executive Board Director | | 0 | |
| | Soilmec S.p.A. | Non-executive Board Director | | 0 | |
| **Luca Caviglia** | Trevi - Fin. Ind. S.p.A. | Non-executive Board director | 40 | | 22.3 |
| | Soilmec S.p.A. | Non-executive Board Director | | 12.5 | |
| **Marta Dassù** | Trevi - Fin. Ind. S.p.A. | Non-executive and independent Board Director | 40 | | 14.4 |
| **Cristina Finocchi Mahne** | Trevi - Fin. Ind. S.p.A. | Non-executive and independent Board Director | 40 | | 35.7 |
| **Elisabetta Olivieri** | Trevi - Fin. Ind. S.p.A. | Non-executive and independent Board Director | 40 | | 30.3 |
| **Alessandro Piccioni** | Trevi - Fin. Ind. S.p.A. | Non-executive and independent Board Director | 40 | | 11.3 |
| | Trevi S.p.A. | Non-executive Board Director | | 22.5 | |
| **Rita Rolli** | Trevi - Fin. Ind. S.p.A. | Non-executive and independent Board Director | 40 | | 39.7 |
| **Stefano Trevisani** | Trevi - Fin. Ind. S.p.A. | Chief Executive Officer (Until 31/07/2020) | 23.3 | | 97.4 |
| | Trevi S.p.A. | Chief Executive Officer (Until 31/07/2020) | | 50.2 | 0 |
| **Cinzia Farisè** | Trevi - Fin. Ind. S.p.A. | Non-executive and independent Board Director since 31 December 2020 | 0 | | 0 |

## 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 non-current financial assets at 31 December 2020 and 31 December 2019 are shown below:

*(In thousands of Euro)*

| Financial assets | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Porto Messina S.c.a.r.l. | 721 | 720 | 1 |
| Pescara Park S.r.l. | 576 | 633 | (57) |
| **Total** | **1,297** | **1,353** | **(56)** |

The most significant amounts of current trade receivables at 31 December 2020 and 31 December 2019 included under the item Trade receivables and other current assets are shown below:

*(In thousands of Euro)*

| Trade receivables and other current assets | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Parcheggi S.p.A. | 86 | 63 | 23 |
| Roma Park S.r.l. | 0 | 634 | (634) |
| IFIT Srl | 1 | 0 | 1 |
| Sofitre S.r.l. | 620 | 7 | 613 |
| Other | 0 | 29 | (29) |
| **Sub-total** | **708** | **733** | **(25)** |
| Porto Messina S.C.A.R.L. | 810 | 794 | 16 |
| Nuova Darsena S.C.A.R.L. | 1,658 | 822 | 836 |
| Trevi SGF INC S.C.A.R.L. | 1,861 | 1,860 | 1 |
| Treviicos-Nicholson JV (USA) | 1,434 | 4,342 | (2,908) |
| SEP SEFI (France) | 4,161 | 5,812 | (1,651) |
| Gemac S.r.l. | 1 | | 1 |
| Filippella S.C.A.R.L. | 47 | | 47 |
| Other | 208 | 348 | (140) |
| **Sub-total** | **10,180** | **13,978** | **(3,798)** |
| **Total** | **10,888** | **14,711** | **(3,823)** |
| % of total consolidated trade receivables | 5% | 5% | |

Group revenue generated with these companies are shown in the following table:

*(In thousands of Euro)*

| Revenue from sales and services | 2020 | 2019 | Change |
|---|---|---|---|
| Parcheggi S.p.A. | 159 | 261 | (102) |
| Sofitre S.r.l. | 0 | 6 | (6) |
| **Sub-total** | **159** | **267** | **(108)** |
| Hercules Foundation AB | 0 | 15 | (15) |
| Nuova Darsena | 0 | 625 | (625) |
| Sep Trevi Sefi | 537 | 4,066 | (3,529) |
| Treviicos-Nicholson JV (USA) | 4,177 | 3,601 | 576 |
| Other | 385 | 615 | (230) |
| **Sub-total** | **5,100** | **8,922** | **(3,822)** |
| **Total** | **5,258** | **9,189** | **(3,931)** |
| % of total revenue | 1% | 1% | |

*(In thousands of Euro)*

| Financial income | 2020 | 2019 | Change |
|---|---|---|---|
| Hercule Foundation AB | 0 | 933 | (933) |
| Other | 0 | 13 | (13) |
| **Total** | **0** | **946** | **(946)** |

The most significant amounts due to related companies at 31 December 2020 and 31 December 2019 included under the item Trade payables and other current liabilities are shown below:

*(In thousands of Euro)*

| Trade payables and other current liabilities | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| IFC Ltd | 156 | 139 | 17 |
| Sofitre S.r.l. | | 0 | 0 |
| **Sub-total** | **156** | **139** | **17** |
| Filippella S.C.A.R.L. | 6 | 1 | 5 |
| Consorzio Trevi Adanti | 0 | 9 | (9) |
| Nuova Darsena | 147 | 0 | |
| Porto Messina S.c.a.r.l. | 236 | 403 | (167) |
| Trevi SGF INC S.C.A.R.L. | 44 | 43 | 1 |
| SEP SEFI (France) | 0 | 971 | (971) |
| Other | 290 | 797 | (507) |
| **Sub-total** | **723** | **2,224** | **(1,648)** |
| **Total** | **878** | **2,363** | **(1,632)** |
| % of consolidated trade payables | 1% | 5% | |

Expenses incurred by the Group with these companies were as follows:

*(In thousands of Euro)*

| Consumption of raw materials and external services | 2020 | 2019 | Change |
|---|---|---|---|
| Sofitre S.r.l. | 0 | 28 | (28) |
| Parcheggi S.p.a. | 0 | 0 | 0 |
| **Sub-total** | **0** | **28** | **(28)** |
| Porto Messina S.c.a.r.l. | (167) | 8 | (175) |
| Trevi SGF INC S.C.A.R.L. | 2 | 4 | (2) |
| Filippella S.c.a.r.l. | 5 | 1 | 4 |
| Nuova Darsena S.C.A.R.L. | 147 | 172 | (25) |
| SEP SEFI (France) | 0 | 3,453 | (3,453) |
| Gemac S.r.l. | 0 | 1,701 | (1,701) |
| Other | 1 | 15 | (14) |
| **Sub-total** | **(13)** | **5,354** | **(5,367)** |
| **Total** | **(13)** | **5,382** | **(5,396)** |
| % of consolidated consumption of raw materials and external services | 0% | 1% | |

In addition to what has already been highlighted in the information relating to the acquisitions of the year, as can be seen from the tables above, the Trevi Group has limited dealings with the companies belonging to 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 2020 under normal market conditions, are summarised in the table above, which also shows the negligible incidence on the Group's consolidated figures.

## Segment disclosure

The Group identified the breakdown by segment of activity as the primary framework for presenting segment data, for the purposes of segment reporting. 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.
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.

Segment statement of profit or loss and statement of financial position figures at 31 December 2020 are provided in the following tables and further information on the performance of the two divisions is given in the Directors' Report.
Management believes business segments are the primary segment disclosure for understanding the business of the Group whilst geographical segment disclosure is the secondary segment; the Directors' Report includes comments on the summary data shown in this Note on segment reporting.

## TREVI DIVISION
### Statement of Financial Position summary (in thousands of Euro)

| | | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|---|
| **A)** | **Non-current assets** | **134,153** | **171,114** | **(36,961)** |
| **B)** | **Net working capital** | | | |
| | - Inventories | 53,908 | 85,037 | (31,129) |
| | - Trade receivables | 157,730 | 194,210 | (36,479) |
| | - Trade payables (-) | (107,656) | (169,048) | 61,392 |
| | - Payments on account (-) | (13,880) | (22,191) | 8,311 |
| | - Other assets/(liabilities) | (17,644) | (36,102) | 18,458 |
| | | **72,458** | **51,906** | **20,552** |
| **C)** | **Assets held for sale and liabilities associated with assets held for sale** | **-** | **-** | **-** |
| **D)** | **Invested capital less liabilities (A + B)** | **206,612** | **223,020** | **(16,408)** |
| **E)** | **Post-employment benefits (-)** | **(7,958)** | **(9,800)** | **1,842** |
| **F)** | **NET INVESTED CAPITAL (C+D)** | **198,653** | **213,220** | **(14,567)** |

## TREVI DIVISION
### Statement of Profit or Loss summary (in thousands of Euro)

| | 2020 | 2019 | Change |
|---|---|---|---|
| **TOTAL REVENUE** | **377,627** | **417,227** | **(39,600)** |
| Change in inventories of work in progress, semi-finished products and finished goods | (0) | (196) | 196 |
| Internal work capitalised | 640 | 1,669 | (1,029) |
| Other operating revenue | | | 0 |
| **PRODUCTION REVENUE** | **378,267** | **418,700** | **(40,433)** |
| Consumption of raw materials and external services | (225,185) | (260,111) | 34,926 |
| Other operating expenses | (9,137) | (9,978) | 841 |
| **VALUE ADDED** | **143,944** | **148,611** | **(4,667)** |
| % of Total Revenue | 38.12% | 35.62% | |
| Personnel expense | (102,871) | (115,846) | 12,975 |
| **GROSS OPERATING PROFIT** | **41,073** | **32,765** | **8,308** |
| % of Total Revenue | 10.88% | 7.85% | |
| Depreciation and amortisation | (32,694) | (38,509) | 5,815 |
| Provisions and impairment losses | (6,388) | (33,723) | 27,335 |
| **OPERATING PROFIT/(LOSS)** | **1,991** | **(39,467)** | **41,458** |
| % of Total Revenue | 0.53% | -9.46% | |

## SOILMEC DIVISION

### Statement of Financial Position summary (in thousands of Euro)

| | | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|---|
| **A)** | **Non-current assets** | **51,667** | **51,056** | **611** |
| **B)** | **Net working capital** | | | |
| | - Inventories | 86,872 | 77,586 | 9,286 |
| | - Trade receivables | 64,191 | 82,648 | (18,457) |
| | - Trade payables (-) | (53,374) | (62,084) | 8,710 |
| | - Payments on account (-) | (2,786) | (2,962) | 176 |
| | - Other assets | 1,702 | 1,638 | 64 |
| | | **96,605** | **96,826** | **(221)** |
| **C)** | **Assets held for sale and liabilities associated with assets held for sale** | **-** | **-** | **-** |
| **D)** | **Invested capital less liabilities (A + B)** | **148,272** | **147,882** | **390** |
| **E)** | **Post-employment benefits (-)** | **(2,855)** | **(3,044)** | **189** |
| **F)** | **NET INVESTED CAPITAL (C+D)** | **145,418** | **144,838** | **580** |

## SOILMEC DIVISION

### Statement of Profit or Loss summary (in thousands of Euro)

| | 2020 | 2019 | Change |
|---|---|---|---|
| **TOTAL REVENUE** | **118,458** | **209,089** | **(90,631)** |
| Change in inventories of work in progress, semi-finished products and finished goods | 5,751 | (9,830) | 15,581 |
| Internal work capitalised | 11,365 | 6,618 | 4,747 |
| Other operating revenue | | | 0 |
| **PRODUCTION REVENUE** | **135,574** | **205,877** | **(70,303)** |
| Consumption of raw materials and external services | (98,965) | (154,567) | 55,602 |
| Other operating expenses | (1,572) | (1,820) | 248 |
| **VALUE ADDED** | **35,037** | **49,490** | **(14,453)** |
| % of Total Revenue | 29.58% | 23,67% | |
| Personnel expense | (30,125) | (42,758) | 12,633 |
| **GROSS OPERATING PROFIT** | **4,912** | **6,732** | **(1,820)** |
| % of Total Revenue | 4.15% | 3.22% | |
| Depreciation and amortisation | (6,951) | (6,753) | (198) |
| Provisions and impairment losses | 4,149 | (7,613) | 11,762 |
| **OPERATING PROFIT/(LOSS)** | **2,110** | **(7,634)** | **9,744** |
| % of Total Revenue | 1.78% | -3.65% | |

## RECONCILIATION STATEMENT AT 31 DECEMBER 2020

### Statement of Financial Position summary (in thousands of Euro)

| | | Trevi Division | Soilmec Division | Trevi Finanziaria Industriale | Adjustments | Trevi Group |
|---|---|---|---|---|---|---|
| **A)** | **Non-current assets** | **134,153** | **51,667** | **219,327** | **(199,593)** | **205,554** |
| **B)** | **Net working capital** | | | | | |
| | - Inventories | 53,908 | 86,872 | 0 | (2,400) | 138,381 |
| | - Trade receivables | 157,730 | 64,191 | 45,892 | (70,426) | 197,386 |
| | - Trade payables (-) | (107,656) | (53,374) | (10,747) | 71,307 | (100,471) |
| | - Payments on account (-) | (13,880) | (2,786) | (266) | 266 | (16,665) |
| | - Other assets/(liabilities) | (17,644) | 1,702 | (17,539) | 10,291 | (23,190) |
| | | **72,458** | **96,605** | **17,339** | **9,038** | **195,441** |
| **C)** | **Assets held for sale and liabilities associated with assets held for sale** | - | - | - | - | - |
| **D)** | **Invested capital less liabilities (A + B)** | **206,612** | **148,272** | **236,667** | **(190,555)** | **400,996** |
| **E)** | **Post-employment benefits (-)** | **(7,958)** | **(2,855)** | **(695)** | **0** | **(11,508)** |
| **F)** | **NET INVESTED CAPITAL (C+D)** | **198,653** | **145,418** | **235,971** | **(190,555)** | **389,488** |

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 assets, for trade receivables and payables the remaining intragroup eliminations, for Group equity the offsetting entry for the elimination of equity investments.

## RECONCILIATION STATEMENT FOR 2020

### Statement of Profit or Loss summary (in thousands of Euro)

| | Trevi Division | Soilmec Division | Trevi Finanziaria Industriale | Adjustments | Trevi Group |
|---|---|---|---|---|---|
| **TOTAL REVENUE** | **377,627** | **118,458** | **15,601** | **(20,371)** | **491,315** |
| Change in inventories of work in progress, semi-finished products and finished goods | (0) | 5,751 | 0 | 151 | 5,901 |
| Internal work capitalised | 640 | 11,365 | 1,491 | (18) | 13,478 |
| Other operating revenue | 0 | 0 | 0 | 0 | 0 |
| **PRODUCTION REVENUE** | **378,267** | **135,574** | **17,092** | **(20,238)** | **510,695** |
| Consumption of raw materials and external services | (225,185) | (98,965) | (9,727) | 19,149 | (314,727) |
| Other operating expenses | (9,137) | (1,572) | (1,487) | 193 | (12,005) |
| **VALUE ADDED** | **143,944** | **35,037** | **5,878** | **(896)** | **183,963** |
| % of Total Revenue | 38.12% | 29.58% | 37.68% | | 37.44% |
| Personnel expense | (102,871) | (30,125) | (5,579) | 0 | (138,575) |
| **GROSS OPERATING PROFIT** | **41,073** | **4,912** | **299** | **(896)** | **45,387** |
| % of Total Revenue | 10.88% | 4.15% | 1.92% | | 9.24% |
| Depreciation and amortisation | (32,694) | (6,951) | (2,735) | 1,161 | (41,220) |
| Provisions and impairment losses | (6,388) | 4,149 | 1,794 | (3,169) | (3,614) |
| **OPERATING PROFIT/(LOSS)** | **1,991** | **2,110** | **(643)** | **(2,905)** | **554** |
| % of Total Revenue | 0.53% | 1.78% | -4.12% | | 0.11% |

## Significant events after the reporting period

On 31 January 2021, the Parent announced to the market that, based on preliminary information available at that date in relation to the 2020 performance - also affected by the Covid-19 pandemic's effects on the worldwide economy, which conditioned the business of the Group -, it was possible to foresee that, at the time of approval of the Consolidated Financial Statements of the Trevi Group, one of the financial parameters set out in the Restructuring Agreement, namely the ratio of consolidated net financial debt and recurring gross operating profit, would not be met.

On 24 February 2021, Trevifin informed the market about the start of discussions with the Lending Banks that are parties to the Restructuring Agreement (the "Lending Banks") aimed at identifying the amendments to the existing agreements necessary to deal with the foreseeable failure to comply with one of the financial parameters set out in the Restructuring Agreement, at the approval of the 2020 Consolidated Financial Statements. The Parent also communicated that, based on the preliminary information available at that date relating to the performance for the year 2020 and further analyses then underway on the Parent's outlook in the current market context, strongly affected by the spread of the Covid-19 pandemic, a general slowdown emerged in the achievement of the objectives identified in the Original Consolidated Plan, which did not seem to be entirely achievable within the time frame taken into account. In consideration of the above, in the discussions initiated with the Lending Banks, the Parent envisaged both the granting of the usual waivers and changes to the financial parameters originally set in the Restructuring Agreement, as well as the recalculation of some due dates scheduled for the current year relating to some exposures. The Trevi Group's performance in the first few months of the year in terms of order intake, revenue and backlog, was in line with the forecasts for the first year of the Updated Consolidated Plan as approved by the Board of Directors on 23 April 2021 and announced to the market on 24 April 2021.

## Statutory auditors' remuneration

For the year 2020, the amount of remuneration due to Statutory Auditors of the Parent for the performance of these duties also in other companies included in the scope of consolidation is provided below:

| Name | Position | Term of office (in months) | Remuneration from the Parent | Other remuneration | Total |
|---|---|---|---|---|---|
| M. Motta | Chairman (until 10/07/2020) | 6 | 2626 | 0 | 2626 |
| M. Vicini | Chairman (since 10/07/2020) | 6 | 24 | 0 | 24 |
| M. Vicini | S (until 10/07/2020) | 6 | 21 | 0 | 21 |
| R. Ferrara | S | 12 | 40 | 0 | 40 |
| M. Pirini | S (since 10/07/2020) | 6 | 19 | 0 | 19 |
| **Total** | | | **130** | **0** | **130** |

***Audit fees pursuant to Art. 160 par. 1-bis No. 303 Law 262 of 28 December 2005 supplemented by Italian Legislative Decree of 29 December 2006.***

| *(Amounts in Euro)* | Audit | Certification services | Other services | Total |
|---|---|---|---|---|
| **Trevi Finanziaria Industriale S.p.A.** | | | | |
| KPMG S.p.A. | 1,126,381 | 238,000 | | 1,364,381 |
| KPMG network | | | | |
| **Sub-total** | **1,126,381** | **238,000** | | **1,364,381** |
| **Subsidiaries** | | | | |
| KPMG S.p.A. | 943,916 | 46,564 | | 990,480 |
| KPMG network | 70,903 | 15,000 | | 85,903 |
| **Sub-total** | **1,014,819** | **61,564** | **-** | **1,076,383** |
| **Total** | **2,141,200** | **299,564** | **-** | **2,440,764** |

**Information required by Consob pursuant to Art. 114 of Italian Legislative Decree No. 58/98**

On 10 December 2018, Consob, under Art. 114 of Italian 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 amounts of the Parent and of the Group headed by it, broken down by nature (financial, trade, 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 [Italian Consolidated Finance Act].

Concerning the situation at 31 December 2020, 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 2020 on a line-by-line basis.

1a Companies consolidated in the Consolidated Financial Statements at 31 December 2020 using the equity method.

1b Companies and consortia consolidated in the Consolidated Financial Statements at 31 December 2020 with the cost method.

2 Organisational chart of the Group

**Annex 1**

## COMPANIES CONSOLIDATED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 ON A LINE-BY-LINE BASIS

| COMPANY NAME | REGISTERED OFFICE | CURRENCY | SHARE/QUOTA CAPITAL | % HELD BY THE GROUP (*) |
|---|---|---|---|---|
| TREVI – Finanziaria Industriale S.p.A. | Italy | Euro | 97,373,554 | Parent |
| Arabian Soil Contractors Co Ltd | Saudi Arabia | Saudi Riyal | 1,000,000 | 99.78% |
| Borde Seco | Venezuela | US Dollar | | 94.89% |
| Foundation Construction Ltd | Nigeria | Naira | 28,006,440 | 80.15% |
| Galante Cimentaciones Sa | Peru | US Dollar | 1,113 | 99.78% |
| Galante Foundations Sa | Republic of Panama | US Dollar | | 99.78% |
| Hyper Servicos de Perfuracao Ltda | Brazil | Brazilian Real | 1,200,000 | 50.96% |
| Idt Fzco | United Arab Emirates | United Arab Emirates Dirham | 1,000,000 | 99.80% |
| Idt Llc | United Arab Emirates | United Arab Emirates Dirham | 1,000,000 | 99.80% |
| Idt Llc Fzc | United Arab Emirates | United Arab Emirates Dirham | 6,000,000 | 94.82% |
| Immobiliare SIAB Srl | Italy | Euro | 80,000 | 100.00% |
| Pilotes Trevi Sacims | Argentina | Argentine Peso | 217,468,871 | 99.76% |
| Pilotes Uruguay Sa | Uruguay | Uruguayan Peso | 80,000 | 99.76% |
| Profuro Intern. Lda | Mozambique | Metical | 36,000,000 | 99.29% |
| PSM S.p.A. | Italy | Euro | 1,000,000 | 99.92% |
| RCT Explore Colombia SAS | Colombia | US Dollar | 1,141,347 | 99.78% |
| RCT S.r.l. | Italy | Euro | 500,000 | 99.78% |
| Soilmec Algeria | Algeria | Algerian Dinar | 1,000,000 | 69.94% |
| Soilmec Australia Pty Ltd. | Australia | Australian Dollar | 100 | 99.92% |
| Soilmec Colombia Sas | Colombia | Colombian Peso | 371,433,810 | 99.92% |
| Soilmec Deutschland Gmbh | Germany | Euro | 100,000 | 99.92% |
| Soilmec do Brasil Sa | Brazil | Brazilian Real | 5,500,000 | 83.75%* |
| Soilmec F. Equipment Pvt. Ltd | India | Indian Rupee | 500,000 | 79.94% |
| Soilmec France Sas | France | Euro | 1,100,000 | 99.92% |
| Soilmec H.K. Ltd | Hong Kong | Euro | 44,743 | 99.92% |
| Soilmec Investment Pty Ltd. | Australia | Australian Dollar | 100 | 99.92% |
| Soilmec Japan Co. Ltd | Japan | Japanese Yen | 45,000,000 | 92.93% |
| Soilmec North America Inc. | U.S.A. | US Dollar | 10 | 79.94% |
| Soilmec S.p.A. | Italy | Euro | 25,155,000 | 99.92% |
| Soilmec Singapore Pte Ltd | Singapore | Singapore Dollar | 100,109 | 99.92% |
| Soilmec U.K. Ltd | United Kingdom | British Sterling | 120,000 | 99.92% |
| Soilmec WuJiang Co. Ltd | China | Renminbi | 58,305,193 | 99.92%* |
| Swissboring & Co. LLC | Oman | Omani Rial | 250,000 | 99.78%* |
| Swissboring Overseas Piling Corp. Ltd (Dubai) | United Arab Emirates | United Arab Emirates Dirham | 6,000,000 | 99.78% |

| | | | | |
|---|---|---|---|---|
| Trevi Chile S.p.A. | Chile | Chilean Peso | 10,510,930 | 99.76% |
| Trevi Cimentaciones CA | Venezuela | Euro | 46,008,720 | 99.78% |
| Trevi Cimentacones y Consolidaciones Sa | Republic of Panama | US Dollar | 9,387,597 | 99.78% |
| Trevi Construction Co. Ltd | Hong Kong | US Dollar | 2,051,668 | 99.78% |
| Trevi Contractors BV | The Netherlands | Euro | 907,600 | 99.78% |
| Trevi Drilling Services Saudi Arabia Co. Ltd Ltd | Saudi Arabia | Saudi Riyal | 7,500,000 | 51.00% |
| Trevi Energy S.p.A. in winding-up | Italy | Euro | 1,000,000 | 100.00% |
| Trevi Fondations Spéciales Sas | France | Euro | 100,000 | 99.78% |
| Trevi Foundations Canada Inc | Canada | US Dollar | 8 | 99.78% |
| Trevi Foundations Denmark A/S | Denmark | Danish Krone | 2,000,000 | 99.78% |
| Trevi Foundations Kuwait Co. WLL | Kuwait | Kuwait Dinar | 100,000 | 99.78%* |
| Trevi Foundations Nigeria Ltd | Nigeria | Naira | 402,554,879 | 59.75% |
| Trevi Foundations Philippines Inc. | Philippines | Philippine Peso | 52,500,000 | 99.78% |
| Trevi Foundations Saudi Arabia Co. Ltd | Saudi Arabia | Saudi Riyal | 500,000 | 99.78% |
| Trevi Galante Sa | Colombia | Colombian Peso | 1,000,000,000 | 99.78% |
| Trevi Geotechnik GmbH | Austria | Euro | 100,000 | 99.78% |
| Trevi Holding USA Corporation | United States | US Dollar | | 99.78% |
| Trevi Insaat Ve Muhendislik AS | Turkey | Turkish Lira | 777,600 | 99.78% |
| Trevi ITT JV | Thailand | US Dollar | | 99.78%* |
| Trevi Panamericana Sa | Republic of Panama | US Dollar | 1,221,366 | 99.78% |
| Trevi S.P.A. | Italy | Euro | 32,300,000 | 99.78% |
| Trevi SpezialTiefBau GmbH | Germany | Euro | 50,000 | 99.78% |
| TreviGeos Fundacoes Especiais Ltda | Brazil | Brazilian Real | 5,000,000 | 50.89% |
| Treviicos Corporation | U.S.A. | US Dollar | 23,500 | 99.78% |
| Treviicos Soletanche JV | United States | US Dollar | | 54.88% |
| Treviicos South Inc | U.S.A. | US Dollar | 5 | 99.78% |
| Wagner Constructions LLC | U.S.A. | US Dollar | 5,200,000 | 99.78% |
| 6V Srl | Italy | Euro | 154,700 | 50.89% |

(*) Soilmec do Brasil Sa is 38.25% owned by the Group, however the percentage considered for consolidation purposes is 83.75%;

(*) Soilmec WuJiang Co. Ltd (*) is 51% owned by the Group, however it is fully consolidated;

(*) Swissboring & Co. LLC (*) is 51% owned by the Group, however it is fully consolidated;

(*) Swissboring Qatar WLL is 49% owned by the Group, however it is fully consolidated;

(*) Trevi Arabco JV is 51% owned by the Group, however it is fully consolidated;

(*) Trevi Foundations Kuwait Co. WLL is 49% owned by the Group, however it is fully consolidated;

(*) Trevi ITT JV is 95% owned by the Group, however it is fully consolidated;

**Annex 1a**

## COMPANIES CONSOLIDATED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 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 | US Dollar | 100,000 | 17.46% | 0 |
| Dragados y Obras Portuarias S A Pilotes Trevi SACIMS UTE | Argentina | Argentine Peso | | 49.90% | 17 |
| VPP Pilotes Trevi SACIMS Fesa UTE | Argentina | Argentine Peso | | 49.90% | -3 |
| Trevi Icos-Nicholson JV | United States | US Dollar | | 49.50% | 2,981 |
| **TOTAL** | | | | | **2,995** |

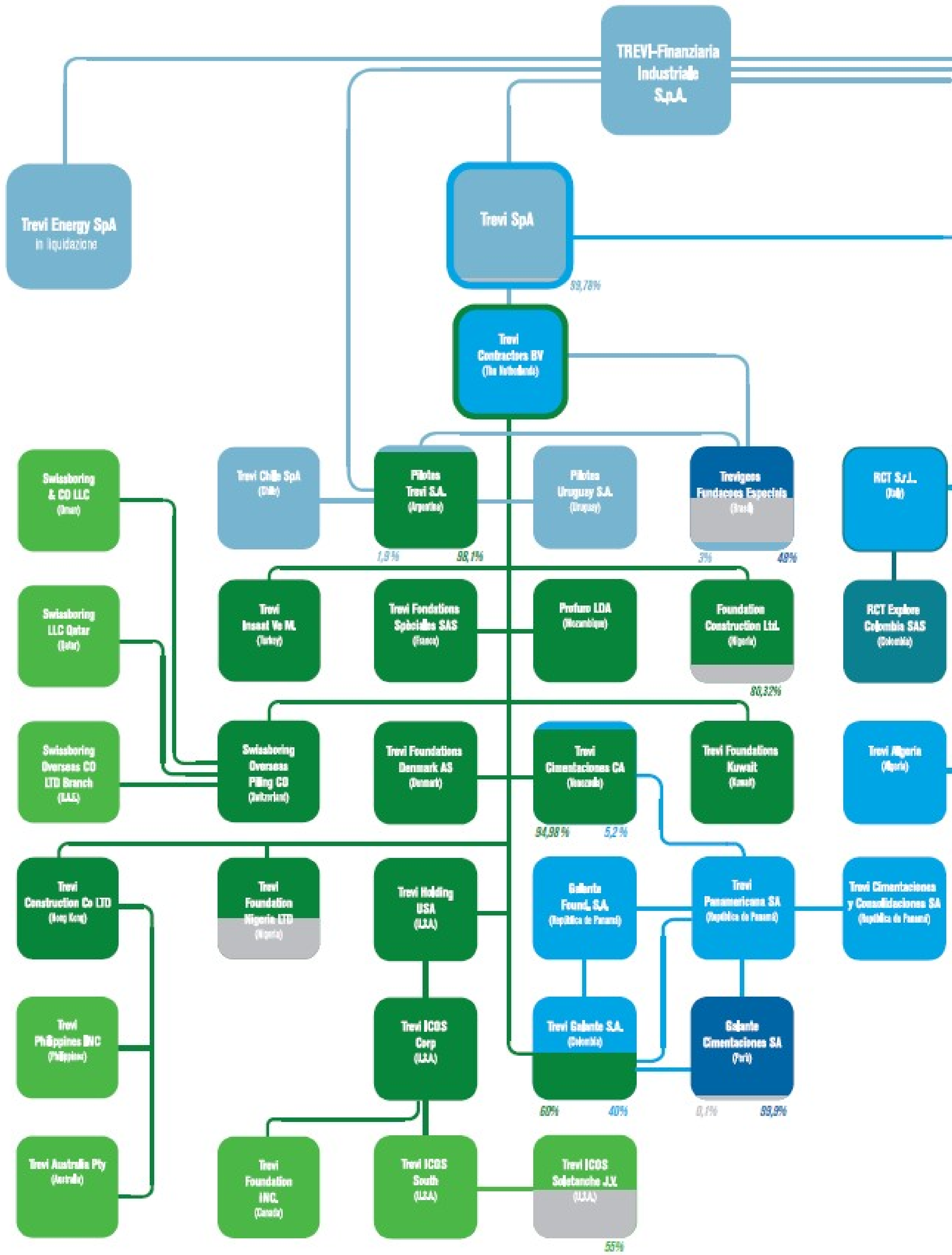
(*) For consortia located in Argentina, the amount indicated corresponds to Equity

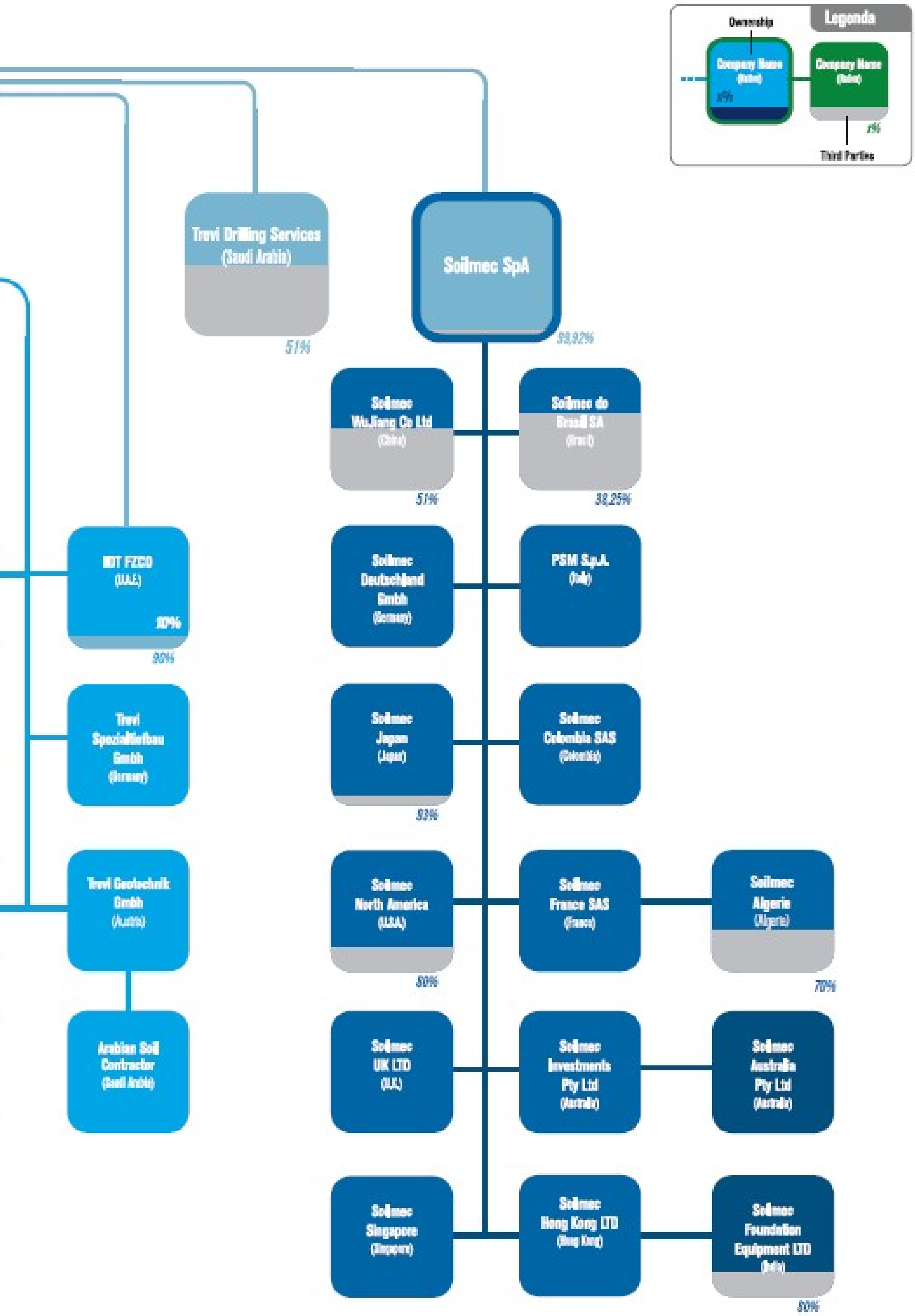
## Annex 1b

## COMPANIES AND CONSORTIA CONSOLIDATED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 WITH THE COST METHOD.

| COMPANY NAME | REGISTERED OFFICE | CURRENCY | SHARE/QUOTA CAPITAL | % HELD BY THE GROUP | CARRYING AMOUNT (in thousands of Euro) |
|---|---|---|---|---|---|
| **CONSORTIUM COMPANIES AND CONSORTIA** | | | | | |
| Consorzio Romagna Iniziative | Italy | Euro | 41,317 | 12% | 0 |
| Trevi S.G.F. Inc. per Napoli | Italy | Euro | 10,000 | 54.88% | 6 |
| Consorzio Fondav | Italy | Euro | 25,823 | 37.00% | 0 |
| Filippella S.c.a.r.l. | Italy | Euro | 10,000 | 74.84% | 8 |
| Porto di Messina S.c.a.r.l. | Italy | Euro | 10,200 | 79.80% | 0 |
| Consorzio Water Alliance | Italy | Euro | 60,000 | 64.86% | 0 |
| Compagnia del Sacro Cuore S.r.l. | Italy | Euro | | | |
| Consorzio NIM-A | Italy | Euro | 60,000 | 66.52% | 40 |
| Centuria S.c.a.r.l. | Italy | Euro | 308,000 | 1.58% | |
| Soilmec Arabia | Saudi Arabia | Saudi Riyal | | 24.25% | 44 |
| Nuova Darsena S.C.A.R.L. | Italy | Euro | 10,000 | 50.80% | 5 |
| **OTHER COMPANIES** | | | | | |
| Drillmec India | India | Euro | | | 24 |
| Comex S.p.A. (in winding-up) | Italy | Euro | 10,000 | 0.69% | 0 |
| Credito Cooperativo Romagnolo – BCC di Cesena e Gatteo | Italy | Euro | 7,474,296 | 0.01% | 1 |
| Italthai Trevi | Thailand | Baht | 80,000,000 | 2.19% | 133 |
| Hercules Trevi Foundation A.B. | Sweden | Crown | 100,000 | 49.50% | 103 |
| Japan Foundations | Japan | Japanese Yen | 5,907,978,000 | 0.00% | 111 |
| Bologna Park S.r.l. | Italy | Euro | 50,000 | 56.13% | 5 |
| Pescara Park S.r.l. | Italy | Euro | 10,000 | 34.92% | |
| Parma Park S.r.l. | Italy | Euro | 200,000 | 29.96% | 0 |
| I.F.C | Hong Kong | US Dollar | 18,933 | 0.10% | |
| OOO Trevi Story | Russia | Russian Ruble | 5,000,000 | 100% | |
| Trevi Cote d'Ivoire Sarl | Ivory Coast | CFA Franc | 264,630,000 | 100% | |
| Gemac S.r.l. | Romania | New Leu | 50,000 | 24.59% | 3 |
| Sviluppo Imprese Romagna S.p.A. | Italy | Euro | 1,125,000 | 13.33% | 150 |
| SEP SEFI JV | France | Euro | | 50% | |
| **TOTAL** | | | | | **633** |

**Annex 2**
**ORGANISATIONAL CHART OF THE GROUP**





Legenda
Ownership
Company Name
(Nation)
x%
Company Name
(Nation)
x%
Third Parties
Trevi Drilling Services
(Saudi Arabia)
51%
Soilmec SpA
99,92%
Soilmec
WuJiang Co Ltd
(China)
51%
Soilmec do
Brasil SA
(Brasil)
38,25%
IDT FZCO
(U.A.E.)
10%
90%
Soilmec
Deutschland
Gmbh
(Germany)
PSM S.p.A.
(Italy)
Trevi
Spezialtiefbau
Gmbh
(Germany)
Soilmec
Japan
(Japan)
93%
Soilmec
Colombia SAS
(Colombia)
Trevi Geotechnik
Gmbh
(Austria)
Soilmec
North America
(U.S.A.)
80%
Soilmec
France SAS
(France)
Soilmec
Algerie
(Algerie)
70%
Arabian Soil
Contractor
(Saudi Arabia)
Soilmec
UK LTD
(U.K.)
Soilmec
Investments
Pty Ltd
(Australia)
Soilmec
Australia
Pty Ltd
(Australia)
Soilmec
Singapore
(Singapore)
Soilmec
Hong Kong LTD
(Hong Kong)
Soilmec
Foundation
Equipment LTD
(India)
80%

## Statement on the consolidated financial statements pursuant to Art. 154 of ItalianLegislative Decree no. 58/98

I. 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 group; and
- the effective application

of the administrative and accounting procedures for drafting the consolidated financial statements during the 2020 financial year.

2. It is also stated that:

2.1 The consolidated financial statements at and for the year ended 31 December 2020:

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 flows 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, 28 April 2021

**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 2020, 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 2020 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.

***Trevi Group***
*Independent auditors' report*
*31 December 2020*

## *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 company's and group's ability to continue as a going concern;

— understanding and assessing the reasonableness of the main assumptions underlying the 2021-2024 business plan approved by the board of directors on 23 April 2021 (the "2021-2024 plan");

— comparing the main assumptions used to the parent's and group's historical data and external information, where available;

— checking management's assessments of the 2021-2024 plan's adequacy to enable the company's and the group's financial rebalancing;

— obtaining and understanding the directors' analyses of COVID-19's estimated impact on the 2021-2024 plan and, therefore, on the going concern assumption;

— analysing the correspondence with the lending banks;

— analysing the minutes of the board of directors' meetings;

— analysing the events after the reporting date that provide information useful for an assessment of the group's ability to continue as a going concern;

— 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 2020"*

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| As a result of 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.<br><br>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 2021-2024 plan approved by the parent's directors on 23 April 2021.<br><br>The directors also carried out a sensitivity analysis, whose 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.<br><br>Impairment testing requires a high level of judgement, especially in relation to:<br>— 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;<br>— the financial parameters to be used to discount the above cash flows.<br><br>For the above reasons, we believe that the recoverability of the net assets allocated to the CGUs mentioned above is a key audit matter. | Our audit procedures, which also involved our own specialists, included:<br>— understanding the process adopted to prepare the impairment test;<br>— understanding the process adopted to prepare the 2021-2024 plan approved by the parent's board of directors which sets out the expected cash flows used for impairment testing;<br>— analysing the reasonableness of the assumptions used by the directors to prepare the 2021-2024 plan;<br>— comparing the cash flows used for impairment testing to the cash flows forecast in the 2021-2024 plan;<br>— assessing the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information;<br>— checking any discrepancies between the most recent actual figures and the 2021-2024 plan forecasts and understanding the underlying reasons;<br>— checking the accuracy of the CGUs' scope;<br>— assessing the appropriateness of the disclosures provided in the notes about net assets and the related impairment test. |

*Trevi Group*
*Independent auditors' report*
*31 December 2020*

### 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.

*Trevi Group*
*Independent auditors' report*
*31 December 2020*

## 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 2020 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 2020 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 2020 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, 7 May 2021

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

# SEPARATED FINANCIAL STATEMENTS AT DECEMBER 2020

## *STATEMENT OF FINANCIAL POSITION*

amounts expressed in Euros

| ASSETS | *Notes* | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| **Non-current assets** | | | |
| **Property, plant and equipment** | | | |
| Land and buildings | | 6,496,405 | 6,281,314 |
| Plant, machinery and industrial and commercial equipment | | 15,540,247 | 19,061,611 |
| Other assets | | 62,527 | 128,617 |
| **Total property, plant and equipment** | **(1)** | **22,099,179** | **25,471,542** |
| | | | |
| **Intangible assets** | | | |
| Concessions, licences and trademarks | | 72,400 | 100,856 |
| Assets under development and payments on account | | 3,391,625 | 217,500 |
| **Total intangible assets** | **(2)** | **3,464,025** | **318,356** |
| Equity investments in other companies | **(3)** | 175,594 | 151,205 |
| Equity investments in subsidiaries | **(3)** | 193,588,542 | 128,266,670 |
| Deferred tax assets | **(4)** | - | 1,416,754 |
| Other non-current financial assets | | 21,959 | 35,996 |
| Other non-current financial assets from subsidiaries | **(5)** | 10,000,000 | 82,489,602 |
| *- of which from related parties* | | - | *82,489,602* |
| Trade receivables and other non-current assets | | | - |
| **Total Financial Assets** | | **203,786,095** | **212,360,227** |
| | | | |
| **Total non-current assets** | | **229,349,299** | **238,150,125** |
| | | | |
| **Assets held for sale** | | **-** | **3,395,219** |
| | | | |
| **Current assets** | | | |
| Trade receivables and other current assets | **(6)** | 7,325,211 | 8,969,839 |
| *- of which from related parties* | | *49,975* | *10,037* |
| Trade receivables and other current assets from subsidiaries | **(7)** | 54,145,863 | 42,472,247 |
| *- of which from related parties* | | *54,145,863* | *42,472,247* |
| Current tax assets | **(8)** | 1,498,779 | 1,712,665 |
| Current financial assets | **(9)** | 57,620,969 | 10,977,362 |
| Cash and cash equivalents | **(10)** | 2,813,477 | 146,231 |
| **Total current assets** | | **123,404,299** | **64,278,344** |
| **TOTAL ASSETS** | | **352,753,599** | **305,823,688** |

| EQUITY | *Notes* | *31/12/2020* | *31/12/2019* |
|---|---|---|---|
| **Share capital and reserves** | | | |
| Share capital | | 97,373,554 | 82,289,633 |
| Other reserves | | 270,076,966 | 134,032,585 |
| Losses carried forward including profit for the year | | (238,918,798) | (484,954,764) |
| **Total Equity/(Deficit)** | **(11)** | **128,531,723** | **(268,632,546)** |

| LIABILITIES | | | |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Long-term bank loans and borrowings | **(12)** | 4,660,235 | - |
| Long-term loans and borrowings from other financial backers | **(13)** | 63,717,581 | 401,443 |
| Non-current derivatives | **(14)** | - | - |
| Deferred tax liabilities | **(15)** | 980,710 | 814,505 |
| Post-employment benefits | **(16)** | 695,344 | 838,048 |
| Provisions for risks and charges | **(17)** | 10,963,781 | 18,049,214 |
| Other non-current liabilities | **(17.1)** | 5,229,370 | |
| **Total non-current liabilities** | | **86,247,021** | **20,103,210** |
| **Current liabilities** | | | |
| Trade payables and other current liabilities | **(18)** | 7,860,993 | 23,260,577 |
| Trade payables and other current liabilities to subsidiaries | **(19)** | 19,083,957 | 20,064,253 |
| *- of which to related parties* | | *19,083,957* | *20,064,253* |
| Current tax liabilities | **(20)** | 1,533,664 | |
| Short-term bank loans and borrowings | **(21)** | 64,513,548 | 319,663,188 |
| Short-term loans and borrowings from other financial backers | **(22)** | 44,982,693 | 189,931,854 |
| *- of which from related parties* | | *3,911,662* | 966,994 |
| Current derivatives | **(23)** | - | 12,047 |
| **Total current liabilities** | | **137,974,855** | **553,048,919** |
| **TOTAL LIABILITIES** | | **224,221,876** | **573,152,129** |
| | | | |
| **Liabilities associated with assets held for sale** | | **-** | **1,304,105** |
| | | | |
| **TOTAL EQUITY/(DEFICIT) AND LIABILITIES** | | **352,753,599** | **305,823,688** |

**STATEMENT OF PROFIT OR LOSS**
amounts expressed in Euros

| | *Notes* | 2020 | 2019 |
|---|---|---|---|
| Revenue from sales and services | **(24)** | 13,906,209 | 27,177,528 |
| *- of which from related parties* | | *13,256,967* | *27,177,457* |
| Other operating revenue | **(25)** | 1,694,623 | 5,268,732 |
| *- of which from related parties* | | *819,635* | *3,119,976* |
| Raw materials and consumables | **(26)** | (73,838) | (32,040) |
| *- of which with related parties* | | | - |
| Personnel expense | **(27)** | (5,578,978) | (7,729,286) |
| Other operating expenses | **(28)** | (11,140,205) | (19,110,173) |
| *- of which to related parties* | | *(673,868)* | *(658,642)* |
| Depreciation and amortisation | **(29)** | (2,735,164) | (2,959,330) |
| Provisions, impairment losses and releases | **(29.1)** | 1,793,626 | (2,747,022) |
| Internal work capitalised | | 1,490,971 | |
| **Operating loss** | | **(642,756)** | **(131,591)** |
| Financial income | **(30)** | 281,994,460 | 10,148,331 |
| *- of which from related parties* | | *2,439,154* | *10,148,331* |
| Financial expense | **(31)** | (25,979,932) | (17,975,345) |
| Net exchange gains/(losses) | **(32)** | 735,451 | (56,315) |
| **Net financial income/(expense)** | | **256,749,979** | **(7,883,329)** |
| **Adjustments to financial assets** | **(33)** | **(2,538,133)** | **(11,724,934)** |
| *- of which with related parties* | | *(2,538,133)* | - |
| **Profit/(loss) before taxes** | | **253,569,091** | **(19,739,855)** |
| Income tax (benefit) expense | **(34)** | (4,311,307) | 1,137,828 |
| **Profit/(loss) from continuing operations** | | **249,257,784** | **(18,602,027)** |
| **Loss from assets held for sale** | **(34.1)** | **(3,221,817)** | **(29,229,442)** |
| **Profit/(Loss) for the year** | **(35)** | **246,035,967** | **(47,831,469)** |

***STATEMENT OF COMPREHENSIVE INCOME***

amounts expressed in Euros

| | 2020 | 2019 |
|---|---|---|
| *Profit/(loss) for the year* | **246,035,967** | **(47,831,469)** |
| **Items that are or may be reclassified to profit or loss for the year** | | |
| Hedging reserve | | |
| Income taxes | | |
| **Change in the hedging reserve** | | |
| **Total items that are or may be reclassified to profit or loss for the year net of taxes** | **0** | **0** |
| **Items that will not be reclassified to profit or loss for the year** | | |
| Actuarial gains/(losses) | 14,220 | (97,791) |
| Income taxes | | |
| **Total items that will not be reclassified to profit or loss for the year net of taxes** | **14,220** | **(97,791)** |
| **Comprehensive income/(expense) net of taxes** | **246,050,187** | **(47,929,260)** |

***STATEMENT OF CHANGES IN EQUITY***

amounts expressed in Euros

| DESCRIPTION | Share capital | Other reserves | Retained earnings/(losses carried forward) | Profit/(Loss) for the year | Total Equity/(Deficit) |
|---|---|---|---|---|---|
| **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) | | (47,831,469) | (47,929,260) |
| **Balance at 31/12/2019** | **82,289,633** | **134,032,585** | **(437,123,296)** | **(47,831,469)** | **(268,632,546)** |
| Loss allocation | | | (47,831,469) | 47,831,469 | - |
| Distribution of dividends | | | | | - |
| Capital increase | 15,083,921 | 134,701,926 | | | 149,785,847 |
| Other changes | | 1,328,236 | | | 1,328,235 |
| Comprehensive income | | 14,220 | | 246,035,967 | 246,050,187 |
| **Balance at 31/12/2020** | **97,373,554** | **270,076,966** | **(484,954,765)** | **246,035,967** | **128,531,723** |

**STATEMENT OF CASH FLOWS**
amounts expressed in Euros

| | *Notes* | 2020 | 2019 |
|---|---|---|---|
| Profit/(loss) for the year | (35) | 246,035,967 | (47,831,471) |
| Income taxes | (34) | 4,311,307 | (1,137,827) |
| **Profit/(loss) before taxes** | | **250,347,274** | **(48,969,298)** |
| Depreciation and amortisation | (29) | 2,735,164 | 3,142,261 |
| Capital (gains)/losses from disposal of assets | (1) - (2) | 582,000 | (2,018,097) |
| Financial expense | (30) - (31) - (32) | (256,014,528) | (4,008,467) |
| Adjustments to financial assets | (33) | 2,538,133 | 22,106,491 |
| Provisions for risks and post-employment benefits | (16) | 278,978 | 201,667 |
| Use of the provisions for risks and post-employment benefits | (16) | (407,463) | (411,067) |
| Provisions for risks and charges | (17) | (2,375,626) | 21,461,054 |
| **(A) Cash flows used in operating activities before changes in Working Capital** | | **(2,316,070)** | **(8,495,455)** |
| Increase/(Decrease) in trade receivables | (6) | (9,753,476) | (4,053,980) |
| (Increase)/Decrease in other assets | (7) - (8) - (4) | 5,304,761 | 24,222,410 |
| Increase/(Decrease) in trade payables | (18) | (13,351,899) | 11,008,365 |
| Increase/(Decrease) in other liabilities | (15) - (19) - (20) | (19,660,707) | (36,773,556) |
| **(B) Changes in working capital** | | **(37,461,321)** | **(5,596,761)** |
| (C) Financial income/(expense) | (30) - (31) - (32) | (5,271,218) | 4,008,467 |
| **(D) Cash flows used in operating activities (A+B+C)** | | **(45,048,609)** | **(10,083,749)** |
| (Investments) net of property, plant and equipment | (1) - (29) | 87,456 | 1,890,204 |
| (Investments) net of intangible assets | (2) - (29) | (3,177,925) | (285,325) |
| Net change in financial assets | (3) - (5) | (24,389) | (12,597,593) |
| **(E) Cash flows used in investing activities** | | **(3,114,859)** | **(10,992,715)** |
| Increase/(Decrease) in share capital and reserves for the repurchase of treasury shares | (11) | 15,083,921 | - |
| Other changes | (11) | 72,618,052 | 192,257 |
| Increase/(Decrease) in loans and borrowings from other financial backers | (9)-(12) - (13) -(14) - (21) -(22)- (23) | (122,867,260) | 20,317,798 |
| Dividends collected | (30) | - | 4,091 |
| **(F) Cash flows from/(used in) financing activities** | | **(35,165,286)** | **20,514,146** |
| **(G) Change in cash flows for assets held for sale** | | **85,996,000** | **-** |
| **(H) Increase/(Decrease) in cash and cash equivalents (D+E+F)** | | **2,667,246** | **(562,318)** |
| **Opening cash and cash equivalents** | | **146,231** | **708,551** |
| **Closing cash and cash equivalents** | | **2,813,477** | **146,231** |

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2020

**Company profile and business activities**

TREVI – Finanziaria Industriale S.p.A. (hereinafter "the Company") and the companies that it controls (hereinafter "TREVI Group" or "the Group") carry out their activities in the sector of foundation engineering services for civil and infrastructural works and construction of equipment for special foundations (hereinafter "Foundations").

These activities are coordinated by the two main operating companies of the Group:

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

TREVI – Finanziaria Industriale S.p.A. has been listed on the Milan stock exchange since July 1999.

These Separate Financial Statements were approved and authorised for publication by the Board of Directors on 28 April 2021. 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 Company were prepared 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 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 2020.

The Company's Separate Financial Statements at 31 December 2020 present the balances as at and for the year ended 31 December 2019, 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 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 best responds to representing the 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 held for trading and derivatives, 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 Company's Separate Financial Statements at 31 December 2020 were prepared on a going concern basis. For any further information, reference should be made to paragraph “Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern”.

## Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern

***Overview***

This section aims at: (i) examining the correct application of the going concern assumption to the financial statements (separate and consolidated) for the 2020 financial year of the Company and the Group (as defined below) in the light of the financial position, financial performance and cash flows and other circumstances that may be relevant in this regard; and (ii) identifying current uncertainties, including the assessment of their relevance and the probability that they can be overcome, taking into consideration the measures put in place by Management and additional mitigation factors.

In particular, the following three areas of risk have been identified, all of which are analysed later in this section: **(a)** the failure to comply with the contractual clauses set out in the Restructuring Agreement (as defined below) and the possible consequences arising from this circumstance, also in light of the relationships with the Lending Banks (as defined below); **(b)** the risks, if any, associated with the Group's liquidity for a period of at least 12 months from the date of these financial statements; and **(c)** the risk arising from any failure to achieve the recovery goals, as set out in the Updated Consolidated Plan (as defined below).

In order to provide a detailed description of the specific risk areas in which the Company's going concern has been verified, it should first be noted that the Company and the Group have faced a complex process of economic, and financial recovery in the past years, which ended in the first half of 2020, due to some difficulties and uncertainties that arose starting from the 2017 financial year. It is therefore worth briefly recapping the main steps of this process to date.

***Short overview of the most significant events up to the date of this report***

- In order to overcome the serious situation of economic and financial tension that affected the Company and the Group it heads (the "**Trevi Group**" or the "**Group**"), starting from 2017, the Company initiated a process of recapitalisation and restructuring of the Group's financial debt to be implemented as part of an agreement pursuant to Art. 182-*bis* of the Italian Bankruptcy Law (as defined below), which involved, on the one hand, the financial creditors of the Trevi Group and, on the other, its main shareholders.
- The final financial manoeuvre relating to the transaction mentioned above was approved by the Board of Directors of the Company on 8 May 2019 and following some amendments and integrations, on 17 July 2019. This manoeuvre was based on a business and financial plan relating to the Trevi Group for the period 2018-2022 (the "**Original Consolidated Plan**") - drawn up during the 2018 and 2019 financial years - which was approved, in its final version, by the Company's Board of Directors on 2 August 2019. In summary, this manoeuvre provided for:
    i) a maximum capital increase of Euro 193.1 million, of which: **(a)** Euro 130,001,189.07 to be paid in one instalment and against consideration, to be offered with right of first refusal to the Company's shareholders pursuant to Art. 2441, paragraph 1 of Italian Civil Code, at a subscription price per share of Euro 0.01 (considering the reverse split implemented on 18 November 2019) ("**Right of First Refusal Increase**"); and **(b)** a further amount of Euro 63,137,242.00, to be paid in one instalment up to the amount of Euro 10,593,896.00, reserved to the Lending Banks and to be executed by converting receivables at a conversion ratio of 4.5 times the issue price (the "**Capital Increase by Conversion**" and together with the Right of First Refusal Increase, the "**Capital Increase**"). The Right of First Refusal Increase was entirely guaranteed as follows: *(A)* about Euro 77.4 million by the subscription commitments undertaken by the shareholders FSI Investimenti S.p.A. ("**FSI**") and Polaris Capital Management LLC ("**Polaris**" and, along with FSI, the "**Institutional Shareholders**"); and *(B)* the remaining part of about Euro 52.6 million, by the subscription commitments undertaken by the Lending Banks by converting receivables for a total amount of Euro 284.1 million, it being understood that, if the Right of First Refusal Increase had to be subscribed by the Lending Banks by converting their receivables, this would have resulted in a consequent reduction of the amount to be subscribed under the Capital Increase by Conversion, for an amount equal to that used to subscribe for the Right of First Refusal Increase;

ii) the divestment of Drillmec S.p.A., Petreven S.p.A. and of all the companies at the time belonging to the Trevi Group and operating in the Oil & Gas Segment (the "**Oil & Gas Divestment**") in favour of the Indian group headed by Megha Engineering & Infrastructures Ltd., a leading Indian operator in the infrastructure sector ("**MEIL**"), among the leaders of the industry. The proceeds of this divestment would have been used to repay part of the indebtedness of the companies in the Oil & Gas Division, while the remaining part of this indebtedness would have been taken over by Trevifin and used to subscribe to the Capital Increase by Conversion or rescheduled consistently with the debt subject to the restructuring referred to in point (v) below;

iii) in the event of failure to subscribe in full the portion of Right of First Refusal Increase, any grant and disbursement in favour of Trevi S.p.A. ("**Trevi**") and Soilmec S.p.A. ("**Soilmec**" and, along with Trevifin and Trevi, the "**Proposing Companies**") 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 Right of First Refusal Increase 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 had to be further deducted (the "**New Loan**"). Of the above loan, Euro 12 million was paid during the period between the filing of the appeal pursuant to Art. 182 of Italian Bankruptcy Law and the date on which the decree approving the Restructuring Agreement was finalised (as defined below) (and, therefore, following the authorisation by the competent Court pursuant to of Article 182 *quinquies*, paragraph 1, of Italian Bankruptcy Law). The remaining part of this New Loan, which in consideration of the criteria set forth in the related loan agreement amounted to Euro 878,866.00, was disbursed subsequent to the execution of the Capital Increase on 31 July 2020;

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

v) the confirmation of the existing lines of credit and the granting of new unsecured lines of credit 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 Bankruptcy Law, subject to obtaining authorisation from the competent Court;

vi) 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 (i) 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

vii) the rescheduling until 31 December 2024 and the amendment of the related terms and conditions of the bond issue called "*Trevi-Finanziaria Industriale S.p.A. 5.25% 2014 – 2019*" issued by Trevifin in 2014 for Euro 50 million (the "**Bond Issue**"), already approved by the Bondholders' meeting on 2 May 2019.

- On 5 August 2019, agreements were signed for the implementation of the overall Trevifin recapitalisation and debt restructuring of the Trevi Group and more specifically:
  i) the Debt Restructuring Agreement (the "**Restructuring Agreement**") signed, *inter alios*, by the Company, Trevi and Soilmec, on the one hand, and by the Lending Banks of the Trevi Group (the "**Lending Banks**"), on the other, to be submitted to the Court for approval pursuant to Article 182-*bis* of the Italian Royal Decree No. 267 of 16 March 1942, (the "**Italian Bankruptcy Law**" or "**IBL**"), as well as further agreements with other financial creditors, also subject to approval pursuant to the same article 182-*bis* of the IBL (the "**Further Agreements**"), aimed at regulating the restructuring of the financial debt of the Trevi Group;
  ii) the share purchase agreement signed by Trevifin, its subsidiaries Trevi, Soilmec and Trevi Holding USA Corporation, on the one hand, and MEIL Global Holdings B.V., a company incorporated under the Dutch law directly controlled by MEIL, on the other hand, aimed at regulating the Oil & Gas Divestment (the "**SPA**");
  iii) the Investment Agreement pursuant to which the Institutional Shareholders committed to subscribe shares for approximately Euro 77.4 million in relation to the Right of First Refusal Increase; and
  iv) the loan agreement, with which some Lending Banks undertook to grant a new loan to Trevi S.p.A. and Soilmec S.p.A.
- On 8 August 2019, the Restructuring Agreement and Further Agreements were filed with the Court of Forlì, competent for the purpose of requesting their approval pursuant to Article 182-*bis* of the IBL, as well as the approval pursuant Art. 182-*quinquies*, first paragraph of the IBL to take out pre-deductible loans at a time prior to approval.

- With provisions of 2 October 2019, the Court of Forlì granted the authorisation pursuant to Article 182-*quinquies* of the IBL, for the disbursement by some of Lending Banks of a new loan 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 Court of Forlì on the same date also authorised the granting to Trevifin, pursuant to Article 182-*quinquies* of the IBL, of a new interim loan 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 and Further Agreements. Trevifin and its subsidiaries Trevi S.p.A. and Soilmec S.p.A. 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 and of Further Agreements was accepted.
- 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 and Further Agreements, considering the reasons advanced by the claimants well founded, and therefore it approved the said Agreements.
- On 11 March 2020, the World Health Organisation declared Covid-19 a 'pandemic'. In response to this declaration, both the Italian Government and the majority of governments of European and non-European countries implemented actions aimed at containing and preventing the spread of the pandemic, including the temporary closure of commercial and production activities and the restriction of travel both within the country and from/to outside (the so-called lockdown).
- On 31 March 2020 - following the completion of the so-called first closing on 28 February 2020 - the sale of the Oil & Gas Division of the Trevi Group to MEIL Global Holdings B.V. was successfully completed. Specifically, pursuant to the SPA., the entire share capital of Drillmec S.p.A., Drillmec Inc. and Petreven S.p.A. was transferred to the MEIL Group, for a debt-free consideration of approximately Euro 116.4 million. Part of the price paid by the 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 over by the Company for approximately Euro 107.2 million, in accordance with the Restructuring Agreement. In addition, a portion of the price, equal to Euro 14 million, was used, in accordance with the agreements entered into with the MEIL Group, to establish a time deposit (the so-called "**Escrow Amount**") to guarantee any compensation obligations that may arise subsequent to the closing of the transaction.

- On 29 April 2020, the Lending Banks, through the agent, confirmed that all the conditions precedent provided for in the Restructuring Agreement had been met, and that therefore the Agreement had to be considered fully effective in all its provisions. Through this communication, the banks also confirmed the commitments to subscribe and pay up the Capital Increase undertaken by them under the Restructuring Agreement.
- On 29 May 2020, Trevifin announced that the Capital Increase 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. In particular:
    - the tranche of the 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 (about Euro 77.4 million referred to Institutional Shareholders) through cash payment and Euro 42,299,216.02 by the main Lending Banks converting financial receivables due from the Company, at a conversion ratio of 4.5:1; and
    - the tranche of Capital Increase by Conversion 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 of 4.5:1.
- On 29 June 2020, the Board of Directors of Trevifin, despite the uncertainties relating to the actual implementation of the Original Consolidated Plan, approved the consolidated results at 31 December 2019 on a going concern basis in relation to the following elements:
    i) the acceptance of the complaint filed against the rejection measure adopted by the Court of Forlì to obtain the approval of the Restructuring Agreement and Further Agreements, as well as the consequent approval of the same by decree of the Court of Appeal of Bologna on 10 January 2020;
    ii) the completion of the sale of the Oil & Gas Division of the Trevi Group to MEIL Global Holdings BV on 31 March 2020;
    iii) the effectiveness of the Restructuring Agreement and Further Agreements on 29 April 2020, following the occurrence of all the conditions precedent therein, with the resulting rescheduling of the financial debt of the Group pursuant to the terms therein provided for;
    iv) the completion on 29 May 2020 of the Trevifin Capital Increase, 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; and
    v) finally, with reference to the uncertainty factors associated with the Original Consolidated Plan, it should be noted that the said Plan was drawn up with the assistance of leading

industrial and financial advisors. The Plan was examined several times by the Board of Directors and was certified by the expert appointed pursuant to Art. 182-*bis* of the IBL and approved by the Court of Appeal of Bologna.

- On 22 September 2020, the Trevifin's Board of Directors approved the consolidated half-year results at 30 June 2020 on a going concern basis in relation to the following elements:
  - i) following the execution of Trevifin's capital strengthening and restructuring of the Group's financial debt:
    - o the Company's equity went from a deficit of Euro 268.6 million at 31 December 2019 to equity of Euro 124.0 million at 30 June 2020, allowing the situation pursuant to Article 2447 of the Italian Civil Code to be overcome;
    - o the Group's net financial debt decreased from approximately Euro 736 million at 31 December 2019 to approximately Euro 251 million at 30 June 2020; and
    - o the residual debt of the Group was almost entirely rescheduled (Euro 337.8 million compared to Euro 349.8 million), providing for a bullet repayment at 31 December 2024, and the amendment of the related terms and conditions;
  - ii) the first half of 2020 ended in line with the most updated forecasts included in the prospectus relating to the Capital Increase and the forecasts for the current year are in line with those prepared by Management at the beginning of the Covid-19 pandemic;
  - iii) the Board of Directors examined the forecasts for the recovery of the Construction segment in the various economies in which the Group operates, deeming that there are various opportunities for new contracts for the Group;
  - iv) many governments in many countries with developed and emerging economies, after having protected their socio-economic system with lockdown initiatives and limiting the circulation of people and goods, adopted tools to support the various economic systems, with expansive fiscal policies, making liquidity available to households and businesses, and by preparing economic recovery plans often based on infrastructure investments. Therefore, although for 2020 the scenario regarding the Covid-19 pandemic was such that the expected impacts on the Construction market in 2020 were considered significant, particularly in the first half, and the growth estimates of the Construction market for 2020 were revised downwards in line with the prospects for a contraction in global GDP over the course of the year, the forecast of recovery of this market in the course of 2021 remained confirmed, based on the expected government investments to support the economy (i.e., the US plan of USD 2 trillion), which is expected to see construction as one of the key segments for the revival;

v) with regard to the Original Consolidated Plan, despite the physiological factors of uncertainty linked to its complete implementation (also due to external factors that were not predictable at the time of its preparation such as Covid-19 pandemic), it was drawn up with the help of leading industrial and financial advisors, and was examined several times by the Board of Directors, as well as a certificated by the expert appointed pursuant to Article 182-*bis* of the IBL and approved by the Court of Appeal of Bologna.

- On 31 January 2021, the Company announced to the market that, based on preliminary information available at that date in relation to the 2020 performance - also affected by the Covid-19 pandemic effects on the worldwide economy, which conditioned the business of the Group -, it was possible to foresee that, at the time of approval of the consolidated financial statements of the Trevi Group, one of the financial parameters set out in the Restructuring Agreement, namely the ratio of consolidated net financial debt and recurring gross operating profit, would not be met.
- On 24 February 2021, Trevifin informed the market about the start of discussions with the Lending Banks aimed at identifying the amendments to the existing agreements necessary to deal with the foreseeable failure to comply with one of the financial parameters set out in the Restructuring Agreement, at the approval of the consolidated financial statements for the year 2020. The Company also communicated that, based on the preliminary information available at that date relating to the performance for the year 2020 and further analyses then underway on the Company's outlook in the current market context, strongly affected by the spread of the Covid-19 pandemic, a general slowdown emerged in the achievement of the objectives identified in the Original Consolidated Plan, which did not seem to be entirely achievable within the time frame taken into account. In consideration of the above, in the discussions initiated with the Lending Banks, the Company envisaged both the granting of the usual waivers and changes to the financial parameters originally set in the Restructuring Agreement, as well as the recalculation of some due dates scheduled for the current year relating to some exposures.

Events subsequent to those listed above and further actions taken by Management in the meantime will be dealt with later in this section, with reference to the specific risk areas to which they refer.

***Main risks and uncertainties to which the Trevi Group is exposed***

The current conditions of the markets in which the Trevi Group operates, related to the Group's complex situation, required Management to carry out particularly accurate assessments with reference to the going concern assumption.

Specifically, at the time of the approval of the 2020 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 was taken into account, relating at least - without limitation - to 12 months following the reference date of the consolidated financial statements at 31 December 2020. Significant risk indicators that may raise doubts about the ability of the Group to continue to operate on a going concern basis were taken into account. It should be noted that, in the case of Trevifin and the Trevi Group, the risk indicators to be assessed with particular attention are those falling within the financial area and, especially, those related to the compliance with the Restructuring Agreement and the achievement of the Group's recovery goals through the Original Consolidated Plan and the agreements signed in 2019, which were implemented during the 2020 financial year.

In order to clear up any misunderstandings, it should be noted that, as stated in the previous section, the transactions that made up the financial manoeuvre envisaged in the Restructuring Agreement were carried out in full in accordance with the provisions of the original agreements, and this allowed the Company and the Trevi Group to immediately rebalance their financial position, financial performance and cash flows with respect to the previous crisis situation that had required the signing of the Restructuring Agreement. This is confirmed by the fact that the Trevi Group, in spite of the significant delays in the approval and, consequently, in the subsequent implementation of the Restructuring Agreement and the underlying plan (which also led to higher costs for the Company and lower margins) and in spite of the subsequent outbreak of the Covid-19 pandemic right around the time of completion of the Capital Increase (which, in all likelihood, had a negative impact on its full success), managed to achieve results consistent with the prudential scenarios that Management had drawn up in order to verify the continued viability of the plan (included in the prospectus relating to the Capital Increase), and to comply with the financial parameters set out in the Restructuring Agreement at the verification date of 30 June 2020. However, the continuation of the pandemic, with the second wave of the spread of the virus, the progressively stricter restrictive measures that states and companies were forced to adopt in the course of 2020 (restrictions on the movement of people and goods, closure of factories, safety measures, etc.), the resulting contraction of investments at international level and the significant delays in the acquisition of new orders and in the execution of certain projects underway and/or to be acquired, as well as the occurrence of certain additional events (such as the cancellation or non-acquisition of certain orders) negatively affected the Group's results, especially in the second half of 2020, leading to a worsening of all the main indicators (turnover, gross operating profit and Net Financial Position) compared to the forecasts of the Original Consolidated Plan for the same period and a lower net cash generation, although with a financial performance in line with the prudential scenarios developed by management and included in the prospectus relating to the Capital Increase. Uncertainties regarding the Trevi Group's ability to continue as a going concern, as well as assessments of the likelihood that they will be overcome, should therefore be framed in this context and analysed in the light of the consequences that such circumstances have had and/or may have on the recovery process and, in general, on the Trevi Group's business.

In particular, the aforementioned deviations from the Original Consolidated Plan, particularly in the second half of 2020, led on the one hand to the failure to meet the financial parameters set out in the Restructuring Agreement and, on the other, to the need to update the objectives of the aforementioned plan - again in accordance with the original strategic guidelines - and to revise the forecasts for the coming years, through the approval by the Company's Board of Directors on 23 April 2021 of a new business plan for the period 2021-2024 (the "**Updated Consolidated Plan**"). In particular, this plan envisages lower levels of both revenue and gross operating profit compared to the Original Consolidated Plan, as well as lower cash generation and, consequently, a permanently higher Net Financial Debt. The table below shows a comparison between forecasts of the Original Consolidated Plan and those of the Updated Consolidated Plan:

| Management Plan 2021-2024 | | | | |
|---|---|---|---|---|
| **Business plan 2021-21** | **2021** | **2022** | **2023** | **2024** |
| Revenue | 525 | 574 | 619 | 680 |
| Recurring gross operating profit (*) | 54 | 69 | 81 | 96 |
| Net financial debt (**) | 276 | 278 | 253 | 224 |

(*) before non-recurring income and expense and applying IFRS 16

(**) includes the application of IFRS 16

| Certified plan 2019-2022 | | | | | |
|---|---|---|---|---|---|
| **Business plan 2019-22** | **2020** | **2021** | **2022** | **2023** | **2024** |
| Revenue | 724 | 747 | 783 | - | - |
| Gross operating profit (**) | 73 | 84 | 92 | - | - |
| Net financial debt (**) | 183 | 134 | 93 | - | - |

(**) these revisions did not include the application of IFRS 16 and recognised the capital increase of the Financial Manoeuvre executed in 2019 and 100% subscribed against consideration.

As shown in the above comparison table, the Updated Consolidated Plan takes into account the 2021-2024 period as a time frame, compared to the Original Consolidated Plan that considered the 2019-2022 period. This time frame is in line with the main financial debt due dates set out in the Restructuring Agreement and in the agreements with the financial creditors of the Trevi Group. This circumstance clearly implies that the achievement of the Trevi Group's recovery goals, which, under the Original Consolidated Plan, were envisaged for the end of the financial year 2022, should be assessed in the context of the Updated Consolidated Plan over a longer time horizon.

More specifically, the deviations observed with respect to the Original Consolidated Plan, and the consequent need to prepare and approve the Updated Consolidated Plan, have the following consequences, each of which will be analysed below, in order to assess whether this circumstance represents an uncertainty with respect to the Company's ability to continue as a going concern, and whether this uncertainty can be overcome, also by means of actions taken by Management:

**(i)** the non-compliance with certain obligations of the Restructuring Agreement and the need to request certain amendments to the same Restructuring Agreement to the Lending Banks. On this point, further details are provided in the following Paragraph;

**(ii)** the risk that the cash generation profile of the Updated Consolidated Plan, which remains at a lower level than that of the Original Consolidated Plan, could give rise to cash flow problems that would make it impossible for the Group to operate normally; and

**(iii)** the risk that the Group may not be able to achieve the objectives of the Updated Consolidated Plan, and the consequent definitive rebalancing of its financial position and financial performance.

The following paragraphs set forth the considerations made by the Board of Directors regarding the going concern assumption in light of these issues.

**Non-compliance with the obligations of the Restructuring Agreement and the requests for amendments made to the Lending Banks**

With reference to the Restructuring Agreement, the consequences of the overall situation in which the Trevi Group finds itself as a result of the deviations from the Original Consolidated Plan can be summarised as follows.

**A. Breach of financial parameters at 31 December 2020:** based on the results for the 2020 financial year, as reflected in the relevant consolidated financial statements, the Trevi Group is unable to meet the financial parameters set out in the Restructuring Agreement for the verification date of 31 December 2020. In particular, according to the Restructuring Agreement, at the verification date falling on 31 December 2020, the Proposing Companies should have met the following financial parameters:

- Consolidated Net Financial Debt / gross operating profit lower than or equal to 4.5x ("**Leverage Ratio**"); and
- Consolidated Net Financial Debt / Consolidated Equity lower than or equal to 1.8x ("**Debt/Equity Ratio**").

In light of the results of the financial statements at 31 December 2020, these financial parameters were not met and, specifically: **(a)** the Leverage Ratio was 5.36x; and **(b)** the Debt/Equity Ratio was 2.24x. This circumstance implies the following possible consequences, which constitute risks for the Company's ability to continue as a going concern: *(i)* the formal declaration by the Lending Banks of the occurrence of a "Significant Event" under the Restructuring Agreement, and the consequent implementation of the remedies contractually provided for, including the acceleration clause in relation to the financial debt covered by the Restructuring Agreement, and the request for immediate early repayment of such debt; *(ii)* the interruption by the Lending Banks of the short-term cash lines of credit provided for in the Restructuring Agreement, thereby terminating the necessary financial support to the Group; and *(iii)* the interruption by the Lending Banks of the unsecured lines of credit required by the Group in connection with the related contracts. The foregoing requires a formal undertaking by the Lending Banks not to avail themselves of any of such remedies and a waiver of the exercise thereof as a consequence of such breaches;

**B.** **Need to update the financial parameters for the subsequent verification dates:** the forecasts of the Updated Consolidated Plan indicate that, in all likelihood, the Proposing Companies will not be able to comply with the financial parameters provided for in the Restructuring Agreement also at the subsequent verification dates. The financial parameters that were included in the Restructuring Agreement, and that the Proposing Companies undertook to meet at each verification date falling on 30 June and 31 December of each year, were based on the forecasts of the Original Consolidated Plan which, as mentioned above, are to be considered outdated in light of the results achieved by the Group, which show a worsening trend compared to the original forecasts. Failure to meet the forecast financial parameters at the subsequent verification dates would constitute a "Significant Event" under the terms of the Restructuring Agreement and would entail the consequences described in paragraph A above, exposing the Company and the Trevi Group to the related uncertainties regarding the ability to continue as a going concern. This implies the need to provide for financial parameters that are revised and aligned with respect to the provisions of the Updated Consolidated Plan and, to this end, it is necessary to request the Lending Banks to give their consent to the amendments made to the Restructuring Agreement aimed at **(a)** acknowledging, on the one hand, the occurrence of deviations from the Original Consolidated Plan requiring the preparation and approval of the Updated Consolidated Plan; and **(b)** providing for new financial parameters, modified in order to make them consistent with the Updated Consolidated Plan;

**C.** **Need to reschedule certain financial due dates:** as mentioned, the deviations from the Original Consolidated Plan, also resulting from the consequences of the Covid-19 pandemic, imply a constant decrease in cash and cash equivalents compared to the Original Consolidated Plan during the two-year period 2021-2022, with particular reference to the first half of 2021. Although the Restructuring Agreement envisages that most of the financial indebtedness towards the banks that are parties to the Restructuring Agreement is to be repaid via bullet payments at 31 December 2024, there are a number of financial due dates over the next 12 months that, if the Proposing Companies were to make the relevant payments, could create cash flow tensions and jeopardise the Group's ability to meet the financial needs of the business. More specifically, the Restructuring Agreement provides for: **(a)** the obligation to repay, within the twelfth month from the so-called Conversion Date, i.e. 29 May 2021, certain outstanding amounts that had been rescheduled at the time of signing the Restructuring Agreement, in an amount equal to approx. Euro 19.2 million (the so-called "Rescheduled Outstanding Amounts"); **(b)** the obligation to repay the instalments of the so-called New Loan granted under the Restructuring Agreement falling due on 30 June and 31 December 2021, for a total amount of approx. Euro 1.9 million. Failure to repay these amounts would constitute a "Significant Event" under the Restructuring Agreement, and could result in consequences similar to those described in points (i) and (ii) of Paragraph A. above, and the Lending Banks could exercise the remedies described above. This clearly represents a further element of uncertainty to be taken into account with respect to the ability to continue as a going concern, and makes it necessary to ask the Lending Banks to suspend the aforementioned repayment obligations and reschedule them to a date that is consistent with the cash flows provided for in the Updated Consolidated Plan. In addition, the Restructuring Agreement provides that, in the event that the Escrow Amount (that constitutes a time deposit to guarantee any compensation obligations arising from the contracts relating to the Oil & Gas Divestment) is released, such amount must be allocated to early repayment to some Lending Banks (i.e., receivables due to the banks from the companies that were part of the Oil & Gas Division).

As for the circumstances described above, reference should be made to the specific considerations set out below in order to assess whether or not the relevant uncertainty arising therefrom can be considered to have been definitively overcome.

**Risks relating to liquidity trends over the next 12 months.**

An element that has been assessed with particular attention, in light of the lower cash generation foreseen in the Updated Consolidated Plan, is the suitability of the cash levels foreseen in the next 12 months to guarantee the ordinary operations of the Group, the financing of the relevant contracts and the regular payment of suppliers. For the sake of clarity, in light of the overall situation, it seems unlikely that the Group would be granted new cash lines of credit not provided for in the Original Consolidated Plan. The Group should therefore be able to meet its financial needs exclusively through the use of existing lines of credit for the financing of working capital and through the cash flows deriving from its ordinary activities, with the sole exception of the possible use of lines of credit for the factoring of receivables without recourse included in the financial debt allowed under the Restructuring Agreement. Obviously, this aspect is central to the evaluation of the going concern assumption, and makes it necessary to carefully assess the cash flow forecasts for the next 12 months to ensure that, based on the forecasts prepared by Management, the cash flows deriving from the business are reasonably suitable to sustain the Group's financial requirements from time to time without recourse to new lines of credit, and without causing foreseeable situations of cash flow tension. To this end, Management developed a forecast of the Group's cash inflows and outflows that can be expected until March 2022, from which a reasonable expectation of a positive Group cash position until then has emerged.

**Risks related to the failure to achieve the objectives of financial rebalancing**

More in general, a risk factor on which Management particularly focused is represented by the circumstance that, as mentioned above, the original Consolidated Plan envisaged the achievement of certain financial targets that were considered suitable to allow the definitive financial rebalancing and recovery of the Group. The deviations found with respect to the Original Consolidated Plan have made it no longer current and have made it necessary to prepare and approve the Updated Consolidated Plan. It was therefore necessary to assess with particular attention whether, based on the forecasts of the Updated Consolidated Plan, the recovery goals are still achievable by the Trevi Group, albeit with a longer timeframe. In particular, the Group's performance in the first months of the year in terms of order intake, revenue and backlog was in line with the forecasts of the first year of the Updated Consolidated Plan. In this regard, in March 2021 the backlog, which had been decreasing from July 2020 to February 2021, reversed its trend and increased by 5% in March 2021 thanks to new orders acquired.

**Analyses carried out on the risks and uncertainties to which the Group is exposed, and the measures implemented by Management in order to deal with them**

In light of the above, the Board of Directors duly requested and obtained the information necessary to analyse the circumstances described above, in order to assess whether such circumstances actually represent elements that may constitute significant uncertainties with respect to the going concern assumption and whether such uncertainties may reasonably be overcome.

In this regard, the following should be considered.

**Requests to the Lending Banks and status of discussions**

With reference to the circumstances referred to in the previous paragraph 2, discussions with the Lending Banks (many of which became shareholders of the Company in the implementation of the Restructuring Agreement) were promptly initiated in February 2021, with the involvement of their respective legal and financial advisors, aimed at representing the current situation to the banks themselves and submitting to them the necessary requests for amendments to the Restructuring Agreement. In particular, during the bank meeting held on 24 February 2021, convened by the Company and attended by almost all the Lending Banks, a document was sent to them containing the following requests:

- granting of a waiver in relation to the non-compliance with the financial parameters provided for in the Restructuring Agreement at the verification date of 31 December 2020;
- suspension of the obligation to comply with the financial parameters at the subsequent verification dates of 30 June 2021 and 31 December 2021;
- modification of the financial parameters in relation to the verification dates for the subsequent financial years, in order to align them with the forecasts of the Updated Consolidated Plan;
- extension of the obligation to repay the so-called Outstanding Amounts, totalling approx. Euro 14.3 million, which under the Restructuring Agreement is due at the end of May 2021, until 31 December 2022;
- a moratorium on the repayment instalments of the New Loan due on 30 June and 31 December 2021, amounting to approx. Euro 1.9 million, and rescheduling them until 30 June 2022; and
- extension until 31 December 2022 of the obligation to repay any residual amounts deposited in the Escrow Account to guarantee the Company's compensation obligations under the SPA, whereas such amounts have been released.

These requests, if accepted, should be incorporated into an agreement amending the Restructuring Agreement (the “**Amending Agreement**”), to be signed at the end of the resolution process of the banks. Following the formulation of such requests, the banks sent the Company, as is customary in such

circumstances, a number of requests for further details and additional information, a process which is still underway. To date, no communication has been received from the Lending Banks aimed at exercising (or threatening and/or reserving the right to exercise in the future) the contractual remedies envisaged as a consequence of the circumstances described above and/or at interrupting the lines of credit with the Trevi Group. On the contrary, discussions continued, including through the relevant advisors, aimed at defining a shared path, and the banks continued to provide financial support to the Group by allowing the use of existing lines of credit, both in the form of cash and guarantee facilities.
In the context of these discussions, given that the banks will need to carry out the necessary in-depth analyses and complete the preliminary investigation processes aimed at accepting the requests made by the Proposing Companies, the need emerged to sign an agreement aimed at regulating the current phase and allowing, in the interests of all the parties involved and, in general, of the stakeholders of the Trevi Group, the continued management of the business pending the preliminary investigation and decision-making processes of the banks and until the signing of the Amending Agreement (the "**Standstill Agreemen**t"). To this end, on 14 April 2021, the Company sent a request for a moratorium and standstill, with which it requested the banks to sign the Standstill Agreement by and no later than 31 May 2021, which, in brief, shall provide for **(i)** a general suspension of the obligations relating to compliance with the financial parameters; **(ii)** the suspension of the obligations to pay the amounts due during 2021; **(iii)** the confirmation of the existing lines of credit, both in the form of cash and guarantee facilities; and **(iv)** the commitment not to avail themselves of the remedies resulting from the occurrence of the "Significant Events" relating to the circumstances described above. The term of the Standstill Agreement, as requested by the Proposing Companies, would be until such time as an Amending Agreement is reached, but not later than 31 December 2021. The execution of the Standstill Agreement, although it would not be sufficient in itself to definitively overcome the uncertainties relating to the possibility to continue operating as a going concern as described above - which would in fact be overcome exclusively through the execution of the Amending Agreement - would contribute to guaranteeing the Company the possibility to operate as a going concern for the entire relevant period, and would represent a concrete indication of the willingness of the Lending Banks to reach a mutually agreed solution to the situation and not to stop providing financial support to the Group, thus enabling it to overcome the uncertainties reported, subject to the necessary completion of the relevant decision-making processes by the banks themselves.
In this regard, it should be noted that, although the Standstill Agreement had not been signed at the date of this Report, on 28 April 2021, the legal and financial advisors of the Lending Banks (Studio Molinari e Associati and Rothschild & Co. respectively) sent a comfort letter to the Company, in which they confirmed that the Lending Banks - subject to the positive outcome of the ongoing analysis of the documentation provided by the Company and the reaching of an agreement on the content of the Standstill

Agreement - intend to submit to their decision-making bodies the proposal to formalise the Standstill Agreement. This indication, although not binding or definitive, nevertheless demonstrates the existence of a shared path, and the absence at present of any intention on the part of the banks to initiate action and/or interrupt financial support for the Group. This therefore makes it reasonable to believe that, without prejudice to the respective investigation processes that the banks will have to complete, a Standstill Agreement can be signed within the envisaged time frame.
In conclusion, although significant uncertainty remains with regard to the successful conclusion of the negotiations underway with the Lending Banks, and the signing of the Amending Agreement, in light of the steps taken by Management, the subsequent behaviour of the banks as well as the additional elements briefly described in the previous paragraph, the Directors believe that they can reach the signing of the Amending Agreement within the terms indicated herein, enabling the Company and the Group to overcome the relevant uncertainty by adopting the measures described above, which also appear appropriate in light of the provisions of the Updated Consolidated Plan.

**Expected liquidity trend over the next 12 months**

With reference to the uncertainty mentioned above, related to the risk that, due to the lower cash generation resulting from the Covid-19 pandemic and reflected in the forecasts of the Updated Consolidated Plan, situations of cash flow tension may arise during the 12 months subsequent to the reporting date, the following should be noted.

First of all, the Company’s Management constantly monitors the Group's cash flow, also at the level of the individual Trevi and Soilmec Divisions. In particular, Management prepares a short-term treasury plan analysing the cash flow trend over the next 20 weeks, a document that is updated every 4 weeks based on actual available data from all the Group's legal entities. This tool, the results of which are analysed and discussed with the local management, allows the short-term cash flow to be monitored and any shortfalls to be known well in advance, so that the necessary actions can be taken. This treasury plan was last updated on 21 April 2021, and shows a liquidity trend that, even at peak times, remains positive with a sufficient margin to guarantee the Group's normal operations.

In addition, Management prepared, on the basis of the Updated Consolidated Plan, a monthly budget that analyses the consolidated cash flow on a monthly basis throughout the current financial year. This document was last updated on 14 April 2021. This document also shows that the middle part of 2021 is the most critical time for the Group's cash flow. However, also on the basis of the latest actual data available, which show a consistent (and in some cases better) trend compared to the Updated Consolidated Plan, no particular critical issues emerge with regard to cash during the current financial year.

The liquidity budget was also examined in the note by Enrico Laghi (on which reference should be made to Paragraph 3.3), who confirmed that, although a limited sizing of consolidated cash is observed in the middle months of the 2021 financial year, assuming that the Lending Banks adhering to the Restructuring Agreement accept the requests having as their object the postponement of certain financial due dates scheduled for May and June 2021, the liquidity profile of the Trevi Group appears reasonably sufficient to ensure it to continue operating as a going concern.

In addition, in order to have greater certainty about the foreseeable trend of cash flow even over a longer time period than that considered in the treasury plan, the Company's Management collected the necessary updated information from all the Group's legal entities, and prepared a further detailed liquidity analysis, which examines, starting from the information available and updated to 16 April 2021, the foreseeable trend of consolidated liquidity on a monthly basis, up to March 2022. This analysis confirmed that the highest cash absorption occurs in certain months of the year such as April, May and September, while, in the following months, also thanks to the recovery of the market and some significant collections expected in this period, it shows a progressively increasing trend throughout the year, without highlighting particularly critical situations. As far as the first months of 2022 are concerned, the Group's positive cash flow trend is expected to continue. Therefore, on the basis of these projections, even in the month in which the liquidity trend has a negative peak, the Group's minimum cash will remain positive and such as to allow the Group to continue operating on a going concern basis and to meet its financial needs throughout the period considered.

Management's monitoring of the Group's liquidity trend therefore appears adequate to the situation and the results of the analysis carried out do not currently show situations of cash tensions and/or shortfalls until March 2022. The cash forecasts appear to have been drawn up in a prudent manner, taking into consideration only those collections whose timing has been duly verified, and not including the forecasts of collections for which there are doubts regarding the timing of payment, and also not including customer advances on orders of significant size.

In conclusion, based on the above, there does not appear to be any reason to believe that, during the 12 months following the reporting date, and also in the following months, up to 31 March 2022, situations of cash flow tensions are foreseeable that would compromise the Group's normal operations. The relevant uncertainty, although duly analysed, must therefore be considered overcome on the basis of the analyses carried out and the information available.

**Achievement of recovery goals**

As noted above, the consolidated figures at 31 December 2020 show deviations from the Original Consolidated Plan, also due to the significant impacts of the Covid-19 pandemic. The Company's Management began promptly working in November 2020 to develop updated forecasts based on these baseline results, which are contained in the Updated Consolidated Plan. To this end, Management has been assisted by leading industrial and financial advisors. In addition, Management engaged Enrico Laghi, who had previously certified the feasibility of the Original Consolidated Plan and the Restructuring Agreement pursuant to Article 182-*bis* of the Italian Bankruptcy Law, to assess the significance of the changes between the pre-closing data at 31 December 2020 and the consolidated data reflected in the Original Consolidated Plan, as well as between the forecasts of the latter and those contained in the Updated Consolidated Plan.

On the basis of the results of these activities, the following considerations can be made:

**(i)** The changes observed with respect to the Original Consolidated Plan, although in some cases entailing appreciable variations with respect to the values of the Original Consolidated Plan, are mostly due to effects attributable to the spread of the Covid-19 pandemic or linked to other one-off extraordinary events, which by their very nature could not be foreseen when the Original Consolidated Plan was drawn up;

**(ii)** Although the Updated Consolidated Plan shows, in relation to the years 2021 and 2022, a worse trend than the Original Consolidated Plan for the main indicators (turnover, gross operating profit, NFP and cash flow), the recovery goals that were at the basis of the Restructuring Agreement do not appear to be compromised. On the contrary, the Updated Consolidated Plan shows a recovery in margins which, again at the end of 2022, should lead the Company to reach a Leverage Ratio (net financial debt/consolidated gross operating profit) of 4x; although this figure is certainly worse than the forecasts in the Original Consolidated Plan for the same period, it is in line with that of other market operators comparable in terms of size and business sector, and still leads to the conclusion that the level of net financial debt is sustainable;

**(iii)** Furthermore, it should be considered that the main due dates of the financial debt to which the Group is exposed are not in 2022 but in 2024, and therefore it is at that date that its “refinancing” should be assessed, i.e. the Group's ability to obtain sufficient creditworthiness to be able to refinance the debt. There is therefore a margin of two additional years to further improve the Group's refinancing indicators. The Updated Consolidated Plan, in fact, develops the related forecasts also with reference to the financial years subsequent to 2022 (2023 and 2024). The growth assumptions for these years appear sustainable and not inconsistent with those of previous years and, on the basis of the relevant projections of the Updated Consolidated Plan, all of the

Group's main indicators should further improve so that, at the end of the relevant plan period, the Group should achieve a leverage ratio of 2.3x, a financial parameter that is consistent with that which, already at the time of the Restructuring Agreement, was considered by the certifier, Enrico Laghi, to be suitable to allow the refinancing of the Group's financial debt (although, as mentioned, on the basis of the forecasts of the Original Consolidated Plan, this parameter should have been reached as early as 2022).

On the basis of the foregoing considerations, therefore, assuming a gradual recovery of the economy following the overcoming of the Covid-19 pandemic, the recovery goals that were at the basis of the Original Consolidated Plan and the Restructuring Agreement do not appear to be jeopardised by the new forecasts contained in the Updated Consolidated Plan but, at most, shifted forward in time, in any case consistent with the due dates of most of the Group's financial debt.

To further support this conclusion, the preliminary data available to Management for the first few months of 2021 are providing important confirmation of the assumptions made in the Updated Consolidated Plan. The Trevi Group's performance in the first few months of the year in terms of order intake, revenue and backlog, was in line with the forecasts for the first year of the Updated Consolidated Plan.

The Updated Consolidated Plan is based on forecasts which, as such, are by nature uncertain and may not occur or may occur only in part, and which depend only in part on internal variables and factors controllable by the Company's Management, while remaining exposed to external factors. However, it is believed that, in the light of the analyses carried out, including on the basis of the results of the critical review that Enrico Laghi carried out on the deviations between the Original Consolidated Plan and the Updated Consolidated Plan:

(i) the Updated Consolidated Plan still allows the Trevi Group, albeit over a longer period of time, to achieve results that, at the time, were considered adequate for the definitive financial and equity rebalancing of the Group itself;

(ii) the Updated Consolidated Plan appears to have been drawn up in accordance with reasonable and prudent criteria and in any case shows the possibility of having, at the end of the plan, a balanced financial position and performance, and its feasibility is confirmed by the performance in the first months of 2021.

Therefore, it is believed that the uncertainty relating to the concrete possibility of definitively reaching a balanced financial position and performance through the implementation of the Updated Consolidated Plan is to be considered overcome on the basis of the above considerations.

**Concluding remarks**

In conclusion, even taking into account all of the circumstances outlined above, there remains significant uncertainty that may cast relevant doubt on the compliance with the going concern assumption that relates to the successful conclusion of the negotiations with the Lending Banks for the acceptance of the proposed amendments to the Restructuring Agreement (on which reference should be made to the considerations made in the previous paragraph).

Despite this significant uncertainty that may cast relevant doubt on the ability of the Company and the Group to continue operating as a going concern, the Board of Directors believes that, at present, there are no circumstances that would require the abandonment of the going concern basis in the preparation of the separate and consolidated financial statements of the Trevi Group, and therefore considers it appropriate to prepare the separate and consolidated financial statements on a going concern basis upon the considerations outlined above.

**Key financial indicators of the Company**

To date, to sum up, the Company's main financial indicators are as follows:

| *(in thousands of Euro)* | **31/12/2020** | **31/12/2019** | **Delta** |
|---|---|---|---|
| Revenue from sales and services | 13,906,209 | 27,177,528 | (13,271,319) |
| Other operating revenue | 1,694,623 | 5,268,732 | (3,574,109) |
| **Total revenue** | **15,600,832** | **32,446,260** | **(16,845,428)** |
| Value added | 4,386,789 | 13,304,047 | (8,917,258) |
| *% of Total Revenue* | *28.12%* | *41.00%* | *(12.88)%* |
| **Gross Operating Profit** | **298,782** | **5,574,761** | **(5,275,979)** |
| *% of Total Revenue* | *1.92%* | *17.18%* | |
| **Operating Loss** | **(642,756)** | **(131,591)** | **(511,164)** |
| *% of Total Revenue* | *(4.12)%* | *(0.41)%* | |
| **Profit/(loss) from continuing operations** | **249,257,784** | **(18,602,027)** | **267,859,810** |
| *% of Total Revenue* | *1597.72%* | *(57.33)%* | |
| Net investments | 3,181,254 | 387,370 | 2,793,883 |
| Net invested capital | 235,971,334 | 147,879,790 | 88,091,544 |
| **Net financial debt** | **107,439,611** | **416,512,337** | **(309,072,726)** |
| Equity/(Deficit) | 128,531,723 | (268,632,546) | 397,164,269 |
| Operating profit/(loss) / Net invested capital (ROI) | *(0.27)%* | *(0.09)%* | *(0.18)%* |
| Profit/(loss) / Equity (R.O.E.) | *193.93%* | *6.92%* | *187.00%* |
| Operating profit/(loss) / Total Revenue (R.O.S.) | *(4.12)%* | *(0.41)%* | *(3.71)%* |
| Net financial position / Equity/(Deficit) (Debt / Equity/(Deficit)) | *83.59%* | *(155.05)%* | *238.64%* |

## Basis of preparation

### 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 amount 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 reporting period 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.

**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 measured 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 (Other Comprehensive Income), 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. Trade 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. 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 further details, reference should be made to the table included in paragraph 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)”.

**Trade receivables and other non-current financial assets**

Trade receivables and other non-current 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, taken individually or as part of a group of assets, have been impaired. Any impairment loss is recognised as an expense in profit or loss for the year. For further details, see paragraph “IFRS 9”.

**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 value net of the loss allowance, with direct deduction of the receivables themselves, so their carrying amount is in line with the estimated realisable value. 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.

Recourse and non-recourse factoring that does 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 consist of cash, demand deposits with 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, current account 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.

- *Reserve for treasury shares*

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 amortised cost method 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 finance act 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 employees to supplementary pension schemes chosen by them or maintained in the company. 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 2016.

*Share-based payments*

Top executives and some managers of the Company may receive part of their remuneration in the form of share-based payments. Under IFRS 2 these are considered equity settled plans. 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 material, 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 (if contingent assets are probable and contingent liabilities are possible).

**Derivative instruments**

The Company adopted a Group Risk Policy. The measurement of changes in the fair value varies 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 the Statement of 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 method 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 the Statement of 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 trading 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 using criteria similar to those of revenue recognition and on an accruals basis.

Interest income and expense are recognised on an accruals basis, 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 settlement 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;
- Measurement of complex financial instruments;
- Provisions for risks and charges, contingent assets and liabilities

Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in the Statement of Profit or Loss for the period in which the change occurred.

**Financial Statements**

Copies 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**

In the past, 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.

In accordance with 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.

**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”,
- IAS 18 “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 Company 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 Company 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 Company 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 15.70). The entity shall include this in the disclosure of the standards applied, if material.

***1.3 Warranties***

The Company 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 Company 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 Company 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 equity) for the financial year that includes the date of the initial application. Additionally, under this transitional method, the Company 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 2020.
The Company 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) Spare Parts;
e) Technical Assistance;
f) Other Services (Rental);
g) Services provided by Trevi Finanziaria Industriale S.p.A.

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.

**IFRS 16**

***Leases***

The Company assesses at the inception of the contract whether it is, or contains, a lease. In other words, it assesses 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 Impairment of non-financial assets

***ii) Lease liabilities***

At the commencement date, the Company recognises 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.

Lease liabilities of the Company are included in the item Loans and borrowings from other financial backers (short/long-term) (see notes 13 and 22).

***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.

**New accounting standards, amendments and interpretations**

### Accounting standards not yet applied

Below is a list of the accounting standards, amendments and interpretations issued by IASB and approved by the European Union applied starting from 1 January 2020:

| **Standard/Interpretation** | **IASB effective date** |
|---|---|
| Amendments to references to the Conceptual Framework in IFRSs | 1 January 2020 |
| Amendments to IFRS 3 (Business combinations) Definition of a business (issued on 22 October 2018) | 1 January 2020 |
| Amendments to IFRS 9 (Financial instruments), IAS 39 (Financial instruments: recognition and measurement) and IFRS 7 (Financial instruments: disclosures): Interest Rate Benchmark Reform (issued on 26 September 2019) | 1 January 2020 |
| Amendments to IAS 1 (Presentation of financial statements) and IAS 8 (Accounting policies, changes in accounting estimates and errors) Definition of material | 1 January 2020 |
| Amendments to IFRS 16 (Leases) Covid-19 Related Rent Concessions (issued on 28 May 2020) | 1 January 2020 |

Below are the accounting standards, amendments and interpretations issued by the IASB and the International Financial Reporting Standard Interpretations Committee (IFRS IC) whose approval process has not yet been completed by the competent bodies of the European Union at the date of these Financial Statements:

| **Standard/Interpretation** | **IASB effective date** |
|---|---|
| IFRS 17 (Insurance contracts) issued on 18 May 2017, including the amendment to IFRS 17 issued on 25 June 2020 | 1 January 2023 |
| Amendments to IAS 1 (Presentation of financial statements): Classification of current and non-current financial liabilities (issued on 23 January 2020) | 1 January 2022 (an Exposure draft has been issued proposing a deferral to 1 January 2023) |
| Amendments to:<br>▪ IFRS 3 Business combinations<br>▪ IAS 16 Property, plant and equipment<br>▪ IAS 37 Provisions, contingent liabilities and contingent assets<br>▪ 2018-2020 Annual Improvements<br>issued on 14 May 2020 | 1 January 2022 |
| Amendments to IFRS 4 (Insurance contracts) – deferral of IFRS 9 issued on 25 June 2020 | 1 January 2021 |

**Management and coordination of the Company**

At 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, 100% directly held by a sole shareholder;
- PSM S.p.A., 99.92% indirectly held (100% owned by Soilmec S.p.A.);
- Immobiliare SIAB S.r.l. 100% directly held by a sole quotaholder.

**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 corporate 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 Italian 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 of the 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 company 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 of the 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 corporate 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 Company’s Finance Department and the Finance Managers of the individual subsidiaries manage the financial 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 Cash Flows, giving a permanent boost to financial planning tasks, which is updated on a monthly basis with a 20-week horizon.

The bank loans and borrowings of Trevi Finanziaria Industriale S.p.A. at the end of the year are broken down as follows:

| Short-term bank loans and borrowings | | | |
|---|---|---|---|
| | **31/12/2020** | **31/12/2019** | **Changes** |
| Total | 64,513,548 | 319,663,188 | (255,149,640) |

| Medium/long-term bank loans and borrowings | | | |
|---|---|---|---|
| | 31/12/2020 | 31/12/2019 | Changes |
| Total | 4,660,235 | - | **4,660,235** |

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 | | | |
|---|---|---|---|
| | 31/12/2020 | 31/12/2019 | Changes |
| Total | 109,496,150 | 509,595,042 | (400,098,892) |

| Non-current financial liabilities | | | |
|---|---|---|---|
| | 31/12/2020 | 31/12/2019 | Changes |
| Total | 68,377,816 | 401,443 | 67,976,373 |

**Interest rate risk**

The exposure to risk of changes in market interest rates 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 a bond issue 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 bond regulations concern, inter alia, the maturity date of the bonds 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.

| 31/12/2020 | | | |
|---|---|---|---|
| | **Fixed rate** | **Variable rate** | **Total** |
| Loans and leases | 137,577 | 0 | **137,557** |
| Bonds | 50,000 | 0 | **50,000** |
| **Total financial liabilities** | **187,557** | **0** | **187,557** |
| % | 100% | 0% | 100% |

Below is a detail of this analysis:

*In thousands of Euro*

| Interest rate risk | | |
|---|---|---|
| | -50 bps | +50 bps |
| Deposits and liquid assets | (420) | 420 |
| Bank loans | 0 | 0 |
| Loans and borrowings from other financial backers | 611 | (611) |
| **TOTAL** | 191 | (191) |

**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 intragroup 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 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, Intragroup Receivables and Payables, Trade Payables, Financial Liabilities, Cash and Cash Equivalents, and Derivatives.

The amounts of these items on which the sensitivity analysis was performed are those at 31 December 2020.

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 331 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 299 thousand USD.

Below is a detail of this analysis:

*In thousands of Euro*

| EURUSD currency risk | | |
|---|---|---|
| | USD + 5% | USD - 5% |
| Trade receivables in foreign currency | - | - |
| Intragroup receivables and payables | 299 | (331) |
| Financial items with third parties | - | - |
| Trade Payables in foreign currency | - | - |
| Hedges in foreign currency | - | - |
| **TOTAL** | **299** | **(331)** |

**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 at 31 December 2020 show, based on the categories provided for by 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.

| **Key to IFRS 9 Categories** | |
|---|---|
| Amortised cost | AC |
| Held-to-maturity assets | HtM |
| FV - hedging instruments | FVOCI or FVTPL |

| **Items recognised in compliance with IFRS 9** | | | | | | |
|---|---|---|---|---|---|---|
| | **IFRS 9 categories** | **Notes** | **31/12/2020** | **Amortised cost** | **Cost** | **Effect on the Statement of Profit or Loss** |
| Equity investments | HtM | 3 | 175,594 | | 175,594 | - |
| Other non-current financial assets | AC | 5 | 10,021,959 | 10,021,959 | | 2,439,154 |
| **Total non-current financial assets** | | | **10,197,553** | **10,021,959** | **175,594** | **2,439,154** |
| Current financial assets | AC | 9 | 57,620,969 | 57,620,969 | | |
| Cash and cash equivalents | AC | 10 | 2,813,477 | 2,813,477 | | 138,245 |
| **Total current financial assets** | | | **60,434,446** | **60,434,446** | **-** | **138,245** |
| **TOTAL FINANCIAL ASSETS** | | | **70,631,999** | **70,456,405** | **175,594** | **2,577,399** |
| Long-term bank loans and borrowings | AC | 12 | 4,660,235 | 4,660,235 | | 649,879 |
| Long-term loans and borrowings from other financial backers | AC | 13 | 63,717,581 | 63,717,581 | | 2,252,724 |
| Non-current derivatives | FV | 14 | - | | | - |
| **Total non-current financial liabilities** | | | **68,377,816** | **68,377,816** | **-** | **2,902,603** |
| Short-term bank loans and borrowings | AC | 21 | 64,513,548 | 64,513,548 | | 8,996,541 |
| Short-term loans and borrowings from other financial backers | AC | 22 | 44,982,693 | 44,982,693 | | 1,590,355 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current derivatives | FV | 23 | - | | | |
| **Total current financial liabilities** | | | **109,496,241** | **109,496,241** | **-** | **10,586,897** |
| **TOTAL FINANCIAL LIABILITIES** | | | **177,874,057** | **177,874,057** | **-** | **13,489,499** |

***Impairment test on controlling equity investments and measurement of financial assets***

With reference to the Separate Financial Statements at 31 December 2020 of the Company Trevi Finanziaria Industriale S.p.A., in line with 31 December 2019, Management proceeded to assess 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%) and to measure the financial assets from the same.

In 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 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 2020) 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 provided for in the Updated Consolidated Plan were used, as approved by the Board of Directors on 23 April 2021. This Plan was updated compared to the Original Consolidated Plan in order to take into account the slowdown recorded in the financial year ended 31 December 2020 and the outlook for the Trevi Group in the current market context, which is strongly affected by the global effects of the spread of the Covid-19 pandemic. In this context, the business plan was updated both in terms of its quantitative objectives and its time frame, which was extended to 2024, in accordance with the original strategic guidelines and confirming the achievement of the recovery goals, albeit over a longer period than initially forecast. For any further information, reference should be made to paragraph "Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern".

The planning flows considered have been sterilised by the effects of future restructuring and efficiency improvements not yet initiated, which the accounting standard requires to be excluded.

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, amounts due to personnel, etc.). - changes in the Net Working Capital. 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 6.75%. The individual variables were established as follows:

- risk-free rate: 0.82%, 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 2020;
- beta levered: 0.70, 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 4.72% (Source: Aswath Damodaran, update of 2021);
- country risk: 1.92%, 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 Legal Entities of the “Foundations” segment operate, weighted by the percentage of production of operating profit in 2024 in these countries;
- inflation differential: 0.56%, this component was added to Ke in order to consider the effect of inflation and determine the real rate. The Plans of the different Legal Entities were drawn up in local currency and translated 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 3 percentage points;
- cost of the gross debt: equal to 2.41% (post tax: 1.80%) determined by adding to the average actual rates of the Group’s medium/long-term lines;
- financial structure: D/D+E= 36.41%; E/D+E= 63.59%, determined as the average of the comparables already considered for the definition of the beta.

For the years after 2024, 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 (2024), net of the full withholding tax. Furthermore, a g growth rate was considered, based on the average expected inflation rate in countries where these Legal Entities operate, weighted by the percentage of operating profit in 2024 actually produced by these Legal Entities in those countries. In particular, the g growth rate “identified for the Foundations segment is 2.76%. It is specified that for the purposes of determining the Terminal Value, on a prudential basis, the WACC was increased by 2 percentage point (namely a WACC equal to 8.75%).

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 2020 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 losses of the equity investment held by Trevi Finanziaria Industriale in Trevi S.p.A., while an impairment loss of Euro 1.8 million was highlighted in the equity investment held by Trevi Finanziaria Industriale in Soilmec S.p.A..

A similar test was carried out at Group level, as indicated in the Consolidated Financial Statements, to which reference should be made for a complete and thorough reading, as well as an understanding of the analyses carried out, the results of the considerations made regarding the sensitivity analysis and the conclusions reached.

***Trade receivables***

In accordance with IFRS 7, the following is an analysis of the trend in past due trade receivables, divided into homogeneous risk categories:

| Description | 31/12/2020 | 31/12/2019 | Changes |
|---|---|---|---|
| Not past due | 8,235,921 | 30,016,598 | (21,780,677) |
| Past due from 1 to 3 months | 3,574,198 | 5,841,269 | (2,267,071) |
| Past due from 3 to 6 months | 2,082,744 | 5,876,190 | (3,793,446) |
| Past due from more than 6 months | 32,599,361 | 14,589,813 | 18,009,548 |
| **Total** | **46,492,223** | **56,323,870** | **(9,831,647)** |

These refer to trade receivables from subsidiaries for commercial activities and services performed under normal market conditions. Additionally, the Company has receivables from related parties of Euro 38 thousand and VAT assets of Euro 4,085 thousand.

This item does not include tax consolidation assets of Euro 10,279 thousand and prepayments of Euro 1,220 thousand.

Furthermore, the analysis relating to the ageing of trade receivables was conducted on the gross amounts thereof. For further details, see paragraph IFRS 9 - Impairment.

To classify trade receivables as past due, the conditions in the terms of payment were used and amended for any subsequent agreements between the parties. For the above-mentioned trade receivables, no special monitoring bands were identified, since they all fall within the standard category.

| Description | 31/12/2020 | 31/12/2019 | Changes |
|---|---|---|---|
| Standard monitoring | 46,492,223 | 56,323,870 | (9,831,647) |
| Special monitoring | - | - | - |
| Monitoring for possible legal proceeding | - | - | - |
| Out-of-court monitoring in progress | - | - | - |
| Monitoring for ongoing legal proceedings | - | - | - |
| **Total** | **46,492,223** | **56,323,870** | **(9,831,647)** |

# 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 22,099 thousand at 31 December 2020, marking a decrease of Euro 3,372 thousand compared to the previous financial year end.

Changes relating to the 2020 financial year are summarised in the table below:

| Description | Original cost at 31/12/2019 | Accumulated depreciation at 31/12/2019 | Carrying amount at 31/12/2019 | Incr. | Deprec. | Impair. | Other changes in original cost | Other changes in accumulated depreciation | Original cost at 31/12/2020 | Accumulated depreciation at 31/12/2020 | Carrying amount at 31/12/2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Land and buildings | 17,870,471 | (11,589,158) | 6,281,313 | | (155,660) | | (10,254,089) | 10,624,839 | 7,616,383 | (1,119,978) | 6,496,405 |
| Plant and machinery | 37,268,443 | (20,579,136) | 16,689,307 | | (2,060,337) | | (10,740,870) | 10,180,370 | 26,527,573 | (12,459,104) | 14,068,469 |
| Industrial and commercial equipment | 4,047,845 | (1,675,541) | 2,372,304 | 3,329 | (436,324) | (582,000) | 1,105,323 | (990,854) | 4,574,497 | (3,102,719) | 1,471,778 |
| Other assets | 457,999 | (329,381) | 128,619 | | (50,587) | | 0 | (15,506) | 457,999 | (395,473) | 62,526 |
| **TOTAL** | **59,644,758** | **(34,173,215)** | **25,471,544** | **3,329** | **(2,702,908)** | **(582,000)** | **(19,889,636)** | **19,798,849** | **39,176,452** | **(17,077,274)** | **22,099,178** |

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.. The aggregate recorded mainly depreciation for Euro 2,703 thousand and impairment losses for a total of Euro 582 thousand; no financial expense was capitalised in the current and prior years. The item Property, plant and equipment was characterised by the sale of certain assets related to the Oil & Gas Division, for a total amount net of the provision for realisable value adjustment of approximately Euro 1,996 thousand.

**(2) Intangible assets**

Intangible assets at 31 December 2020 amounted to Euro 3,464 thousand, up by Euro 3,146 thousand compared to 31 December 2019.

Changes relating to the 2020 financial year are summarised in the table below:

| Description | Original cost at 31/12/2019 | Accumulated amort. at 31/12/2019 | Carrying amount at 31/12/2019 | Increases | Amortisation | Original cost at 31/12/2020 | Accumulated amort. at 31/12/2020 | Carrying amount at 31/12/2020 |
|---|---|---|---|---|---|---|---|---|
| Concessions, licences and trademarks | 1,611,854 | (1,510,998) | 100,856 | 3,800 | (32,256) | 1,615,654 | (1,543,254) | 72,400 |
| Assets under development and payments on account | 217,500 | - | 217,500 | 3,174,125 | | 3,391,625 | 0 | 3,391,625 |
| Other intangible assets | | | 0 | | | 0 | 0 | 0 |
| **TOTAL** | **1,829,354** | **(1,510,998)** | **318,356** | **3,177,925** | **(32,256)** | **5,007,279** | **(1,543,254)** | **3,464,025** |

The increases of Euro 3,174 thousand recognised in Intangible assets refer mostly to the acquisition of IT licences and application software and to the consultancy.

**(3) Equity investments**

Investments amounted to Euro 193,764 thousand at 31 December 2020 with an increase of Euro 65,346 thousand compared to the previous year end.

The following table shows the breakdown of equity investments between subsidiaries and other companies:

| DESCRIPTION | Balance at 31/12/19 | Increases | Impairment losses | Balance at 31/12/20 |
|---|---|---|---|---|
| **Subsidiaries** | 128,266,670 | 66,500,000 | (1,178,128) | 193,588,542 |
| **Other companies** | 151,205 | 24,390 | | 175,595 |
| **TOTAL** | **128,417,875** | **66,524,389** | **(1,178,128)** | **193,764,137** |

The breakdown of equity investments in subsidiaries is shown below:

| SUBSIDIARIES | Balance at 31/12/19 | Increases | Impairment losses | Balance at 31/12/20 |
|---|---|---|---|---|
| Trevi S.p.A. | 127,645,817 | 30,500,000 | | 158,145,817 |
| SOILMEC S.p.A. | - | 36,000,000 | (1,178,128) | 34,821,872 |
| IMMOBILIARE SIAB S.R.L. | 598,975 | | | 598,975 |
| INTERNATIONAL DRILLING TECHNOLOGIES FZCO | 21,877 | | | 21,877 |
| **TOTAL SUBSIDIARIES** | **128,266,670** | **66,500,000** | **(1,178,128)** | **193,588,542** |

With regard to the equity investments held directly, there was an increase in the equity investments in the subsidiary Trevi S.p.A. for Euro 30,500 thousand and in the subsidiary Soilmec S.p.A. for Euro 36,000 thousand, due to capital injections made for future share capital increases in cash for Euro 33,750 and for the remaining part through the conversion of financial assets for future share capital increases, aimed both at capital strengthening and at supporting their business activities.

The impairment test carried out revealed an impairment loss of Euro 1.8 million in the equity investment held by Trevi Finanziaria Industriale in Soilmec S.p.A..

The balance of other equity investments is Euro 176 thousand, as detailed below:

| SUBSIDIARIES | Balance at 31/12/19 | Increases | Decreases | Balance at 31/12/20 |
|---|---|---|---|---|
| COMEX SPA | 69 | | | 69 |
| BANCA DI CESENA S.P.A. | 1,136 | | | 1,136 |
| DRILLMEC INDIA PRIVATE LTD | | 24,390 | | 24,390 |
| SVILUPPO IMPRESE ROMAGNA S.P.A. | 150,000 | | | 150,000 |
| **TOTAL SUBSIDIARIES** | **151,205** | **24,390** | **-** | **175,594** |

The increase of Euro 24 thousand refers to the acquisition of 19% of "Drillmec India Private Ltd" previously held by Drillmec S.p.A., which took place on the occasion of the Oil & Gas Division sale in 2020.

Sviluppo Imprese Romagna S.p.a. is a company whose business is aimed at favouring the dissemination and development of small and medium-sized entities in Romagna.

The list and the main figures of the equity investments in subsidiaries at 31 December 2020 are shown below:

| SUBSIDIARIES | Registered office | Share/quota capital (1) | Total equity (1) 2020 | Profit/(Loss) for the year (1) 2020 | % | Carrying amount (2) | Our portion of equity (2) |
|---|---|---|---|---|---|---|---|
| Trevi S.p.A. | Italy | 32,300,000 | 47,632,805 | 7,463,763 | 99.78% | 158,145,817 | 47,528,013 |
| SOILMEC S.p.A. | Italy | 25,155,000 | 24,331,209 | 993,129 | 99.92% | 34,821,872 | 24,311,744 |
| PILOTES TREVI S.a.c.i.m.s. | Argentina | 217,468,871 | 484,766,013 | 67,044,405 | 1.88% | 0 | 88,268 |
| INTERNATIONAL DRILLING TECHNOLOGIES FZCO | UAE | 1,000,000 | 107,902,712 | (10,803,744) | 10.00% | 21,877 | 2,394,379 |
| TREVI ENERGY S.p.A. | Italy | 1,000,000 | 585,403 | 440,106 | 100.00% | | 585,403 |
| IMMOBILIARE SIAB S.R.L. | Italy | 80,000 | 593,438 | (3,374) | 100.00% | 598,975 | 593,438 |
| TREVI DRILLING SERVICES SAUDI ARABIA CO. | Saudi Arabia | 7,500,000 | - | - | 51.00% | | - |
| **TOTAL SUBSIDIARIES** | | | | | | **193,588,542** | |

*(1) Figures are in Euro for Trevi S.p.A., Soilmec S.p.A., Trevi Energy S.p.A. and Immobiliare SIAB S.r.l.; in Argentine Peso for Pilotes Trevi S.a.c.i.m.s, in United Arab Emirates Dirham for International Drilling Technologies FZCO; and in Saudi Arabian Riyals for Trevi Drilling Services Saudi Arabia Co.*
*(2) Figures in EUR*

The equivalent amount 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 year, as shown in the following table. Source: Bank of Italy:

| **Average exchange rate for the year** | | |
|---|---|---|
| Euro | Euro | 1.0000 |
| US Dollar | US$ | 1.1422 |
| Saudi Riyal | SAR | 4.2832 |
| Argentine Peso | ARS | 80.9218 |
| United Arab Emirates Dirham | AED | 4.1947 |

| **Exchange rate at the end of the year** | | |
|---|---|---|
| Euro | Euro | 1.0000 |
| US Dollar | US$ | 1.2271 |
| Saudi Riyal | SAR | 4.6016 |
| Argentine Peso | ARS | 103.2494 |
| United Arab Emirates Dirham | AED | 4.5065 |

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

The following is a breakdown of deferred tax assets:

| DESCRIPTION | 31/12/2020 | 31/12/2019 | Changes |
|---|---|---|---|
| Unrealised exchange gains/(losses) | - | | |
| Fair value of derivatives accounted for in cash flow hedge (effect on equity) | | | |
| Tax losses recoverable in subsequent years | | | |
| Other effects | - | 1,416,754 | (1,416,754) |
| TOTAL | 0 | 1,416,754 | (1,416,754) |

Deferred tax assets were fully impaired following the recoverability test on the tax planning for the years 2021 - 2024.

**(5) Other non-current financial assets from subsidiaries**

At 31 December 2020, non-current financial assets from subsidiaries amounted to Euro 10,022 thousand, down by Euro 73,503 thousand compared to the same date of the previous year.

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| **Financial assets from subsidiaries** | | | |
| Trevi S.p.A. | - | 23,604,787 | (23,604,787) |
| Soilmec S.p.A. | - | 57,154,816 | (57,154,816) |
| Drillmec S.p.A. | - | 1,000,000 | (1,000,000) |
| Trevi Geos Fundacoes Especiais LTDA | - | 1,700,000 | (1,700,000) |
| Immobiliare SIAB S.r.l. | - | 30,000 | (30,000) |
| **Total financial assetsfrom subsidiaries** | **0** | **82,489,603** | **(82,489,603)** |
| **Other financial assets** | | | |
| Other non-current financial assets | 10,000,000 | - | 10,000,000 |
| Guarantee deposits | 21,959 | 35,997 | (14,038) |
| **Total financial assets** | **10,021,959** | **83,525,600** | **(73,503,641)** |

Financial assets from Group companies, stated under non-current assets in 2019, were reclassified into current financial assets in 2020 (see Note 9), since the conditions that had given rise to the postponement of their expiry no longer exist. In particular, these financial assets are due from Group companies that, during 2019, were parties, as creditors, to the restructuring agreements pursuant to Article 182-*bis* of Italian Bankruptcy Law, subsequently approved on 10 January 2020 by decree of the Court of Appeal of Bologna. These agreements, which provided for, with reference to the financial debt owed by Trevi S.p.A. and Soilmec S.p.A. to these Group companies, the postponement of the relevant maturity date to 2024 so that to ensure that creditors not party to the restructuring agreements were satisfied as a priority,

are closely linked to the Restructuring Agreement. Therefore, as a result of the failure to meet the financial parameters set out in the agreement at 31 December 2020, it was necessary to change the presentation of these financial assers among current assets.
Considering that, to date, the creditors that are not parties to the agreement have all been substantially satisfied, as certified by a Comfort Letter drafted by Enrico Laghi issued on 26 June 2011, it will be possible to sign amending agreements with the Group companies that are contracting parties to allow more efficient cash management within the Group. This will result in a greater flexibility as for the repayment of this debt earlier than the deadline of 31 December 2024 and will also allow offsetting outstanding credit/debit positions that Trevi S.p.A. and Soilmec S.p.A. had with the same Group companies.

Under the agreements reached with the MEIL Indian Group, in the first days of April 2020, following the sale of the Oil & Gas Division on 31 March 2020, the Company provided a loan of Euro 10 million to MEIL Global Holdings BV, with three-year bullet repayment, with an interest rate of 2%.

***CURRENT ASSETS***

**(6) Trade receivables and other current assets**

Trade receivables and other current assets were Euro 7,325 thousand at 31 December 2020, marking a decrease of Euro 1,644 thousand compared to the figure of Euro 8,970 thousand in the previous financial year.

The table below shows the details relating to this item:

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Trade receivables | 2,025,640 | 10,184 | 2,015,456 |
| Prepayments | 1,219,711 | 676,154 | 543,557 |
| VAT assets | 4,084,926 | 6,585,055 | (2,500,129) |
| Sundry current assets | (5,066) | 1,697,629 | - |
| Payments on account | - | 817 | (817) |
| **TOTAL** | **7,325,211** | **8,969,839** | **(1,644,628)** |

**(7) Trade receivables and other current assets from subsidiaries**

Trade receivables and other current assets from subsidiaries amounted to Euro 54,146 thousand at 31 December 2020, with an increase of Euro 11,674 thousand compared to the previous year end.

Below are the details relating to this item:

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Trade receivables | 43,866,312 | 32,269,406 | 11,596,906 |
| Tax consolidation assets | 10,279,551 | 10,202,841 | 76,710 |
| **TOTAL** | **54,145,863** | **42,472,247** | **11,673,616** |

Trade receivables due from subsidiaries mainly derived from the operating leases of property, plant and equipment and services provided to subsidiaries.

The tax consolidation assets relate to amounts due from some Italian companies of the Group because of their adherence to the tax consolidation agreements.

Trade receivables are recognised net of the loss allowance at 31 December 2020 totalling approximately Euro 758 thousand; a detailed list is available under the paragraph "Other information - Related parties".

| Description | Balance at 31/12/2019 | Oil & Gas sale | Releases | Other changes | Balance at 31/12/2020 |
|---|---|---|---|---|---|
| Loss allowance | 24,043,840 | (19,329,842) | (3,935,596) | (20,789) | 757,613 |
| **TOTAL** | **24,043,840** | **(19,329,842)** | **(3,935,596)** | **(20,789)** | **757,613** |

**(8) Current tax assets**

Current tax assets amounted to Euro 1,498 thousand, marking a decrease of Euro 214 thousand compared to the previous financial year, mainly due to the decrease of IRES assets, the position net of amounts due to tax authorities was negative for Euro 466 thousand at 31 December 2020, with a decrease of Euro 1,734 thousand against the previous year end, mainly due to the recognition of Euro 1,533 thousand of IRAP liabilities.

The following table shows the detail:

| Description | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Ires interest income from withholding taxes | - | 22 | (22) |
| IRAP advances | - | - | - |
| Tax requested for reimbursement | 115,686 | 71,087 | 44,599 |
| IRES assets from Withholding Tax | 22,113 | - | 22,113 |
| IRES assets from CFC | 803 | 803 | - |
| Irap assets | 247,009 | 247,009 | - |
| Consolidated IRES assets | 1,113,168 | 1,393,743 | (280,575) |
| **Total current tax assets** | **1,498,779** | **1,712,664** | **(213,885)** |
| Amounts due to tax authorities for withholding taxes | 430,880 | 443,600 | (12,720) |
| IRAP taxes | 1,533,664 | - | 1,533,664 |
| **Current taxes** | **(465,765)** | **1,269,064** | **(1,734,829)** |

### (9) Current financial assets

Current financial assets amounted to Euro 57,621 thousand at 31 December 2020 and refer to both the collection of the Escrow Account relating to the Oil & Gas Division sale transaction, amounting to Euro 13,595 thousand, and to the related provision, being unavailable under the agreements with the purchaser, which totally offsets this financial asset.

With regard to the current classification of financial assets from Group companies implemented in 2020, reference should be made to note (5).

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Trevi S.p.A. | 17,383,037 | | 17,383,037 |
| Soilmec S.p.A. | 38,547,782 | | 38,547,782 |
| TrevI Geos | 1,641,860 | | 1,641,860 |
| Immobiliare SIAB | 48,290 | | 48,290 |
| | | | - |
| **Total Financial assets from subsidiaries** | **57,620,969** | **-** | **57,620,969** |
| Cordusio Fiduciaria S.p.A. | | 10,977,362 | (10,977,362) |
| **Total Current financial assets** | **57,620,969** | **10,977,362** | **46,643,607** |

### (10) Cash and cash equivalents

Cash and cash equivalents at 31 December 2020 were Euro 2,813 thousand, with an increase of Euro 2,667 thousand compared to the previous financial year.

The table below shows the details relating to this item:

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Bank deposits | 2,789,948 | 106,166 | 2,683,782 |
| Cash and cash equivalents | 23,529 | 40,065 | (16,536) |
| **TOTAL** | **2,813,477** | **146,231** | **2,667,246** |

There are no pledges or restricted cash.

**(11) EQUITY**

Changes in the Company's equity are shown in the relevant financial statements schedule and in the following table:

| DESCRIPTION | Share Capital (net of treasury share reduction) | Share premium reserve | Legal reserve | Reserve for treasury shares | Extraordinary reserve | IFRS transition reserve | Fair value reserve | IAS 19 reserve | IFRS 9 reserve | Losses carried forward | Profit/(loss) for the year | Total Equity/(Deficit) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **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)** | **(346,868,490)** | **(90,254,804)** | **(220,703,286)** |
| Loss allocation | - | - | - | - | - | - | - | - | | (90,254,804) | 90,254,804 | - |
| Comprehensive expense | - | - | - | - | - | - | - | (97,791) | | - | (47,831,469) | (47,929,260) |
| **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)** | **(437,123,294)** | **(47,831,469)** | **(268,632,546)** |
| **Balance at 01/01/2020** | **82,289,633** | **114,480,296** | **8,353,039** | **(736,078)** | **15,805,515** | **693,901** | **(1,524,585)** | **11,654** | **(3,051,157)** | **(437,123,294)** | **(47,831,469)** | **(268,632,546)** |
| Loss allocation | | | | | | | | | | (47,831,469) | 47,831,469 | - |
| Capital increase | 15,083,921 | 135,755,293 | | | (2,947,485) | | 1,894,118 | | | | | 149,785,848 |
| Other changes | | | | | | | 1,328,234 | | | | | 1,328,234 |
| Comprehensive income | | | | | | | | 14,220 | | - | 246,035,967 | 246,050,187 |
| **Balance at 31/12/2020** | **97,373,554** | **250,235,589** | **8,353,039** | **(736,078)** | **12,858,031** | **693,901** | **1,697,767** | **25,874** | **(3,051,157)** | **(484,954,763)** | **246,035,967** | **128,531,723** |

*- Share capital*

The Company issued 15,085,569,328 shares, of which 203,900 were purchased as treasury shares. At 31 December 2020, the Company's fully subscribed and paid-up Share Capital amounted to Euro 97,476 thousand, marking an increase compared to 31 December 2019 following the share capital increase completed in May 2020.

*- Share premium reserve:*

At 31 December 2020, the share premium reserve amounted to Euro 250,235 thousand, marking an increase of Euro 135,755 thousand compared to Euro 114,480 thousand at 31 December 2019, following the share capital increase completed in May 2020.

*- 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. At 31 December 2020, this reserve was Euro 8,353 thousand, in line with the previous year.

*- Reserve for Treasury Shares:*

At 31 December 2020, the reserve for treasury shares was negative for Euro 736 thousand, unchanged compared to 31 December 2019.

*- Extraordinary reserve:*

The Extraordinary reserve at 31 December 2020 totalled Euro 12,858 thousand, marking a decrease of Euro 2,947 thousand compared to 31 December 2019. This decrease represents the costs incurred by the Company for the operations strictly related to the capital increase and which, therefore, in accordance with IAS 32, are not to be taken to profit or loss, but to be deducted directly from equity. In particular, they refer to the consultancy fees paid to advisors and companies that supported Trevi Finanziaria Industriale S.p.A. in carrying out the share capital increase.

*- IFRS transition reserve:*

The reserve amounted to Euro 694 thousand at 31 December 2020 and did not change during the year.

- *Fair value reserve:*

At 31 December 2020, this reserve amounted to Euro 1,698 thousand, marking an increase of Euro 3,222 thousand compared to 31 December 2019, due for Euro 1,894 thousand to the share capital increase and for the remaining Euro 1,328 thousand mainly to the effect arising from the application of IFRS 5.

- *IAS 19 reserve:*

This reserve at 31 December 2020 totalled Euro 170 thousand, marking an increase of Euro 14 thousand compared to 31 December 2019.

- *IFRS 9 reserve:*

The reserve was negative for Euro 3,051 thousand at 31 December 2020 and did not change with respect to the previous year.

- *Losses carried forward:*

This item amounted to Euro 484,955 thousand and includes the loss carried forward of the previous year amounting to Euro 47,831 thousand.

- *Profit/(Loss) for the year*

The profit for the year was Euro 247,459 thousand, against the loss of the previous year amounting to Euro 47,831 thousand.

The recapitalisation carried out in 2020 provided for the Trevifin capital increase for a total amount of Euro 193.1 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, without nominal value, having the same characteristics as the outstanding shares, at an issue price per share of Euro 0.01 (taking into account the reverse split carried out on 18 November 2019) (the "**Issue Price**"), of which Euro 0.001 to be attributed to capital and Euro 0.009 to be attributed to share premium, to be offered, with the exclusion of the right of first refusal pursuant to Art. 2441, paragraph 1, of 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, without nominal value, having the same characteristics as the outstanding shares, at an issue price per share of Euro 0.01 (taking into account the reverse split carried out on 18 November 2019), of which Euro 0.001 to be attributed to capital and Euro 0.009 to be attributed to share premium ("**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 "**Capital Increase by Conversion**" and together with the Right of First Refusal Increase, the "**Capital Increase**").

The above-mentioned capital increase falls within the scope of IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”.

The Company determined, in accordance with the above mentioned IFRIC 19 interpretation document, the fair value of the financial instruments converted into equity taking as reference the official price at the date before the conversion, 28 May 2020, and as such available on the day of conversion, equal to Euro 0.0103 per share, multiplied by the number of shares issued to partially extinguish the financial debt, equal to 6,313,724,191; therefore, the fair value of the shares issued is equal to Euro 65,031 thousand. As a result, taking as a reference the Euro 284.1 million that the banks implicitly cancelled for the execution of the financial manoeuvre in the statement of profit or loss, approximately Euro 219.5 million was recognised as income from the execution of the financial manoeuvre, deriving from the implicit elimination resulting from the conversion (see Note 30).

A second part of the recapitalisation was carried out through 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**”), without nominal value, having the same characteristics as the outstanding shares, at an issue price per share of Euro 0.013 (taking into account the reverse split carried out on 18 November 2019), of which Euro 0.001 to be attributed to capital and Euro 0.012 to be attributed to share premium, serving the exercise of a maximum of 1,645,793 loyalty warrants of European type (the “**Warrants**”) that will be assigned to the shareholders before the detachment of the Right of first refusal relating to the Right of First Refusal Increase according to the Right of First Refusal pursuant to Art. 2441, paragraph 1 of Italian Civil Code with free-of-cost issue before 31 May 2020, granting the right to subscribe these Conversion Shares at the expiry date of the Warrants that will fall on the fifth anniversary of the issue date, i.e., 5 May 2025, according to the ratio of 934 new Conversion Shares per each 1 Warrant held.

The Company share is the financial instrument underlying the Warrants. The latter grant the holder the right to subscribe newly issued shares in the ratio of 934 Conversion Shares per each Warrant held at the exercise price of Euro 1.3 for each new shares (taking into account the reverse split implemented on 5 October 2020). The exercise of the subscription right can only take place on the Warrant's expiry 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 each 5 Conversion Shares subscribed through the exercise of 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 give the right to subscribe the Bonus Shares. Warrants are freely transferable and may circulate independently and separately from the shares to which they are attached at the time of issue.

Share capital increase through the exercise of warrants falls within the scope of IAS 32 “Financial Instruments”.

According to paragraph 15 of IAS 32 “the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument”.

Specifically, according to paragraph 16 when an issuer applies the definitions in paragraph 11 (“rights, options or warrants to acquire a fixed number of the entity’s own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own equity instruments”) to determine whether a financial instrument is an equity instrument rather than a financial liability, the instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met:

a) The instrument includes no contractual obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

b) If the instrument will or may be settled in the issuer’s own equity instruments, it is:

(i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

(ii) a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

A contractual obligation, including one arising from a derivative financial instrument, that will or may result in the future receipt or delivery of the issuer’s own equity instruments, but does not meet conditions (a) and (b) above, is not an equity instrument (the so-called fixed for fixed test).

Paragraph 21 further clarifies that the warrant is a financial liability even though the entity must or can settle it by delivering its own equity instruments. It is not an equity instrument because the entity uses a variable number of its own equity instruments as a means to settle the contract.

Therefore, in order to consider a warrant as an equity instrument, it must pass the fixed for fixed test, i.e., the warrant must provide that the number of shares that can be subscribed is fixed in a given quantity (fixed) and that the consideration received if the warrant is exercised is also determined in any currency in a given quantity.

Taking into account the difficulties of interpretation of IAS 32 and after a comparison with the technical bodies of the independent auditors, the fixed for fixed test was not passed due to the presence of bonus shares. Therefore, in accordance with the interpretation given to IAS 32, a non-current liability under IFRS 9 was recognised in the Statement of Financial Position at 31 December 2020. The warrant fair value was measured by using a model based on the market value of Trevi Finanziaria shares and on the volatility of the stock price of shares of a pool of comparables of the Trevi Group. Fair value was updated at 31 December 2020, thus determining a carrying amount in approximately Euro 5.2 million and will be re-measured at each reporting date.

This liability was not classified as financial debt in the net financial position since:

- the Company has no contractual obligation to deliver cash to the holder of Warrants;
- no interest of any kind accrues on this type of liabilities;
- this liability derives from an instrument that will provide the Company with a capital increase at the time of its possible future exercise.

Management will continue to monitor the existence of the conditions that led to the recognition of this liability as from 4 November 2020 (the date on which the uninterrupted ownership of the warrants will give right to bonus shares). In the financial statements closed at 31 December 2020, this liability had a balancing entry in profit or loss among the costs related to the execution of the overall financial manoeuvre.

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 31/12/2020 | Possibility of use | Distribution | Use |
|---|---|---|---|---|
| Share capital | 97,373,554 | | | |
| Share premium reserve | 250,235,589 | B | | 250,235,589 |
| Legal reserve | 8,353,039 | B | | 8,353,039 |
| Extraordinary reserve | 12,858,031 | B | | 12,858,031 |
| Translation reserve | - | B | | - |
| Other reserves | (633,615) | B | | (633,615) |
| Losses carried forward | (484,954,763) | B | | (484,954,763) |
| Reserve for treasury shares | (736,078) | B | | (736,078) |
| Profit for the year | 246,035,967 | | | |
| **TOTAL** | **128,531,723** | | | |

**Profit for the year**

The profit resulting from the TREVI – Finanziaria Industriale S.p.A. separate financial statements at 31 December 2020 amounted to Euro 246,035,967 allocated as detailed below:

- Euro 11,121,672 to the Legal Reserve, to reach one-fifth of the share capital;
- the remaining part, amounting to Euro 234,914,295, to cover accumulated losses carried forward of Euro 486,954,763.

It is also proposed that the Extraordinary Reserve, amounting to Euro 12,858,031, and part of the Share Premium Reserve, amounting to Euro 250,235,589, be fully used to cover the remaining accumulated losses of Euro 250,040,068; after this use, the Share Premium Reserve will amount to Euro 13,053,151.

# LIABILITIES

***NON-CURRENT LIABILITIES***

**(12) Long-term bank loans and borrowings**

Long-term bank loans and borrowings totalled Euro 4,660 thousand at 31 December 2020, marking an increase with respect to the previous year, as detailed below.

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Medium/long-term loans | 4,660,235 | 0 | 4,660,235 |
| **TOTAL** | **4,660,235** | **0** | **4,660,235** |

**(13) Long-term loans and borrowings from other financial backers**

Long-term loans and borrowings from other financial backers at 31 December 2020 amounted to Euro 63,717 thousand, with an increase of Euro 63,388 thousand compared to the same date of the previous year when they amounted to Euro 401 thousand, as detailed below:

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Due to UBI Leasing S.p.A. | 60,204 | 163,259 | (103,055) |
| Due to Caterpillar Financial S.A. | 9,495,608 | - | 9,495,608 |
| Bonds | 50,000,000 | - | 50,000,000 |
| Lease liabilities | 3,995,508 | | 3,995,508 |
| Non-current IFRS 16 lease liabilities | 166,261 | 238,184 | (71,923) |
| **TOTAL** | **63,717,581** | **401,443** | **63,388,061** |

It should be noted that at 31 December 2020, the financial parameters provided for in the "Trevi Finanziaria Industriale 2014-2024" Bond Issue regulations were met.

The terms and conditions of bank loans and borrowings were as follows:

| | | | | | 31/12/2020 | |
|---|---|---|---|---|---|---|
| In thousands of Euro | **Currency** | **Spread** | **Indexing** | **Year due** | **Nominal amount** | **Carrying amount** |
| Unsecured bond | Euro | 2.00% | - | 2024 | **50,000** | **50,000** |
| Unsecured bank loan | Euro | 2.00% | - | 2024 | **84,726** | **84,726** |
| Non-current unsecured bank loan | Euro | 2.00% | - | 2025 | **4,660** | **4,660** |
| Enforcements/repayments on bank loans | Euro | - | - | - | **0** | **0** |
| **Total liabilities** | | | | | **139,386** | **139,386** |

**(14) Non-current derivatives**

At 31 December 2020, in line with the previous financial year, the Company did not have non-current derivatives.

**(15) Deferred tax liabilities**

Deferred tax liabilities totalled Euro 981 thousand at 31 December 2020, marking an increase of Euro 166 thousand compared to the previous financial year end when they were Euro 815 thousand.

The following is the detail of the items making up the balance:

| DESCRIPTION | 31/12/2020 | 31/12/2019 | Changes |
|---|---|---|---|
| Tax depreciation misalignment | | 1,782 | (1,782) |
| Taxes for previous years | 346,321 | 346,321 | - |
| Unrealised exchange gains/(losses) | 634,390 | 466,402 | 167,988 |
| **TOTAL** | **980,711** | **814,505** | **166,206** |

**(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 2020, post-employment benefits amounted to Euro 695 thousand, with a decrease of Euro 143 thousand compared to the previous financial year end.

The following table details the changes in this item for the 2020 financial year:

| DESCRIPTION | Balance at 31/12/2019 | Portion accrued and allocated in the statement of profit or loss | Portion transferred to other companies and advances paid | Changes in favour of supplementary pension funds | Fair value reserve portion | Balance at 31/12/2020 |
|---|---|---|---|---|---|---|
| Post-employment benefits | **838,048** | 278,978 | (264,933) | (142,531) | (14,220) | **695,344** |

The main assumptions used to determine the obligation relating to the post-employment benefits, as previously described under the section covering the accounting policies used, are illustrated below:

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| | % | % |
| Annual technical discount rate | 0.34% | 0.77% |
| Inflation rate | 1.00% | 1.00% |
| Annual rate of Post-employment benefits | 2.50% | 2.25% |
| Turnover | 15.00% | 15.00% |

**(17) Provisions for risks and charges**

The provision amounted to Euro 10,963 thousand, increasing by Euro 7,085 thousand compared to the previous year end.

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Provisions for risks and charges | 10,963,781 | 18,049,214 | (7,085,433) |
| **TOTAL** | **10,963,781** | **18,049,214** | **(7,085,433)** |

The balance consisted mainly of future charges related to the assumption of positions attributable to the Water Division arising from the sale of the Oil & Gas Division for Euro 2,823 thousand, of provisions for guarantees made in accordance with IFRS 9 for Euro 6,870 thousand, and of bonuses and charges related to the long-term incentive plan for Euro 1,079 thousand; the plan, approved by the Shareholders on 30 December 2020, is articulated on three annual cycles, and has as its goal a cash bonus and the assignment of one free share of the Company for each right accrued, if certain performance targets are met and the beneficiary remains at the company.

**(17.1) Other non-current liabilities**

This item includes the fair value measurement at 31 December 2020 of the loyalty warrant issued in the context of the capital increase as detailed in note (11).

***CURRENT LIABILITIES***

**(18) Trade payables and other current liabilities**

At 31 December 2020, trade payables and other current liabilities amounted to Euro 7,861 thousand, decreasing by Euro 15,400 thousand compared to the previous year.

Details of this item are given in the following table:

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Trade payables | 6,789,247 | 19,427,128 | (12,637,881) |
| Due to social security institutions | 165,967 | 181,497 | (15,529) |
| Other amounts due | 899,269 | 3,393,195 | (2,493,926) |
| Deferred income for leases | 6,510 | 258,758 | (252,248) |
| **TOTAL** | **7,860,993** | **23,260,578** | **(15,399,585)** |

The strong decrease is mainly due to the substantial reduction in trade payables to third party suppliers, mainly achieved through the payment of past positions made possible by the injection of liquidity following the capital increase described above.

The breakdown of trade payables is shown in the following table:

| Description | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Not past due | 3,579,844 | 8,320,386 | (4,740,542) |
| Past due from 1 to 3 months | 649,772 | 1,576,000 | (926,228) |
| Past due from 3 to 6 months | 1,891,766 | 1,293,867 | 597,899 |
| Past due from more than 6 months | 667,865 | 11,422,489 | (10,754,624) |
| **Total** | **6,789,247** | **22,612,742** | **(15,823,495)** |

Details of Other amounts due are shown below:

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Due to employees for holidays accrued and not used | 468,388 | 414,296 | 54,092 |
| Due to employees for additional monthly payments | - | 2,497,477 | (2,497,477) |
| Other | 430,881 | 481,422 | (50,541) |
| **TOTAL** | **899,269** | **3,393,195** | **(2,493,926)** |

**(19) Trade payables and other current liabilities to subsidiaries**

Trade payables and other current liabilities to subsidiaries were Euro 19,084 thousand at 31 December 2020, in line with the figure of Euro 20,064 thousand at the previous financial year end.

Details of this item are given in the following table:

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Trade payables to subsidiaries | 2,126,407 | 4,072,388 | (1,945,981) |
| Liabilities attributable to the share of the results of UTE TREVI S.p.A. TREVI – Finanziaria Industriale S.p.A. Sembenelli S.r.l. for the “Borde Seco” contract. | 2,098,023 | 2,162,424 | (64,401) |
| Group tax consolidation liabilities | 14,859,527 | 13,829,441 | 1,030,086 |
| **TOTAL** | **19,083,957** | **20,064,253** | **(980,296)** |

Trade payables to subsidiaries refer mainly to current trade payables to Trevi S.p.A. and Soilmec S.p.A., in addition to tax consolidation liabilities. The analytical list is available under paragraph “Other Information - Related Parties”.

**(20) Current tax liabilities**

Current tax liabilities totalled Euro 1,533 thousand at 31 December 2020 (Euro 0 at 31 December 2019) and refer to Irap.

**(21) Short-term bank loans and borrowings**

At 31 December 2020, short-term bank loans and borrowings amounted to Euro 64,513 thousand, with a decrease of Euro 255,150 thousand compared to the previous year end when they amounted to Euro 319,663 thousand.

| DESCRIPTION | Balance at 31/12/2019 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Short-term loans | 64,513,548 | 319,663,190 | (255,149,642) |
| **TOTAL** | **64,513,548** | **319,663,190** | **(255,149,642)** |

The change compared to 31 December 2019 is attributable to the reclassification from current to non-current financial liabilities following the effectiveness of the Restructuring Agreement signed on 5 August 2019 and effective as of 29 April 2020. The item bank loans and borrowings includes the calculation of the fair value of the rescheduled financial debt, in accordance with IFRS 9, determined at the date of effectiveness of the restructuring agreement and remeasured at 31 December 2020 leading to a decrease in long-term bank loans and borrowings of about Euro 27,196 thousand. Following the failure to meet the financial parameters at 31 December 2020 relating to the bank loans and borrowings under the Restructuring Agreement, in accordance with IFRS 9, these have been presented in the financial statements with a short-term maturity, although the original maturity date of 2024 remains unchanged.

**(22) Short-term loans and borrowings from other financial backers**

Short-term loans and borrowings from other financial backers were Euro 44,983 thousand at 31 December 2020, with a decrease of Euro 144,949 thousand compared to the previous financial year end.

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Short-term loans and borrowings from other financial backers | 44,982,693 | 189,931,854 | (144,949,161) |
| **TOTAL** | **44,982,693** | **189,931,854** | **(144,949,161)** |

Below are the details relating to this item:

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Due to Trevi S.p.A. | | 966,994 | (966,994) |
| Due to Trevi Icos | 3,911,662 | | 3,911,662 |
| Due to UBI Leasing S.p.A. | 103,519 | 100,291 | 3,228 |
| Due to Caterpillar Financial S.A. | 1,381,011 | 27,042,884 | (25,661,873) |
| Due to Albaleasing S.p.A. | 56,198 | 3,553,300 | (3,497,102) |
| Due to Mediocredito Italiano S.p.A. | 432,048 | 1,148,087 | (716,039) |
| Due to Selmabipiemme Leasing S.p.A. | | 2,827,814 | (2,827,814) |
| Caterpillar financing | 842,055 | 10,104,267 | (9,262,212) |
| Due to SC Lowy Financial | 11,653,137 | 67,216,737 | (55,563,600) |
| Payment on account to Escrow Account | | 13,999,403 | (13,999,403) |
| Amco Asset Mgmt. Co. S.p.A. | 12,010,343 | 11,552,253 | 458,089 |
| Sace S.p.A. | 14,515,741 | 51,266,667 | (36,750,926) |
| Short-term IFRS 16 | 76,980 | 153,158 | (76,178) |
| **TOTAL** | **44,982,693** | **189,931,854** | **(144,949,162)** |

**(23) Current derivatives**

There were no liabilities linked to current derivatives. At 31 December 2019, current derivatives amounted to Euro 129 thousand, but as a result of the effectiveness of the Restructuring Agreement they became financial liabilities due to their rescheduling at 31 December 2024.

The details of this item are listed below in the table:

| DESCRIPTION | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Current derivatives | 0 | 12,047 | (129,047) |
| **TOTAL** | **0** | **12,047** | **(129,047)** |

The following is a breakdown of net financial debt:

**NET FINANCIAL DEBT**
*(Amounts in Euro)*

| | | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| A | Cash | 23,529 | 40,065 |
| B | Other cash and cash equivalents (details) | 2,789,948 | 106,166 |
| C | Securities held for trading | | |
| **D** | **Cash and cash equivalents (A+B+C)** | **2,813,477** | **146,231** |
| **E** | **Current financial assets** | **53,709,307** | |
| F | Short-term bank loans and borrowings | - | - |
| G | Current portion of non-current debt | 64,513,548 | 319,663,188 |
| H | Other current financial liabilities | 41,071,031 | 190,060,901 |
| **I** | **Current financial debt (F+G+H)** | **105,584,579** | **509,724,089** |
| **J** | **Net current financial debt (I-E-D)** | **49,061,795** | **509,577,858** |
| K | Long-term bank loans and borrowings | 4,660,235 | |
| L | Bonds issued | 50,000,000 | |
| M | Other non-current liabilities | 13,717,581 | 401,443 |
| **N** | **Non-current financial debt (K+L+M)** | **68,377,816** | **401,443** |
| **O** | **Net financial debt (J+N)** | **117,439,611** | **509,979,301** |
| **P** | Non-current financial assets including intragroup transactions | 10,000,000 | 93,466,964 |
| **Q** | **Total net financial debt (O+P)** | **107,439,611** | **416,512,337** |

For the purposes of the table above, the financial liabilities at 31 December 2020 due to the banks under the Restructuring Agreement by December 2024 were classified as current financial liabilities in accordance with IAS 1, paragraph 69, due to the failure to meet the financial parameters at 31 December 2020 set out in the Restructuring Agreement. For any further information, reference should be made to paragraph “Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern”.

***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 281,123,892 and refer to the issuance of sureties for VAT reimbursements 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.

• Guarantees given to third parties: these amount to Euro 233,711,108 and refer in particular to:

- Bank guarantees for Euro 194,795,861.00 to guarantee cash and secured lines as well as leases for subsidiaries of Trevi Finanziaria Industriale S.p.A.;
- Commercial guarantees (mainly to take part in tenders, performance bonds and contractual advances) for Euro 35,135, 634.00;
- Financial guarantees of Euro 3,479,749.00 issued to banks for loans received.

*__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 2020.

**(24) Revenue from sales and services**

Revenue from sales and services amounted to Euro 13,906 thousand compared to Euro 27,178 thousand in 2019, with a decrease of Euro 13,271 thousand mainly attributable to the sale of the Oil and Gas Division that took place in the first quarter of 2020. The breakdown of revenue by nature is detailed below:

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Revenue from equipment hire | 2,621,837 | 10,172,604 | (7,550,767) |
| Revenue from commission on guarantees | 2,209,059 | 1,973,633 | 235,426 |
| Revenue for services provided to subsidiaries | 9,075,312 | 15,031,291 | (5,955,978) |
| **TOTAL** | **13,906,209** | **27,177,528** | **(13,271,319)** |

The following is a breakdown by geographical segment of revenue from sales and services:

| GEOGRAPHICAL SEGMENT | 2020 | % | 2019 | % |
|---|---|---|---|---|
| Italy | 9,244,380 | 66,48% | 16,575,479 | 60,99% |
| Europe (excluding Italy) | 509,936 | 3.67% | 4,248,298 | 15.63% |
| U.S.A. and Canada | 748,290 | 5.38% | 5,548,360 | 20.42% |
| Latin America | 746,245 | 5.37% | 266,857 | 0.98% |
| Africa | 5,306 | 0.04% | 532,571 | 1.96% |
| Middle East and Asia | 1,898,399 | 13.65% | 5,964 | 0.02% |
| Far East | 753,653 | 5.42% | | |
| **TOTAL** | **13,906,209** | **100%** | **27,177,528** | **100%** |

Revenue were almost exclusively generated with companies of the Group, and as shown in the table above concerned 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 1,695 thousand compared to Euro 5,269 thousand in 2019, with a decrease of Euro 3,574 thousand, as shown in the table below:

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Lease income | 113,506 | 2,012,501 | (1,898,995) |
| Recovery of expenses | 674,079 | 1,069,643 | (395,564) |
| Gains on disposal of non-current assets | 110,917 | 2,018,097 | (1,907,180) |
| Prior year income | 300,620 | 130,653 | 169,967 |
| Insurance repayments | 488,838 | - | 488,838 |
| Other | 6,663 | 37,838 | (31,175) |
| **TOTAL** | **1,694,623** | **5,268,732** | **(3,574,109)** |

The decrease, as shown in note (24), is mainly attributable to the disposal of the Oil & Gas Division in the first quarter of 2020; the item "Lease income" mainly refers to the charge to the subsidiaries Trevi S.p.A. and Soilmec S.p.A. of the offices in Cesena (FC), while the item "Recovery of expenses" refers mainly to the recovery of costs incurred for various reasons by the Company in favour of its subsidiaries; an insurance repayment of Euro 488 thousand (0 in 2019) was also recognised.

**(26) Raw materials and consumables**

The cost of raw materials and consumables amounted to Euro 74 thousand, compared to Euro 32 thousand in 2019 with an increase of Euro 42 thousand.

**(27) Personnel expense**

Personnel expense amounted to Euro 5,579 thousand compared to Euro 7,729 thousand in 2019, with a decrease of Euro 2,150 thousand.

The detail of personnel expense is summarised in the following table:

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Wages and salaries | 4,362,558 | 5,936,574 | (1,574,016) |
| Social security charges | 937,442 | 1,591,045 | (653,603) |
| Post-employment benefits | 278,978 | 201,667 | 77,311 |
| **TOTAL** | **5,578,978** | **7,729,286** | **(2,150,307)** |

In 2020, personnel expense included Euro 1,319 thousand relating to mutually-agreed employment terminations.

The changes recorded during the year are shown below:

| DESCRIPTION | 31/12/2020 | Increases | Decreases | 31/12/2019 |
|---|---|---|---|---|
| Executives | 13 | 2 | 2 | 13 |
| Managers | 6 | 3 | | 3 |
| White-collar workers | 28 | 8 | 2 | 22 |
| **TOTAL** | **47** | **13** | **4** | **38** |

**(28) Other operating expenses**

Other operating expenses amounted to Euro 11,140 thousand compared to Euro 19,110 thousand in 2019, decreasing by Euro 7,970 thousand.

This item includes:

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Costs for third-party services | 9,503,983 | 17,564,329 | (8,060,346) |
| Use of third-party assets | 148,749 | 125,116 | 23,633 |
| Other operating expenses | 1,487,473 | 1,420,731 | 66,742 |
| **TOTAL** | **11,140,205** | **19,110,173** | **(7,969,972)** |

The costs for third-party services are as follows:

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Directors' remuneration | 979,959 | 926,921 | 53,037 |
| Statutory auditors' remuneration | 147,437 | 137,863 | 9,574 |
| Telephone Service | 598,791 | 738,985 | (140,194) |
| Third-party services, legal, administrative and technical consultancy | 4,730,670 | 12,920,379 | (8,189,709) |
| Data Centre maintenance | 2,048,188 | 1,750,431 | 297,757 |
| Food, Accommodation and Travel | 76,988 | 428,557 | (351,569) |
| Insurance companies | 688,743 | 466,324 | 222,419 |
| Advertising insertions and communications | 98,453 | 65,536 | 32,917 |
| INPS contributions for self-employed workers | 58,452 | 42,606 | 15,846 |
| Bank services | | 40,017 | (40,017) |
| Other | 76,302 | 46,710 | 29,593 |
| **TOTAL** | **9,503,983** | **17,564,329** | **(8,060,346)** |

The item "Directors' remuneration" also includes remunerations paid to Directors as members of the Appointment and Remuneration Committee, the Risk Control Committee and the Related Party Committee.

For more details, see the paragraph "Other Information" on the remuneration paid to Directors and Statutory Auditors.

As shown in the table above, the decrease in the item "Other operating expenses" is essentially identifiable with the significant reduction in the expenses recorded in the consultancy entry. The 2019 separate financial statements included the numerous consulting activities, mainly of a legal and financial nature, related to the restructuring manoeuvre of the Company and more generally of the Group, which

led in 2020 to the sale of the Oil & Gas Division, the capital increase and the consequent renegotiation of the financial debt. Although these consultancy services continued during the year under review, there was a significant decrease compared to the previous year.
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 that is centralised at TREVI - Finanziaria Industriale S.p.A and that is one of the services that the Company provides and charges to its subsidiaries.

The item Use of third-party assets is in line with the previous year and is broken down as follows:

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Equipment leases | 37,820 | 211,200 | (173,380) |
| Lease expense | 110,929 | (86,084) | 197,013 |
| **TOTAL** | **148,749** | **125,116** | **23,633** |

Details of other operating expenses are shown in the following table:

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Taxes other than income tax | 758,809 | 785,335 | (26,526) |
| Other sundry expenses | 301,832 | 599,326 | (297,494) |
| Non-deductible miscellaneous prior year expense | 426,832 | 36,070 | 390,762 |
| **TOTAL** | **1,487,473** | **1,420,731** | **66,742** |

As shown in the table, the balance of approximately Euro 1,487 thousand is substantially in line with the previous year.

**(29) Depreciation and amortisation**

Depreciation and amortisation amounted to Euro 2,735 thousand compared to Euro 2,959 thousand in 2019 with a decrease of Euro 224 thousand, as detailed below:

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Amortisation of intangible assets | 32,256 | 45,125 | (12,869) |
| Depreciation of property, plant and equipment | 2,702,908 | 2,914,205 | (211,297) |
| **TOTAL** | **2,735,164** | **2,959,330** | **(224,167)** |

Further details are reported in the comment on Intangible assets and Property, plant and equipment.

**(29.1) Provisions, impairment losses and releases**

At 31 December 2020, impairment losses of Euro 582 thousand were recognised in relation to equipment rented in the Middle East, and provisions of Euro 1,560 thousand were recognised, mainly related to the long-term incentive plan and employee bonuses. For further details, reference should be made to Note 17 - Provisions for risks and charges. Finally, the loss allowance was released for Euro 3,936 thousand, following the application of IFRS 9 and an analysis on the recoverability of trade receivables.

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Provisions for risks | - | 409,461 | (409,461) |
| Loss allowance | (3,935,596) | 2,337,563 | (6,273,159) |
| Impairment losses on property, plant and equipment | 582,000 | - | 582,000 |
| Other provisions | 1,559,970 | - | 1,559,970 |
| **TOTAL** | **(1,793,626)** | **2,747,024** | **(4,540,650)** |

**(30) Financial income**

Financial income amounted to Euro 281,994 thousand compared to Euro 10,148 thousand in 2019, with an increase of Euro 271,846 thousand.

The details of this item are shown below:

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Financial income from non-current financial assets | 2,439,154 | 9,911,214 | (7,472,060) |
| Financial income from fair value measurement | 31,733,860 | - | 31,733,860 |
| Financial income from financial manoeuvre | 243,543,959 | - | 243,543,959 |
| Other financial income | 4,277,487 | 237,117 | 4,040,370 |
| **TOTAL** | **281,994,460** | **10,148,331** | **271,846,129** |

The item Financial income from fair value measurement includes the adjustment to fair value of non-current financial liabilities, following the rescheduling of liabilities at 31 December 2024, which took place when the Restructuring Agreement became effective.

The item Financial income from financial manoeuvre is mainly represented by the positive difference deriving from the conversion of part of the financial liabilities into capital by lending banks and, in particular, from the simultaneous elimination of part of the financial liabilities in execution of the restructuring agreement pursuant to Art. 182-*bis* of the Italian Bankruptcy Law.

This income derived from a conversion of a pre-existing debt and consequent elimination of the remaining liability and, therefore, not from a relationship characterised by a financial cause that may be an interest or similar income; it is also the result of a waiver by banks of interest accrued but not collected.

**(31) Financial expense**

The item Financial expense amounted to Euro 25,980 thousand against Euro 17,975 thousand recognised in 2019, marking an increase of Euro 8,005 thousand mainly due to the item "Expense deriving from the recognition of Warrants" for Euro 5,229 thousand and for Euro 4,553 thousand to the fair value measurement of the non-current bank debt.

Below in the table are the details relating to this item:

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Interest expense with banks | 12,480,886 | 15,567,142 | (3,086,257) |
| Financial expense from fair value measurement | 4,533,408 | - | 4,533,408 |
| Expense deriving from the recognition of Warrants | 5,229,370 | - | 5,229,370 |
| Fees and commissions on securities | 1,022,907 | 1,212,367 | (189,460) |
| Commissions on loans | - | 133,586 | (133,586) |
| Interest expense with lease companies | 1,008,614 | 824,852 | 183,762 |
| Other financial expense | 1,704,747 | 237,398 | 1,467,349 |
| **TOTAL** | **25,979,932** | **17,975,345** | **8,004,587** |

**(32) Exchange gains/(losses)**

Foreign currency transactions for 2020 led to net exchange gains of Euro 735 thousand, compared to net exchange losses of Euro 56 thousand in 2019, with an increase equal to Euro 792 thousand.

| Description | 2020 | 2019 | Changes |
|---|---|---|---|
| Net exchange gains/(losses) | 735,451 | (56,315) | 791,766 |
| **TOTAL** | **735,451** | **(56,315)** | **791,766** |

**(33) Adjustments to financial assets**

During the financial year, the Company made adjustments to financial assets for a total of Euro 2,538 thousand, of which approximately Euro 60 thousand related to impairment losses on financial assets which are not equity investments, for Euro 4,525 thousand referring to the application of IFRS 9 to financial guarantees to subsidiaries, and for Euro 1,178 thousand related to the impairment loss on the investment in the subsidiary Soilmec S.p.A. as a result of the impairment test carried out; the loss allowance was also used for a total amount of Euro 3,225 thousand.

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| | | - | - |
| Impairment losses on financial assets which are not equity investments | 59,850 | 7,487,381 | (7,427,531) |
| Impairment losses on Equity investments | 1,178,128 | 169,255,424 | (168,077,296) |
| Use of loss allowance | (3,224,916) | (155,561,295) | 152,336,378 |
| Adjustments | 4,525,071 | 924,981 | 3,600,090 |
| **TOTAL** | **2,538,133** | **22,106,491** | **(19,568,359)** |
| Transfer to assets held for sale | | (10,381,557) | |
| **TOTAL** | **2,538,133** | **11,724,934** | |

**(34) Income tax benefit/expense**

The income taxes of the year were calculated taking into account the expected taxable income. The income tax benefit amounted to Euro 4,311 thousand compared to an income tax expense figure of Euro 1,138 thousand in 2019, with an increase of Euro 5,449 thousand mainly attributable to the recognition of Irap for Euro 1,534 thousand, resulting from the sale of the Oil & Gas Division that took place in the first quarter of 2020, and to the impairment loss on deferred tax assets accrued in 2019 for Euro 1,417 thousand following a recoverability test applied to the 2021-2024 period. The item is detailed in the following table:

| DESCRIPTION | 2020 | 2019 | Changes |
|---|---|---|---|
| Corporate Income Tax (IRES) | 1,364,506 | 1,009,475 | 355,031 |
| Regional Business Tax (IRAP) for the financial year | 1,533,664 | | 1,533,664 |
| Taxes for previous years | (53,078) | 139,482 | (192,560) |
| Discontinued operations | (116,745) | | (116,745) |
| Deferred tax income | 1,416,754 | (1,416,754) | 2,833,508 |
| Deferred tax expense | 166,206 | (870,030) | 1,036,236 |
| **TOTAL** | **4,311,307** | **(1,137,827)** | **5,449,134** |

The increase in higher IRAP tax is mainly due to the renegotiation of the residual bank debt, agreed with banks at more favourable conditions compared to those applied in previous years; as a result, significant financial income arose, partly subject to IRAP, as the Company falls within the non-financial holding companies included in Article 6, paragraph 9 of Italian Legislative Decree No. 446 of 15 December 1997, for the purposes of determining the IRAP taxable base. On 26 October 2020, given the uncertainty of the regulatory framework, the Company filed an appeal with the Tax Authorities - Emilia Romagna Regional Department, in order to know in advance the tax treatment for IRAP purposes for the income deriving from the signing of the Restructuring Agreement and its implementation, also through a capital increase.

The higher IRAP tax was determined on the basis of the response, received from the Tax Authorities on 21 January 2021, to the above-mentioned appeal.

Current taxes were calculated using the tax rates of 24% for IRES and 4.82% for IRAP; the table below reconciles the actual tax expense with the theoretical one:

| Reconciliation theoretical/actual tax expense | | | | |
|---|---|---|---|---|
| | **2020** | % | **2019** | % |
| **Profit/(loss) before taxes** | **250,347,274** | | **(48,969,297)** | |
| **Taxes calculated at the tax rate in force** | **60,083,346** | **24.00%** | **(11,752,635)** | **24.00%** |
| Permanent differences | (58,771,918) | (23.48%) | 15,177,246 | (30.99%) |
| Temporary differences | 1,582,960 | 0.63% | (2,286,784) | 4.67% |
| Discontinued operations | (116,745) | (0.05%) | | |
| Regional business tax (IRAP) | 1,533,664 | 0.61% | | |
| **Total Income Tax benefit/expense recognised in the Statement of Profit of Loss** | **(4,311,307)** | **(1.72%)** | **(1,137,827)** | **2.32%** |

### (34.1) Loss from assets held for sale

At 31 December 2020, the loss for assets held for sale amounted to Euro 3,222 thousand and includes future charges relating to the assumption of the liabilities of the Water Division totalling Euro 2,823 thousand.

### (35) Profit/(loss) for the year

#### Profit for the year

In the first semester of 2020, the Company completed the process of capital strengthening and financial debt restructuring started in 2017 and coped with the managerial challenges derived from the Covid-19 pandemic.The profit for the year ended 31 December 2020 amounted to Euro 246,036 thousand (compared to a loss of Euro 47,831 thousand at 31 December 2019), the equity at 31 December 2020 amounted to Euro 128,532 thousand (deficit of Euro 268.6 million at 31 December 2019), thus overcoming the issues linked to the presence of the conditions set out in Article 2447 of the Italian Civil Code. The 2020 financial year showed a negative trend in terms of operating loss of Euro 643 thousand (compared with the operating loss for the previous year of Euro 131 thousand). The profit from continuing operations amounted to Euro 249,257 thousand (compared to a loss of Euro 18,602 thousand in 2019).

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 between the Company and its Subsidiaries at 31/12/2020*

*Amounts expressed in thousands of Euro*

| **Non-current financial assets from subsidiaries** | **31/12/2020** | **31/12/2019** | **Changes** |
|---|---|---|---|
| Trevi S.p.A. | 0 | 23,605 | (23,605) |
| Soilmec S.p.A. | 0 | 57,155 | (57,155) |
| Other | 0 | 1,730 | (1,730) |
| **TOTAL** | **0** | **82,490** | **(82,490)** |

| **Current financial assets from subsidiaries** | **31/12/2020** | **31/12/2019** | **Changes** |
|---|---|---|---|
| Trevi S.p.A. | 17,383 | 0 | 17,383 |
| Soilmec S.p.A. | 38,548 | 0 | 38,548 |
| Other | 1,690 | 0 | 1,690 |
| **TOTAL** | **57,621** | **0** | **57,621** |

| **Trade receivables and other current assets from subsidiaries** | **31/12/2020** | **31/12/2019** | **Changes** |
|---|---|---|---|
| Trevi S.p.A. | 21,220 | 18,183 | 3,037 |
| Soilmec S.p.A. | 13,369 | 9,523 | 3,846 |
| Other | 19,557 | 14,766 | 4,791 |
| **TOTAL** | **54,146** | **42,472** | **11,674** |

| **Financial liabilities and other current liabilities to subsidiaries** | **31/12/2020** | **31/12/2019** | **Changes** |
|---|---|---|---|
| Trevi S.p.A. | 0 | 967 | (967) |
| Trevi Icos Corporation | 3,912 | 0 | 3,912 |
| **TOTAL** | **3,912** | **967** | **2,945** |

| **Trade payables and other current liabilities to subsidiaries** | **31/12/2020** | **31/12/2019** | **Changes** |
|---|---|---|---|
| Trevi S.p.A. | 9,385 | 12,392 | (3,007) |
| Soilmec S.p.A. | 5,574 | 3,155 | 2,419 |
| Other | 4,125 | 4,517 | (391) |
| **TOTAL** | **19,084** | **20,064** | **(980)** |

| **Revenue from sales and services** | **2020** | **2019** | **Changes** |
|---|---|---|---|
| Trevi S.p.A. | 5,877 | 9,025 | (3,148) |
| Soilmec S.p.A. | 2,586 | 4,724 | (2,138) |
| Drillmec S.p.A. | 0 | 1,147 | (1,147) |
| Petreven S.p.A. | 0 | 675 | (675) |
| Other | 4,795 | 11,607 | (6,812) |
| **TOTAL** | **13,257** | **27,177** | **(13,920)** |

| **Raw materials and services** | **2020** | **2019** | **Changes** |
|---|---|---|---|
| Trevi S.p.A. | 197 | 230 | (33) |
| Soilmec S.p.A. | 460 | 425 | 35 |

| | | | |
|---|---|---|---|
| Other | 17 | 3 | 14 |
| **TOTAL** | **674** | **659** | **15** |

| Financial income | 2020 | 2019 | Changes |
|---|---|---|---|
| Trevi S.p.A. | 666 | 953 | (287) |
| Soilmec S.p.A. | 1,595 | 2,537 | (942) |
| Drillmec S.p.A. | 0 | 4,291 | (4,291) |
| Petreven S.p.A. | 0 | 1,866 | (1,866) |
| Other | 178 | 502 | (324) |
| **TOTAL** | **2,439** | **10,148** | **(7,709)** |

Related party transactions are carried out under normal market conditions.

*Amounts expressed in thousands of Euro*

| Trade receivables and other current assets from related parties | 31/12/2020 | 31/12/2019 | Changes |
|---|---|---|---|
| PARCHEGGI S.p.A. | 38 | 10 | 28 |
| **TOTAL** | **38** | **10** | **28** |
| | 0.00% | 0.02% | |

| Revenue from sales and services | 2020 | 2019 | Changes |
|---|---|---|---|
| PARCHEGGI S.p.A. | 34 | 57 | (23) |
| **TOTAL** | **34** | **57** | **(23)** |
| | 0.00% | 0.21% | |

### ***Remuneration of Directors and Statutory Auditors***

The Board of Directors of Trevi – Finanziaria Industriale S.p.A. in office at the date of the 2020 Separate Financial Statements was appointed by the Shareholders at their Meeting of 30 September 2019 for the three-years 2019 - 2020 - 2021, and is made up of 11 board members, of which 3 executive Directors, two non-executive Directors and six non-executive and independent Directors.
During 2020, the following changes took place in the board:

- on 31 July 2020 Stefano Trevisani resigned from his position;
- on 30 December 2020, the shareholders appointed Cinzia Farisè as an independent Director to replace Stefano Trevisani.

Between 31 December 2020 and the date of approval of the 2020 financial statements, the following further changes in the board took place:

- on 2 March 2021, the resignation from the position of director submitted by Luca Caviglia became effective;
- on 2 December 2021, the shareholders appointed Cinzia Farisè as an independent director to replace Stefano Trevisani.

Pursuant to the Consob regulation, the remunerations settled and/or paid to the Directors and Statutory Auditors of the Company are detailed below:

| Name | Company | Office | Remuneration for the office | Other remuneration |
|---|---|---|---|---|
| **Luca d'Agnese** | Trevi - Fin. Ind. S.p.A. | Chairman of the Board of Directors | 10,000 | - |
| **Cesare Trevisani** | Trevi - Fin. Ind. S.p.A. | Deputy Chairman | 100,000 | - |
| **Giuseppe Caselli** | Trevi - Fin. Ind. S.p.A. | Chief Executive Officer | - | 500,000 |
| **Sergio Iasi** | Trevi - Fin. Ind. S.p.A. | Chief Executive Officer | 347,500 | 2,000,000 |
| **Luca Caviglia** | Trevi - Fin. Ind. S.p.A. | Non-executive Board director | 40,000 | 22,300 |
| **Marta Dassù** | Trevi - Fin. Ind. S.p.A. | Non-executive and independent Board Director | 40,000 | 14,400 |
| **Cristina Finocchi Mahne** | Trevi - Fin. Ind. S.p.A. | Non-executive and independent Board Director | 40,000 | 35,700 |
| **Elisabetta Olivieri** | Trevi - Fin. Ind. S.p.A. | Non-executive and independent Board Director | 40,000 | 30,300 |
| **Alessandro Piccioni** | Trevi - Fin. Ind. S.p.A. | Non-executive Board Director | 40,000 | 11,300 |
| **Rita Rolli** | Trevi - Fin. Ind. S.p.A. | Non-executive and independent Board Director | 40,000 | 39,700 |
| **Stefano Trevisani** | Trevi - Fin. Ind. S.p.A. | Chief Executive Officer (Until 31/07/2020) | 23,300 | 97,400 |
| **Cinzia Farisè** | Trevi - Fin. Ind. S.p.A. | Non-executive and independent Board Director since 30/12/2020 | - | - |
| | | | **720,800** | **2,751,100** |

The other remuneration refers to the salaries paid to Directors as employees of the Company and to the Board Members for their positions held on the Committees mentioned below.
The activities of the Board of Directors' Internal Committees, based on the Board of Directors' resolution of 23 January 2020, require the granting, for each Committee, of the following fees:

- Euro 28,333 for the Chairman of the Control, Risk and Sustainability Committee and Euro 22,333 for its members;
- Euro 19,000 for the Chairman of the Appointments and Remuneration Committee and Euro 13,333 for its members;
- Euro 14,378 for the Chairman of the Related Party Committee and Euro 11,333 for its members.

At 31 December 2020 and the date of preparation of this report, three Committees have been set up: the Control, Risk and Sustainability Committee, the Appointments 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 cost of Euro 130 thousand was recorded for the Statutory Auditors, divided as follows:

| Name | Office | Term of office (in months) | Company remuneration |
|---|---|---|---|
| Milena Motta | Standing Auditor (Chairperson) until 10 July 2020 | 6 | 25,890 |
| Marco Vicini | Standing Auditor until 10/07/2020 | 6 | 20,712 |
| Marco Vicini | Standing Auditor (Chairman) since 10/7/2020 | 6 | 24,110 |
| Raffaele Ferrara | Standing Auditor | 12 | 40,000 |
| Mara Pierini | Standing Auditor since 10/07/2020 | 6 | 19,288 |
| **TOTAL** | | | **130,000** |

On 9 July 2020, Milena Teresa Motta resigned as Chairperson and Standing Auditor of the Company's Board of Statutory Auditors and, in compliance with Art. 2401 of Italian Civil Code and Art. 32 of the Articles of Association, Marco Vicini, formerly Standing Auditor, was appointed Chairman of the Board of Statutory Auditors and Mara Pierini, formerly Alternate Auditor, was appointed Standing Auditor as resolved by the Shareholders at their Meeting on 30 December 2020.

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 paragraph 1-*bis* No. 303 of Italian Law 262 of 28 December 2005 integrated by Italian Legislative Decree of 29 December 2006.

| *(Amounts in Euro)* | **Audit** | **Certification services** | **Total** |
|---|---|---|---|
| KPMG S.p.A. | 1,126,381 | 238,000 | 1,364,381 |
| **total** | **1,126,381** | **238,000** | **1,364,381** |

**Events after the reporting period**

On 31 January 2021, the Company announced to the market that, based on preliminary information available at that date in relation to the 2020 performance - also affected by the Covid-19 pandemic's effects on the worldwide economy, which conditioned the business of the Group -, it was possible to foresee that, at the time of approval of the Consolidated Financial Statements of the Trevi Group, one of the financial parameters set out in the Restructuring Agreement, namely the ratio of consolidated net financial debt and recurring gross operating profit, would not be met.

On 24 February 2021, Trevifin informed the market about the start of discussions with the Lending Banks aimed at identifying the amendments to the existing agreements necessary to deal with the foreseeable failure to comply with one of the financial parameters set out in the Restructuring Agreement, at the approval of the consolidated financial statements for the year 2020. The Company also communicated that, based on the preliminary information available at that date relating to the performance for the year 2020 and further analyses then underway on the Company's outlook in the current market context, strongly affected by the spread of the Covid-19 pandemic, a general slowdown emerged in the achievement of the objectives identified in the Original Consolidated Plan, which did not seem to be entirely achievable within the time frame taken into account. In consideration of the above, in the discussions initiated with the Lending Banks, the Company envisaged both the granting of the usual waivers and changes to the financial parameters originally set in the Restructuring Agreement, as well as the recalculation of some due dates scheduled for the current year relating to some exposures.

The Trevi Group's performance in the first months of the year in terms of order intake, revenue and backlog was in line with the forecasts of the first year of the Updated Consolidated Plan, as approved by the Board of Directors of 23 April 2021 and announced to the market on 24 April 2021.

Cesena, 28 April 2021

The Chairman of the Board of Directors

**Luca d'Agnese**

## Statement on the separate financial statements pursuant to Art. 154 of Italian LegislativeDecree 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 2020 financial year.

2. It is also stated that:

2.1 The separate financial statements as at and for the year ended 31 December 2020:

   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 EuropeanParliament 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 cashflows 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, 28 April 2021

**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 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 2020, 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 2020 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 2021-2024 business plan approved by the board of directors on 23 April 2021 (the "2021-2024 plan");
- comparing the main assumptions used to the company's and group's historical data and external information, where available;
- checking management's assessments of the 2021-2024 plan's adequacy to enable the company's and the group's financial rebalancing;
- obtaining and understanding the directors' analyses of COVID-19's estimated impact on the 2021-2024 plan and, therefore, on the going concern assumption;
- analysing the correspondence with the lending banks;
- analysing the minutes of the board of directors' meetings;
- analysing the events after the reporting date that provide information useful for an assessment of the company's ability to continue as a going concern;
- 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 and measurement of financial assets"_

| 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.<br><br>The directors determined the recoverable amount of the company's investments in subsidiaries operating in the "Fondazioni" business segment (Trevi and Soilmec) based on 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 2021-2024 plan approved by the directors.<br><br>Moreover, the directors determined the recoverable amount of the loans with those subsidiaries based on the expected cash flows set out in the above plan.<br><br>Impairment testing and assessing the recoverability of loans require a high level of judgement, especially in relation to:<br>— 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 subsidiaries' businesses in recent years;<br>— the financial parameters to be used to discount the above cash flows.<br><br>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:<br>— understanding the process adopted to prepare the impairment test;<br>— understanding the process adopted to prepare the 2021-2024 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;<br>— analysing the reasonableness of the assumptions used by the directors to prepare the plan;<br>— comparing the cash flows used for impairment testing and to assess the recoverability of loans to the cash flows forecast in the plan;<br>— assessing the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information;<br>— checking any discrepancies between the most recent actual figures and the plan forecasts and understanding the underlying reasons;<br>— assessing the appropriateness of the disclosures provided in the notes about net assets 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 2020 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

*Trevi Finanziaria Industriale S.p.A.*
*Independent auditors' report*
*31 December 2020*

company's separate financial statements at 31 December 2020 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 2020 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, 7 May 2021

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

Graphic project by
Corporate Communication Office

Printed by
**Centro Copie Gruppo Trevi**
**Cesena**

TREVI - Finanziaria Industriale S.p.A.

201, via Larga
47522 Cesena - Italy
Tel. +39.0547.319111
Fax +39.0547.319313
www.trevifin.com
e-mail:trevifin@trevifin.com