TREVI - Finanziaria Industriale S.p.A.

Annual Report and Accounts at 31 December 2021

TREVIGroup

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Annual Report and Accounts
at 31 December 2021

TREVI – Finanziaria Industriale S.p.A.
Registered office in Cesena (FC) – Via Larga 201 – Italy
Share capital of Euro 97.475.554 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

Cover photo: Trevi Philippines, Cebu Bridge Connection

SUMMARY

MEMBERS 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 March 2021[1]

Marta Dassù (non-executive and independent)

Cristina Finocchi Mahne (non-executive and independent)

Elisabetta Oliveri (non-executive and independent)

Alessandro Piccioni (non-executive and independent)

Rita Rolli (non-executive and independent)

Cinzia Farise' (non-executive and independent)

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

Board of Statutory Auditors

Standing Auditors

Marco Vicini (Chairman)

Raffaele Ferrara

Mara Pierini

Other Corporate Bodies

Director in charge of the internal audit and risk management system

Giuseppe Caselli

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 [2]

Cristina Finocchi Mahne

[2] With resolution of 13 April 2021 the Board of Directors approved to integrate the Committee with Tommaso Sabato who will replace Luca Caviglia.

Related Party Committee

Marta Dassù (Chairperson)

Rita Rolli

Elisabetta Oliveri

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[3]

Floriana Francesconi (Chairperson)

Yuri Zugolaro

Matteo Tradii

[3] 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 new 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
(nominato dal CdA di Soilmec
il 28/02/2021)

Andrea Acerbi

TREVI S.p.A.
International Dept.

General Manager Operations


TREVIICOS

SC 135
TREVIICOS
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soilmec
TREVIICOS
soilmec
MLC150-1

DIRECTORS' REPORT

Dear Shareholders,

In 2021, the financial statements of which are submitted to you for approval, the Trevi Group was still tenaciously committed on various fronts: both internally, to complete the process of capital strengthening, and externally, to deal with the continuous turbulence of an international market strongly marked by the Covid-19 pandemic and by the pressures aimed at changing the global order on the international scenario. It is in this highly complex context that the Group continues to strive with dedication and passion to regain the role it deserves in terms of experience and ability to innovate, manage and solve complex problems in the industry of underground engineering and equipment to carry out ever-challenging works.

The implementation of activities aimed at reviewing the organisational structure, favouring digital transition and promoting a corporate culture based on objectives is enabling the Group to reduce its operating costs and to better position itself on international markets. Also in 2021, the Group had to face the challenges arising from the continuation of the Covid-19 emergency in Italy and in other European and non-European countries. All the competent functions ensured the continuity of operating and managerial activities 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.
The Trevi Group continued to consolidate its position as a leading multinational corporation in the all-around 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., continued operating through its two subsidiaries: the Trevi S.p.A. Division and the Soilmec S.p.A. Division. All the Group's activities benefit from the increasing synergies and close technical/engineering collaboration between these two divisions, thus ensuring that the Trevi Group can act and be recognised as an innovative and highly specialised operator capable of providing high value-added underground engineering products and services for any specific situation and/or need, always with a keen eye on sustainability.

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. These characteristics have enabled the Group to acquire orders in 2021 of approximately Euro 600 million, an increase of 41% compared to the previous year, and thus to increase the order backlog at 31 December 2021 by 43% compared to the end of 2020.

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. We are ready and ever more determined to face new challenges and also to seize the opportunities that the construction and infrastructure market is presenting as a result of the Covid-19 pandemic, leveraging on our recognised design, technological and construction capacity in both foundation works and machinery construction for large infrastructure projects. While waiting for the infrastructure development plans to be properly implemented and with the hope that global tensions can be lessened as soon as possible, the orders already acquired in the first months of 2022 bode well for the continuation of business during this year of recovery.

Giuseppe Caselli

In the photo on the previous page: Treviicos, foundations for the South Station Project - Boston - USA

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 2021.
Unless otherwise indicated, all amounts are expressed in thousands of Euro. The Financial Statements items were compared with the amounts of the previous 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 2021 Annual Report was prepared in compliance with Art. 154 ter paragraph 5. of Italian Legislative Decree 58/98 – T.U.F. [Italian Consolidated Law on Finance] - and subsequent amendments and additions - and pursuant to Art. 2.2.3. of the Italian Market Regulation.

The accounting standards, the basis of consolidation and the accounting policies used in preparing the 2021 Annual Report are the same as those used in the 2020 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" endorsed by the European Union, the provisions of Italian Legislative Decree 38/2005 and other CONSOB provisions concerning financial statements.
Some of the interim indicators of profitability mentioned in this report 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.

The Trevi Group financial highlights as at and for the year ended 31 December 2021 are shown below:

Reclassified 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 Total Revenue, Gross Operating Profit (EBITDA) and Operating Profit/(Loss) (EBIT).

(in thousands of Euro)

GROUP FINANCIAL HIGHLIGHTS	31/12/2021	31/12/2020	Change	% change
Total revenue	494,616	491,315	3,301	1%
Recurring EBITDA	49,580	50,174	(594)	-1%
EBITDA	42,484	45,387	(2,903)	-6%
Operating Profit/(Loss) (EBIT)	(5,631)	553	(6,184)	n/a
Profit/(loss) from continuing operations	(51,296)	249,576	(300,872)	n/a
Loss from discontinued operations	0	(12,840)	12,840	n/a
Profit/(loss) for the year	(51,296)	236,736	(288,032)	n/a
Profit/(loss) for the year attributable to the Owners of the Parent	(52,977)	241,468	(294,445)	n/a

(in thousands of Euro)

ORDER BACKLOG AND ORDER INTAKE	31/12/2021	31/12/2020	Change	% change
Order backlog	454,593	317,458	137,135	43%
	2021	2020	Change	% change
Order intake	600,197	425,443	174,754	41%

TREVI GROUP NET FINANCIAL DEBT	31/12/2021	31/12/2020	Change	% change
Total net financial debt	(251,805)	(269,447)	17,642	7%

GROUP'S WORKFORCE	31/12/2021	31/12/2020	Change	% change
Number of employees	3,218	3,704	(486)	-13%

Total revenue for the year ended 31 December 2021 amounted to approximately Euro 494.6 million, compared to Euro 491.3 million for the year ended 31 December 2020, marking an increase of approximately Euro 3.3 million (1%).
Recurring EBITDA and EBITDA for the year 2021 were approximately Euro 49.6 million and Euro 42.5 million, respectively.
EBIT for the year 2021 was negative for Euro 5.6 million, a drop of Euro 6.2 million compared to the previous year (positive for Euro 0.5 million).

The loss for the year attributable to the Owners of the Parent for the year ended 31 December 2021 was Euro 52.9 million (profit of Euro 241.5 million in 2020). The profit recognised in the year 2020 was positively impacted by the effects of the implementation of the recapitalisation and debt restructuring project completed on 29 May 2020, which had generated an overall positive net effect of approximately Euro 280.3 million, affecting the Group's financial income and expense.
The order backlog at 31 December 2021 amounted to Euro 454.6 million (Euro 317.5 million at 31 December 2020). The order intake in the year 2021 amounted to approximately Euro 600.2 million, up by approximately Euro 174.7 million compared to the previous year (+41%).

The Net Financial Debt amounted to Euro 251.8 million at 31 December 2021, marking an improvement of Euro 17.6 million compared to Euro 269.4 million recognised at 31 December 2020.
During 2021, the Trevi Group continued its activities and efforts to address the Covid-19 pandemic and its evolving variants, which kept characterising the operating and market environment. The gradual unfolding of the effects of the vaccination campaigns significantly contributed to reduce the uncertainties that were hindering the acquisition of new orders, and this made it possible, particularly from the second quarter of the year, to start taking advantage of the opportunities on which the Group had developed its business activities. The aforementioned significant increase in the order intake made it possible to increase the order backlog compared to the end of the previous year, reconstituting it at a level that allowed the Group to continue its economic and financial recovery phase.

During the year, the Parent managed the necessary negotiations with the Lending Banks following the failure to meet one of the financial covenants at 31 December 2020 set out in the Restructuring Agreement (as defined below).
In this regard, reference is made to "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 in 2021 is shown below:

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

Statement of Profit or Loss

(in thousands of Euro)

	31/12/2021	31/12/2020	Variazione
TOTAL REVENUE	**494,616**	**491,315**	**3,301**
Change in finished goods and work in progress	(6,525)	5,901	(12,426)
Internal work capitalised	12,850	13,478	(628)
PRODUCTION REVENUE1	**500,941**	**510,694**	**(9,753)**
Consumption of raw materials and external services2	(325,242)	(324,644)	(598)
VALUE ADDED3	**175,699**	**186,050**	**(10,351)**
Personnel expense	(126,119)	(135,876)	9,757
RECURRING EBITDA4	**49,580**	**50,174**	**(594)**
Non-recurring expenses	(7,096)	(4,787)	(2,309)
EBITDA5	**42,484**	**45,387**	**(2,903)**
Depreciation and amortisation	(33,937)	(41,220)	7,283
Provisions and impairment losses	(14,178)	(3,614)	(10,564)
OPERATING PROFIT/(LOSS) (EBIT)6	**(5,631)**	**553**	**(6,184)**
Net financial income/(expense)7	(19,382)	259,341	(278,723)
Net exchange gains/(losses)	(8,282)	2,840	(11,122)
Adjustments to financial assets	(460)	(693)	233
PROFIT/(LOSS) BEFORE TAXES	**(33,755)**	**262,041**	**(295,796)**
Loss from assets held for sale	0	(12,840)	12,840
Income taxes	(17,541)	(12,465)	(5,076)
PROFIT/(LOSS) FOR THE YEAR	**(51,296)**	**236,736**	**(288,032)**
Attributable to:			
Owners of the Parent	(52,977)	241,468	(294,445)
Non-controlling interests	1,682	(4,733)	(6,415)
PROFIT/(LOSS) FOR THE YEAR	**(51,296)**	**236,736**	**(288,032)**

The Statement of Profit or Loss shown above is a reclassified summarised version of the 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] "Value added" is the sum of production revenue, consumption of raw materials and external services and other operating costs.

[4] "Recurring EBITDA" represents the normalised EBITDA by eliminating non-recurring operating income and expense from the EBITDA calculation.

[5] "EBITDA" (Gross 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. 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 measure the operating performance of the Group. Management believes that EBIT 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. 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 13% of Group revenue (Euro 65.3 million) was generated in Italy, marking an increase of 34% compared to the previous year (Euro 48.7 million). Revenue generated in Europe decreased by 27% compared to the previous year amounting to Euro 84 million in 2021 compared to Euro 115.8 million in 2020.

Revenue in North America totalled Euro 114.1 million (23% of total revenue), while in South America revenue totalled Euro 16.2 million (3% of total revenue).
Revenue generated in Africa accounted for 14% of total revenue, rising from Euro 36.7 million in the previous year to Euro 69.9 million in 2021.

In the Middle East and Asia there was an increase of 11% with revenue totalling Euro 59.9 million in 2021 compared to Euro 53.8 million in the previous year; therefore, the weighting of total revenue in this area was approximately 12%.
In the Far East and Oceania revenue totalled Euro 85 million, down by 11% compared to the previous year (Euro 95.4 million).

TREVI GROUP

REVENUE BY GEOGRAPHICAL SEGMENT

(n thousands of Euro)

Geographical segment	31/12/2021	%	31/12/2020	%	Change	% change
Italy	65,311	13%	48,676	10%	16,635	34%
Europe	84,055	17%	115,810	24%	(31,756)	-27%
U.S.A. and Canada	114,136	23%	109,542	22%	4,595	4%
Latin America	16,258	3%	31,371	6%	(15,114)	-48%
Africa	69,781	14%	36,710	7%	33,071	90%
Middle East and Asia	59,999	12%	53,816	11%	6,184	11%
Far East and Rest of the World	85,076	17%	95,390	19%	(10,314)	-11%
Total revenue	**494,616**	**100%**	**491,315**	**100%**	**3,301**	**1%**

REVENUE BY BUSINESS SEGMENT

(n thousands of Euro)

Attività	31/12/2021	%	31/12/2020	%	Variazione	Variazione %
Special foundation works	358,778	72%	377,627	76%	(18,849)	-5%
Manufacturing of special machinery for foundations	141,050	28%	118,458	24%	22,592	19%
Intradivisional eliminations and adjustments	(5,235)		(6,446)		1,211	
Sub-Total of Foundations Segment	**494,593**	**100%**	**489,639**	**100%**	**4,954**	
Parent	**12,624**		**15,601**		**(2,977)**	**-19%**
Intradivisional and Parent eliminations	(12,602)		(13,925)		1,323	
TREVI GROUP	**494,616**	**100%**	**491,315**	**100%**	**3,300**	**1%**

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

TREVI GROUP

Statement of Financial Position

(n thousands of Euro)

		31/12/2021	31/12/2020	Change
A)	**Non-current assets**			
	- Property, plant and equipment	**173,144**	**191,079**	**(17,935)**
	- Intangible assets	15,999	10,847	5,152
	- Financial assets	647	3,628	(2,981)
		189,790	**205,554**	**(15,764)**
B)	**Net working capital**			
	- Inventories	139,875	138,381	1,494
	- Trade receivables	222,068	197,386	24,682
	- Trade payables (-)	(115,655)	(100,471)	(15,184)
	- Payments on account	(31,439)	(16,665)	(14,774)
	- Other liabilities	(51,800)	(23,190)	(28,609)
		163,049	**195,440**	**(32,391)**
C)	**Assets held for sale and liabilities associated with assets held for sale**			**0**
D)	**Invested capital, less current liabilities (A+B+C)**	**352,839**	**400,994**	**(48,155)**
E)	Post-employment benefits (-)	(11,109)	(11,508)	399
F)	**NET INVESTED CAPITAL (D+E)**	**341,730**	**389,486**	**(47,756)**
	Financed by:			
G)	**Equity attributable to the Owners of the Parent**	91,556	123,359	(31,803)
H)	Deficit attributable to non-controlling interests	(1,632)	(3,318)	1,687
I)	**Net financial debt**	**251,806**	**269,446**	**(17,640)**
L)	**TOTAL SOURCING OF FINANCING (G+H+I)**	**341,730**	**389,487**	**(47,757)**

The Statement of Financial Position shown above, referred to in the notes, is a reclassified summary of the Statement of Financial Position..

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

(in thousands of Euro)

Net working capital	31/12/20121	Reclassification	31/12/2021 Reclassified	31/12/2020	Reclassification	31/12/2020 Reclassified
- Inventories	139,875	(25,265)	114,609	138,381	(15,670)	122,711
- Trade receivables	222,068	30,110	252,178	197,386	15,007	212,394
- Trade payables (-)	(115,655)	0	(115,655)	(100,471)	0	(100,471)
- Payments on account (-)	(31,439)	2,403	(29,036)	(16,626)	6,730	(9,896)
- Other liabilities	(51,800)	(7,248)	(59,047)	(23,229)	(6,068)	(29,297)
Total	**163,049**	**0**	**163,049**	**195,441**	**0**	**195,441**

Net invested capital amounted to Euro 341.7 million at 31 December 2021, marking a decrease of Euro 47.8 million compared to Euro 389.5 million recognised at 31 December 2020.
The Net financial debt at 31 December 2021, compared with data at 31 December 2020, is shown in the following table:
:

TREVI GROUP

Consolidated Net Financial Debt

(in thousands of Euro)

	31/12/2021	31/12/2020	Change
Short-term loans and borrowings	(201,135)	(194,176)	(6,959)
Short-term loans and borrowings from other financial backers	(63,786)	(71,483)	7,697
Current derivatives	0	0	0
Current financial assets	10,847	3,675	7,172
Short-term cash and cash equivalents	77,647	69,810	7,837
Total short-term	**(176,427)**	**(192,174)**	**15,747**
Long-term loans and borrowings	(12,697)	(8,234)	(4,463)
Long-term loans and borrowings from other financial backers	(72,699)	(79,237)	6,538
Non-current derivatives	0	0	0
Trade payables and other non-current liabilities	0	0	0
Total long-term	**(85,396)**	**(87,471)**	**2,075**
Net financial debt (Consob warning notice No.5/21 of 29 April 2021)	**(261,823)**	**(279,645)**	**17,822**
Non-current financial assets	10,017	10,198	(181)
Total net financial debt	**(251,806)**	**(269,447)**	**17,641**

At 31 December 2021, the total net financial debt was equal to approximately Euro 251.8 million, compared with the total net financial debt at 31 December 2020 equal to Euro 269.4 million, improving by Euro 17.6 million.

This improvement is mainly attributable to the collection of trade receivables and to the payment of trade payables to suppliers of goods and services that, in spite of the payment of lease liabilities, contributed to improve the net financial debt at 31 December 2021 compared to the previous year.

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, these have been presented in the financial statements with a short-term maturity, although the original maturity date of 2024 remains unchanged.

Performance of the year

The market context
Albeit with varying degrees of intensity and geographical distribution, the persistence of the Covid-19 pandemic globally continued to negatively influence the global macroeconomic scenario throughout 2021.
The progress of vaccinations, together with the greater knowledge acquired in this regard, in many geographical areas has led to substantial improvements in the movement of people and to the gradual reactivation of production facilities and related activities; unfortunately, there are still countries where severe restrictions on entry are still in force (Far East, Australia) following the succession of new waves of infections that prevent a return to normality.

Unlike in 2020, the price of oil products has seen a gradual increase since January in anticipation of a global increase in demand. As an immediate consequence, there were price increases in the production sectors of the main commodities, also driven by a sharp rise in global demand in the wake of the first signs of recovery. For example, the significant increase in the price of iron negatively affected the construction industry on a global level.

Another sector strongly impacted by the price increase was logistics, which saw an exponential increase in both transport costs and the cost of many materials with immediate effects on inflation.

To cope with the economic crisis, several governments of the affected countries and various supranational entities have taken extraordinary measures from late 2020 - early 2021 to support household incomes, business liquidity and ensure access to credit. Unfortunately, there is a very uneven situation in the various markets, which is fundamentally linked to the ability or otherwise of individual governments to implement targeted actions to contain this inflationary drive.
Also with a view to contrasting the economic crisis, many governments, especially those of the more advanced economies (Europe and North America in the first place), have planned impressive infrastructural investments as recovery drivers for the economies brought to their knees by the pandemic, since this type of intervention has a direct return in terms of GDP of the investing countries and creates both direct and induced jobs through the entire production chain. Unfortunately, widespread difficulties in the rapid implementation of these infrastructure plans are being observed, both because of bureaucratic problems and of increases in the prices of raw materials, which not only hinder ongoing projects but also slow down the implementation of new initiatives.

Order intake and order backlog
The order backlog at 31 December 2021 amounted to Euro 454.6 million, an increase of 43% or Euro 137.1 million compared to the previous year (Euro 317.5 million). The order intake in the year 2021 at Group level amounted to approximately Euro 600.2 million, an increase of 41% or approximately Euro 175 million compared to the previous year (approximately Euro 425.4 million)..

Investments
Gross investments in property, plant, and equipment by the Trevi Group in 2021 amounted to Euro 17.4 million attributable to property, plant and equipment and Euro 7.3 million attributable to intangible assets.

With regards to investments for 2021, the purchase of drilling and ancillary equipment was made to partially and gradually renovate the equipment fleet and, concurrently, to meet the specific needs of special projects.

The main investments for 2021 consisted of 4 SOILMEC large-diameter drill rigs (SR-45 in Italy, SR-75 in the Philippines, SR-125 in the USA and SR-125 in Panama), in addition to three small-diameter drilling rigs and some high-pressure motor pumps for jet-grouting works.

The remaining part of the investments was mainly characterised by purchases of minor equipment to support production.

Equipment hire continued, and remained the preferred procurement option, with medium- and long-term formulas, where feasible.

In terms of divestments, the process of selling obsolete equipment (rigs, cranes, ancillaries) and real estate in all the geographical segments in which the Group operates continued, with a particular focus on the Latam and Middle East segments, also in relation to the need to generate cash flow destined for new investments in new generation equipment. Particular attention was paid to the company Trevi Galante (Colombia), which almost fully completed the process of selling all its equipment, as well as the property owned by the Parent. In Venezuela, the same process of selling the assets therein has begun (albeit more complex due to the specific logistical issues of the area), which should be completed no later than the second half of 2022.

In the Middle East area, a strong reduction in cranes and micropiling rigs continued.

In addition to the disinvestments in the areas mentioned above, sales of equipment were also completed in Italy and Algeria. The main types of equipment sold were 40-80 ton class drilling rigs, 40-120 ton class cranes (lifting/HD/DC), micropiling/tie rods rigs and many ancillary equipment and excavation tools.
Sales volumes in the year amounted to Euro 5.23 million.

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 2021 Separate Financial Statements, drawn up in accordance with IFRS-EU, closed with revenue from sales and services of approximately Euro 11.3 million (Euro 13.9 million in the previous year, resulting in a decrease of Euro 2.6 million), while other operating revenue was equal to approximately Euro 1.4 million (Euro 1.7 million in the previous year, showing a decrease of Euro 0.3 million).

The gross operating loss (EBITDA) amounted to Euro 8.1 million (compared to a profit of Euro 0.3 million in 2020), inclusive of non-recurring expenses of approximately Euro 5.3 million, while the operating loss (EBIT) was Euro 19.7 million in 2021 (compared to a loss of Euro 0.6 million in 2020)

With regard to financial management, in 2021 no income was received from equity investments (similarly to the previous year); financial income amounted to approximately Euro 4.4 million (Euro 281.9 million in the previous year, mainly resulting from the effect of the Debt Restructuring Financial Manoeuvre, with a decrease of Euro 277.7 million), of which interest income related to loans granted by the Parent to its subsidiaries was approximately Euro 1.4 million in 2021 compared to Euro 2.4 million in 2020. Net financial expense was also characterised by interest expense of approximately Euro 13.5 million (Euro 25.9 million recorded in 2020) and net exchange losses of Euro 0.6 million compared to net exchange gains of Euro 0.7 million in the previous year. Adjustments to financial assets were positive for approximately Euro 5.4 million (negative for Euro 2.5 million in the previous year).

The Parent therefore reported a loss before taxes of Euro 24 million in 2021, with total taxes of Euro 0.7 million, whereas the loss for the year amounted to approximately Euro 23.3 million (against a profit for the year of Euro 249 million in 2020).
With regards to non-current assets, investments of Euro 3.6 million were made (Euro 3.2 million in the previous year), due to the purchase of IT licenses and application software. For detailed comments on the individual items of 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 loss 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 the Report on Corporate Governance

Trevi Group's revenue for 2021 amounted to Euro 494.6 million, substantially in line with revenue for 2020 amounting to Euro 491.3 million, up by Euro 0.6 million.
During 2021, there was a gradual recovery in production activities in general and in the operativity of construction sites and the construction market in particular, thanks to the extensive vaccination campaigns, which made it possible to fight the spread of Covid-19, and thanks also to the interventions and extraordinary measures undertaken by the governments of several countries at the macroeconomic level (Italian furlough scheme, "Ristori" decree, Recovery fund, National Recovery and Resilience Plan for Italy, etc.), implemented to cope with emergencies and to revive the economy, making it possible to counter the recessionary effects caused by the pandemic on the world economy. Nonetheless, even in the second half of 2021, the macroeconomic scenario remained very critical: the difficulties in supplying many raw materials and materials, the vertiginous increase in the prices of raw materials, fuels, energy sources and transport, with the consequent leap in inflation, have jeopardised the activity and survival of many companies and have increased the economic difficulties for many families, with the risk of prolonging and accentuating the recessionary phase worldwide.
As far as the Group is concerned, despite the difficulties of

KEY FINANCIAL INDICATORS

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

(in units of Euro)

Description	31/12/2021	31/12/2020	Change
Revenue from sales and services	11,266,767	13,906,209	(2,639,442)
Other operating revenue	1,357,110	1,694,623	(337,513)
Total revenue	**12,623,877**	**15,600,832**	**(2,976,955)**
Value added	(1,879,996)	4,386,789	(6,266,785)
% of Total Revenue	(14.89)%	28.12%	(43.01)%
Gross Operating Profit/(Loss) (EBITDA)	**(8,076,706)**	**298,782**	**(8,375,488)**
% of Total Revenue	(63.98)%	1.92%	N/A
Operating Loss (EBIT)	**(19,718,111)**	**(642,756)**	**(19,075,355)**
% of Total Revenue	(156.20)%	(4.12)%	(152.08)%
Profit/(loss) from continuing operations	**(23,293,569)**	**249,257,784**	**(272,551,353)**
% of Total Revenue	**(184.52)%**	**1597.72%**	**N/A**
Net investments	3,648,630	3,181,254	467,376
Net invested capital	220,429,851	235,971,334	(15,541,484)
Net financial debt	**115,223,005**	**107,439,611**	**7,783,394**
Equity	105,206,844	128,531,723	(23,324,879)
Operating loss / Net invested capital (ROI)	(8.95)%	(0.27)%	(8.67)%
Profit/(loss) from continuing operations / Equity (R.O.E.)	(22.14)%	193.93%	N/A
Operating loss / Total Revenue (R.O.S.)	(156.20)%	(4.12)%	(152.08)%
Net financial debt / Equity	109.52%	83.59%	25.93%

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

THE FOLLOWING TABLE SHOWS A RECONCILIATION BETWEEN THE PARENT'S EQUITY AND LOSS FOR THE YEAR AND THE GROUP'S CONSOLIDATED EQUITY AND LOSS FOR THE YEAR.

Description	Equity/(Deficit) at 31/12/2021	Profit/(Loss) for the year
TREVI-Finanziaria Industriale S.p.A.	**105,207**	**(14,455)**
Difference in equity of consolidated equity investments and their carrying amount in the Separate Financial Statements of the Parent	(46,060)	(6,578)
Effect of elimination of impairment gains/(impairment losses) on consolidated investments, loans and dividends	70,265	(32,333)
Application of IFRS and other adjustments	(52,141)	11,484
Translation difference	1,347	0
Elimination of intragroup profits and capital gains	11,306	(575)
Effect of applying IFRS 5	0	0
Equity and loss for the year	**89,924**	**(42,457)**
Deficit and profit for the year attributable to non-controlling interests	**(1,632)**	**1,682**
Equity and loss for the year attributable to the Owners of the Parent	**91,556**	**(44,138)**

the international scenario and although some important orders have been completed, a gradual recovery in volumes produced was recorded in 2021, with a marked increase at the end of the year, until they aligned with the annual levels of 2020; there was also a significant recovery in acquisitions (delta up by 41% compared to 2020) and the consequent marked growth in the order backlog (delta up by 43% compared to 2020).

Certain factors are peculiar to the Group such as its excellent engineering know-how, its marked ability to adapt to extreme and difficult situations, its strong focus on customer satisfaction and its reliability from a technological standpoint, which played a decisive role in the Group's recovery process.

Trevi Division

The gradual recovery of production activities and site operations impacted the Trevi Division in a diversified manner by geographical segment:

• At an overall level, revenue in **Europe** was down by 8% or Euro 7.2 million in 2021 compared to the previous year, as against strongly growing segments such as Norway and Italy, a decrease in volumes prevailed in France (down by Euro 26 million) and in the Dach segment: Germany (down by Euro 5.6 million) and Austria (down by Euro 1.7 million).
In Norway, the Drammen project performed very well, both in terms of volumes and margins, while in Italy several projects, including the one with Seli in Lonato, with ST Microelectronics in Catania, and other minor projects, generated significant growth in terms of volumes.
In France, all the Paris metro projects were operationally completed. The closure of some claims is under negotiation. Stand-by rates covering part of the construction site costs incurred during the lockdown were obtained for some European projects, together with the closure of some claims under negotiation since the beginning of the year.

• In the **Far East**, revenue was down compared to 2020: in the Philippines, although there were slowdowns during the year due to the spread of Covid-19 at some sites and stand-by rates due to the lack of work areas, production volumes were up compared to the previous year due to the significant new acquisitions during the year. Activities in Hong Kong were focused on the International Airport extension project, for which some contract variations were obtained, and the project with Chung Wo for the extension of the Tung Chung New Town; however, volumes were down compared to 2020. In Australia, revenue was down compared to 2020 due to the completion of the Forrest Field Airport Link project.

• In **Africa**, there was a growth in volumes compared to the previous year (up by 26%) thanks to the acquisition of numerous projects favoured by the recovery of the Nigerian market. Particularly noteworthy was the Berth 3 extension at Jetty 2 MOF project on Bonny Island, with the owner Saipem – Daewoo.
Revenue was down in Algeria, where the projects with Cosider relating to the Algiers metro and the Constantine Tunnel are nearing completion.

• There was a recovery in the **Middle East,** where there was an overall growth in revenue (up by 8%) compared to 2020, more marked in Oman and Saudi Arabia, where several projects were acquired, including the Apoc Polypropylene project with Tecnimont (worth Euro 6.8 million). However, the UAE remains a critical segment, with a decrease in revenue compared to 2020, mainly due to the failure to be awarded some important tenders.

• In **North America**, the market is characterised by strong competition along with a very aggressive pricing policy, and has been penalised by increases in materials and labour costs, resulting in a slowdown in the acquisition process of new projects. Revenue was up (by 9%) compared to 2020, due to the restrictive effects and disruptions caused by the spread of Covid, especially at the Florida sites, delays in the start-up of some projects and the reduction in the amount of work in the Boston area. However, the United States, whose 2021 sales account for 24% of the Trevi Division's sales volumes, continues to represent a market with great growth potential for the Foundations sector.

• There were still many critical issues in the **South American area**: sales volumes fell sharply, mainly due to the repercussions of the spread of the Covid-19 pandemic, restrictions on travel and movement of people and goods, and customs and trade union problems, which caused stand-bys and slowdowns in production activity, and mobilisation problems in the construction sites in Argentina and Uruguay. Inflation continued to plague Argentina, creating considerable difficulties in controlling costs and recognising contract tariff updates. In Chile, the Puente Chacao project was completed while the start of the Panama City metro project, scheduled for early 2021, was postponed to the end of the year.

The main orders acquired during the year by the Trevi Division broken down by geographical segment are as follows:

ITALY

- **Enirewind - Ravenna** - a project acquired through a Temporary Grouping of Companies (ATI) (TREVI - Desmos), worth approximately Euro 8 million. It consists in the Permanent Safety Restoration of Area Vasche "former Ambiente" in the Ravenna plant owned by Enirewind.
- **ST Microelectronics - Catania** - Owner ST Microelectronics, total worth Euro 16.2 million. The object of the contract is the execution of the foundations for the new industrial plant intended to become a research centre with "Silicon Carbide" production laboratories. The project covers the installation of bored piles, followed by the execution of an earth moving excavation.
- **Genoa Wharf - Genoa Wharf Port Authority,** worth approximately Euro 24 million. The main aim of the project is to provide the construction site area of Genoa Sestri Ponente with a new dry dock capable of building ships over 110,000 tons. Further secondary objectives are: the adaptation and improvement of the external and internal road network, correlated with programmes in the near future and within the competence of Ferrovie dello Stato and Autostrade per l'Italia, as well as the adaptation of the dry dock area in front of the construction site due to the increase in the size of the ships that will transit and manoeuvre there. Specifically, Trevi will carry out a large part of the special foundation works consisting of large-diameter piles (from 500 to 1800 mm), both isolated and secant piles, along with jet grouting works, in order to improve the features of the soil and at the same time waterproof the most superficial soils.

PHILIPPINES

- **Pasig River Expressway (Segm. 2 – phase 1)** – Owner PAREX Corp., worth approximately Euro 58 million. The project consists in the construction of an elevated expressway that will stretch over 19.365 km with 6 lanes and will be the fastest way to reach and pass through the city of Manila and the province of Rizal. The 7.32-km-long viaduct that is part of the project will start from the Metro Manila Skyway 3 in Manila City and cross the Pasig River. It also includes the construction of ramps and the execution of piles driven both onshore and offshore.
- **NSCR CPN-02 (Zone 2 + Zone 4)** - Owner Acciona-Daelim JV, worth Euro 12.4 million. The Malolos-Clark Railway CPN-02 Project is part of the new 161-km North-South Commuter Railway line, which will connect the cities of Clark and Calamba, located north and south of Manila respectively. The execution of bored piles entrusted to Trevi Foundations Philippines will constitute the deep foundations of the main railway viaduct, the San Fernando station and three other service buildings.
- **MRT-7 Stations** – Owner SCM MRT-7, worth Euro 5.8 million. The MRT Line-7 urban railway project runs between the northern area of Manila and the province of Bulacan. The project involves the execution of foundation bored piles for six stations of the urban railway line and the main viaduct.
- **Laguna Lake 150 MLD Water Treatment Plant** - Owner D.M. Consunji, Inc., worth approximately Euro 5.3 million. The work, located in Montinlupa City, 20 km south of Manila, involves the execution of bored piles, which will form the deep foundations of a new water treatment plant. The plant will treat water from the adjacent Laguna Lake, producing 150 million litres (MLD) of drinkable water per day.

HONG KONG

- Contract variations to the **Hong Kong International Airport project Contract 3802 P 2 & 3**, section 4 with the Owner Gammon Engineering and Construction Co Ltd, worth approximately Euro 5.7 million.
- New contract No. 3310 for the **Hong Kong Airport project with Penstone Hong Kong Limited**, worth Euro 24.5 million. This contract is also part of the Hong Kong Airport expansion project. It consists of jet grouting column installation works.
- **Chun Wo contract No. 20190274** - Owner Chun Wo Foundations Ltd., worth approx. Euro 7.7 million. The project is part of the large-scale expansion plan of the existing Tung Chung, and is aimed at the construction of residential buildings. The works are awaiting approval by the Hong Kong Housing Authority.

MIDDLE EAST

- **Oman Sugar Refinery** - Owner Oman Sugar Refinery Company, worth approximately Euro 4.3 million. The project involves foundation works for the sugar refinery in Sohar. The contract also includes the execution of 4,000 piles in CFA configuration of variable diameter.
- **Saudi Arabia - APOC Polypropyline Project - 2021-010063** - Owner Tecnimont Arabia Ltd., worth Euro 6.8 million, involving the construction of two chemical plants.
- Several other minor projects

AFRICA

Nigeria

Many new projects acquired of which the main ones are:

- **Berth 3 Extension at MOF Jetty 2 in Bonny Island** - Owner Daewoo JV, worth Euro 53.5 million. The project consists in the execution of the engineering aspects and the construction of the extension works of Berth No. 3 at MOF Jetty 2 in Bonny Island. The Trevi Foundation Nigeria is managing the project as Main Contractor.
- **PTML Terminal Extension** - Owner Ports & Terminal Multiservices Ltd. - Nigeria, worth Euro 7.3 million. The project involves the extension of the Grimaldi's existing quay 11 in Apapa, Lagos, to allow the berthing of the new generation of vessels (30 m longer than the previous ones). It is a "bridge" on piles of different diameters.

Algeria

- Contractual changes to the Algiers metro projects: **Metro D El Harrach Aéroport,** tie Rods and jet grouting works, worth approximately Euro 3.3 million and **Tunnel Constantine**, worth approximately Euro 5 million.

NORTH AMERICA

- **Roxboro - Owner Trans Ash**, worth Euro 30 million. The project consists in the construction of a retaining wall, Deep Material Mixing (DMM), within the waste boundary of the Roxboro Steam Electric Plant landfill (owned by Duke Energy), located in North Carolina. The landfill is located south of the power plant and is partially built over and adjacent to the East Ash Basin (EAB). The coal ash below and within the waste boundary of the Roxboro Landfill must be stabilised to allow excavation of the EAB.
- **401 Congress (10 World Trade Center)** - Owner Suffolk Construction Co., worth Euro 7.4 million. The project is for the construction of new Class A office buildings and a life science building for important public uses in South Boston.
- **Huntington Theatre Tower:** the project, located in Boston's Fenway district, involves the construction of a 34-storey skyscraper containing 436 residential units. On the first two floors, one-third of the space will be devoted to restaurants and shops, and the remaining space to direct internal access to the Huntington Theatre for use by theatre operators. The building is founded on 43 deep load-bearing elements embedded in the rock. There will also be three levels of underground parking supported by slurry walls Construction is scheduled to begin in spring 2022.
- **Chesnutt (Fitchburg) – Massachusetts – USA** - Owner J. Derenzo - worth approximately Euro 5 million. Foundation works as part of the construction of a new building designated for offices and laboratories with underground parking on two levels. The project includes the installation of rock diaphragm walls with a depth of about 20 metres and a bracing level.
- **Belden Bly Bridge** - Owner SPS New England, sub-contractor of the Massachusetts Department of Transportation, worth approximately Euro 4.4 million. The project covers the execution of 21 wells drilled on the Route 107 bridge, over the Saugus River in Lynn, MA.

SOUTH AMERICA

- **Aña Cua Project - Argentina** - Owner Consorcio Aña Cua A.R.T. (Astaldi (Italy) – Rovella Carranza (Argentina) – Tecnoedil (Paraguay)). The project involves the execution of civil works and some electromechanical parts of the expansion of the Yacyretá hydroelectric plant on the left bank of the Aña Cuá arm, for which Pilotes Trevi was awarded two subcontracts: a contract for the construction of slurry walls, which will penetrate the watertight cores of the existing dam, in order to connect the dam's sealing components, and a drilling and grouting contract, to be executed in a second step.
- **Metro Panama Line 3** - Owner Ministry of Public Works of Panama, main contractor: Hyundai Engineering & Construction Co. Ltd – worth Euro 21.6 million. The Project consists in the construction of the Panama Metro Line 3, which will connect Panama City with the western side of the Panama Canal. The line stretches over 25 km. The object of the TREVI subcontract work is the execution of foundations, using the onshore large diameter bored pile technology for viaduct, stations, urban planning and others.

ORDER BACKLOG

Below is a description of the main contracts underway in 2021, broken down by geographical segment and project:

- **Norway: Cut and Cover Tunnel and Soil Tunnel - Drammen Project** - Owner Veidekke Entreprenor AS. Contract for consolidation and foundation works for the new railway tunnel in Drammen. The project will be completed in early 2022.
- **Germany Alte Akademie - Alte Akademie Immobilien**, the project is part of the refurbishment of a building built in the early 1950s in the centre of Munich, which will be renovated to build offices, shops and flats, transforming it into a shopping centre.
- **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.

- **High Speed Tunnel in Lonato (BS)** - Owner 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). Work is nearing completion.
- **ST Microelectronics – Catania:** the project was carried out during the year with excellent performance.
- **North-South Commuter Railway Project** (NSCR CP-01): 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. The project is nearing completion.
- **Hong Kong: NL/2017/03 Tung Chun New Town Extension:** the order is part of the current Tung Chung major expansion project, which aims at building a new city according to a regulated development plan, to accommodate the growing population and to provide it with adequate local and regional services and infrastructure.
- **Hong Kong International Airport Contract 3206** - Penstone Hong Kong Limited, airport expansion project.
- **UAE: Integrated Gas Development Expansion Project (IGD - E)** - Owner 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. The project is nearing completion.
- **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 owner Cosider, which includes consolidation injection works between the two passageways of the tunnel forming part of the East-West motorway.
- **USA: 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.
- **USA: Florida - Herbert Hoover Dike - MATOC#2** with USACE and HHD - Reach 1 Extension. Further tranches of the Lake Okeechobee levee rehabilitation programme in Florida.
- **USA - Parcel 12 with Suffolk Construction:** the project was completed at the end of the year.
- **Chile: Puente Chacao** - Owner Consorcio Puente Chacao SA: the project covers the construction of a bridge 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. The project was completed.
- **Uruguay Puerto Capurro:** the project consists of the construction of the Capurro port in Montevideo Bay.

Soilmec Division

For the Soilmec Division, 2021 was a year of resumption of the growth path that recorded excellent variations in most geographical segments with results higher than those recognised before the pandemic, with the exception of the Asia-Pacific segment that is still suffering from the effects of COVID-19 on the market.

In the persistent scenario of uncertainty that characterised the year just ended, Soilmec resiliently demonstrated the strength of its commercial, industrial, economic and financial fundamentals, laying the foundations for the resumption of the path of growth and sustainable development.
Orders were acquired above pre-pandemic levels and revenue increased; good operating results were achieved, meeting targets, with cash generation exceeding initial expectations. The Soilmec Division is therefore structurally stronger than in the past and is supported by business growth in both Europe and North Africa. A concrete plan to restructure and relaunch the business has been launched, and the first signs of improvement are already visible.

Despite the widespread crisis in the industry, the Soilmec Division acquired orders for approximately Euro 153 million in 2021 (up by 52.0% compared to 2020), increasing its backlog to Euro 42 million, about 43% higher than in 2020.
In particular, a robust order volume in Europe was matched by an excellent performance in North Africa, with the EMEA segment recording growth of about 120%, more than offsetting the expected 6% drop in the Asia-Pacific and North America segments.
Despite the effects of the pandemic, thanks to the efforts made and the soundness of the Parent's fundamentals, revenue of more than Euro 140 million was generated in 2021, with an increase of 16% compared to 2020. All of Soilmec's Product Lines showed consistent growth, with particular mention for the Milling Product, which recorded a 113% increase against 2020.

EBITDA, amounting to Euro 5.9 million, was also in line with forecasts, despite additional costs incurred to ensure the health protection of all personnel and the costs related to the start of the restructuring of the production and engineering division. There was also a significant improvement in Net Invested Capital by about Euro 17 million, thanks to the action to make the warehouse more efficient, with a consequent reduction in net inventories.

Due to its strategic role within the Group, the Division continues to selectively invest in Research & Development. Approximately 2% of revenue was committed to complex projects that will create long-term value by driving technological progress. This is a path of sustainable growth in the long term, with innovation and technological development at the centre, enabling factors and decisive elements that make it possible to face the challenges of the present and future in an ever-changing context and to seize the opportunities. In particular, it is contributing to innovation with projects on Electrical Machinery and Equipment, the development of autonomous and remotely driven machines, digital transformation, the creation of skilled jobs, and the development of solutions for the safety of people, infrastructures and territories.

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 34 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 2021, gave rise to receivables of Euro 2 thousand, net of the related loss allowance, and payables of Euro 340 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 (34) of the consolidated financial statements are marginal.

In December 2020, the definition of an operation concerning an agreement to enter into a transaction with the shareholder THSE and its exponents was 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 Trevi Group. This transaction envisaged some commitments that were partially implemented in 2021.

- Specifically, on 21 December 2021, Trevi S.p.A. acquired from Sofitre S.r.l. 60% of the share capital of Parcheggi S.p.A., a company active in the management and maintenance of car parks.

  This acquisition amounted to Euro 1.5 million in cash, according to the appraisal drawn up by an independent expert.

- Furthermore, the obligation to purchase the plot of land located in Sant'Andrea in Bagnolo in Cesena owned by Sofitre S.r.l. was transferred to a third-party, which had expressed interest in purchasing both the same land and an adjoining plot of land that the Trevi Group already owned through Immobiliare Siab S.r.l, a wholly owned subsidiary of Trevi Finanziaria Industriale S.p.A.
  The third company then acquired Immobiliare Siab S.r.l. for Euro 280 thousand, which in turn assumed the obligation to acquire the land from Sofitre S.r.l.

- Furthermore, in November 2021, the conditions precedent were satisfied, as a result of which the amount accrued for Davide and Gianluigi Trevisani, for a total gross amount of Euro 3 million, is paid to the aforementioned parties in 60 equal monthly instalments starting from January 2022.

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 2021 financial statements (separate and consolidated) 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.

At the approval of the Separate and Consolidated Financial Statements at 31 December 2020 and of the Interim Consolidated Financial Statements at 30 June 2021, some going concern risk factors were identified by Management, specifically: **(a)** the risk linked to the failure to comply with the covenants 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 reporting date of these financial statements; and **(c)** the risk arising from any failure to achieve the recovery goals, as set out in the New Consolidated Plan (as defined below).

In this regard, as widely shown in the notes to these financial statements to which reference should be made, in the context of the Directors' Reports accompanying the 2020 financial statements (separate and consolidated) and the Interim Financial Report at 30 June 2021, the Board of Directors after having carefully and exhaustively assessed the risks to which the going concern was exposed, as summarised above, had deemed it appropriate to adopt the going concern basis, although it pointed out that the residual significant uncertainty was the positive conclusion of the negotiations with the Lending Banks in relation to the proposed amendments to the Restructuring Agreement put forward at the time by the Parent (reference should be made to the accompanying Directors' Reports). For the purposes of this report, the going concern is assessed based on the above-mentioned circumstances and information available about their development after the date of approval of the Interim Financial Report, to be taken into account up to the date of preparation of these financial statements.

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Group recapitalisation and debt restructuring project completed in 2020

• 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 debt that resulted on 5 August 2019 in the subscription of a restructuring agreement pursuant to Art. 182-bis of the Italian Bankruptcy Law signed, *inter alios,* by the Parent, Trevi and Soilmec, on the one hand, and by the Lending Banks of the Group (the **"Lending Banks"**) on the other, which was subsequently approved by the Court of Appeal of Bologna on 10 January 2020 (the **"Restructuring Agreement"**).

• This Restructuring Agreement and the related financial manoeuvre were based on a business and financial plan relating to the Trevi Group for the period 2018-2022 (the **"Original Consolidated Plan"**) - drawn up during 2018 and 2019 - which was approved, in its final version, by the Parent's Board of Directors on 2 August 2019.

• After the approval of the Restructuring Agreement, the Group fully implemented all the main statutory/non-recurring transactions set out therein, such as, *inter alia:*

i) a capital increase of Euro 150.8 million (the **"Capital Increase"**), of which, **(i)** a tranche offered with right of first refusal to shareholders was fully subscribed for Euro 130 million, of which Euro 87.7 million through cash payment (approximately Euro 77.4 million attributable to CDPE Investimenti S.p.A. and Polaris Capital Management LLC) and Euro 42.3 million through conversion of bank loans by the main Lending Banks, at a conversion ratio of 4.5:1; and **(ii)** a tranche reserved to the Lending Banks, with the exclusion of the right of first refusal, was subscribed for Euro 20.8 million by converting bank loans, at the same conversion ratio of 4.5:1;

ii) the divestment occurred on 31 March 2020 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 in favour of the Indian group headed by Megha Engineering & Infrastructures Ltd., a leading Indian operator in the infrastructure segment (**"MEIL"**), among the leaders of the industry. The proceeds of this divestment have been used to repay part of the indebtedness of the companies in the Oil & Gas Division, while the remaining part of this indebtedness has been taken over by Trevifin and rescheduled consistently with the debt subject to the restructuring;

iii) the disbursement by some Lending Banks of a new loan for a total of Euro 12,878,866.00, of which Euro 12,000,000.00 paid before the approval, by virtue of application of the authorisation of the Court of Forlì pursuant to Article 182-*quinquies* of the Italian Bankruptcy Law, and Euro 878,866.00 paid after the approval, pursuant to Article 182-*quater* of the Italian Bankruptcy Law;
iv) the consolidation and rescheduling of most of the bank debt to 31 December 2024 and the reduction of the related interest rate;
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 of approximately Euro 200 million, a part of which - corresponding to Euro 14.7 million - disbursed also during the period prior to the approval date of the Restructuring Agreement pursuant to Article 182-quinquies of the Italian Bankruptcy Law; and
vi) 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. 2014 – 2019"* issued by Trevifin in 2014 for Euro 50 million (the **"Bond Issue"**).

Events subsequent to the restructuring transaction
Following the completion of the transactions provided for in the Restructuring Agreement, summarised in the previous paragraph, the following main events occurred:

- 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 covenants 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 aimed at identifying the amendments to the existing agreements necessary to deal with the foreseeable failure to comply with one of the financial covenants 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 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 covenants originally set in the Restructuring Agreement, as well as the recalculation of some due dates scheduled for the current year relating to some exposures, based on a new business plan considering the current situation, to be incorporated into a new agreement with the Lending Banks.

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 on the going concern assumption at the approval of the most recent separate and interim financial statements, with specific reference to some risk areas.
For the purposes of approving the draft financial statements at 31 December 2020 and the interim financial report at 30 June 2021, the Board of Directors carried out all the necessary assessments relating to the going concern assumption 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 also with regard to these financial statements, the Directors took into account all the available information about the future, relating at least - without limitation - to 12 months following the reporting date of the consolidated financial statements at 31 December 2021. 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. In particular, the Board of Directors took into consideration the assessments that had been carried out when approving the most recent financial statements and interim financial report, paying particular attention to the circumstances that had been identified as possible risk factors at that time, in order to verify their status. In line with what observed at the approval of the 2020 financial statements and of the interim financial report at 30

June 2021, the risk indicators to be assessed with particular attention in the case of Trevifin and the Trevi Group are those falling within the financial area as stated in the introduction of this paragraph and, especially, those related to the possible consequences deriving from the failure to comply with some Restructuring Agreement covenants (and the plan underlying it) and to the transactions with Lending Banks.

In order to clear up any misunderstandings, as stated in the previous section and in the Directors' Reports accompanying the 2020 financial statements and the interim financial report at 30 June 2021 and the related notes, the transactions 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 covenants 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 in 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, starting from the second half of 2020, leading to a worsening of all the main indicators (turnover, EBITDA and Net Financial Debt) 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 covenants 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. This new plan was subsequently updated, at first, in order to incorporate the accounting figures at 30 June 2021 and, subsequently, in order to extend the relevant time frame to the period 2022-2026 as well as in order to take into account certain aspects, including the performance recorded during the year 2021 and certain prudential elements in the plan years (the **"New Consolidated Plan"**).
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 consistently higher Net Financial Debt.

The New Consolidated Plan considers the 2022-2026 period as its time frame while the Original Consolidated Plan considered the 2019-2022 period (assuming that, at the end of that period, the Group final recovery objectives would have been achieved). Therefore, the New Consolidated Plan time frame exceeds that of the Original Consolidated Plan. 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 2022, should be assessed over a longer time frame in the context of the New Consolidated Plan.
More specifically, the deviations observed with respect to the Original Consolidated Plan, and the consequent need to prepare and approve the New Consolidated Plan have the following consequences:

(i) the non-compliance with certain obligations of the Restructuring Agreement and the need to request the Lending Banks to subscribe a new agreement taking into account the covenants of the New Consolidated Plan.

On this point, further details are provided in the following paragraph;
(ii) a lower cash generation than that of the Original Consolidated Plan and the consequent need to assess if this circumstance could give rise to cash flow issues in the time frame considered that would make it impossible for the Group to operate normally, and
(iii) the deviations from the Original Consolidated Plan, which led to the need to approve the New Consolidated Plan and the consequent need to assess the Group's continuing ability to rebalance its financial position and financial performance.

These uncertainties can all be traced back to an overall category of "financial risk", which consists of the Parent's ability, given the circumstances described above, to meet its financial commitments as well as to generate and/or raise sufficient resources to meet its financial requirements to support the business, the investment programme and the objectives of the New Consolidated Plan. The reasonable overcoming of these uncertainties, as explained in the following paragraphs, shall be evaluated in light of the actions undertaken by Management and depends on reaching a new agreement with the Lending Banks regarding a financial manoeuvre to support the Parent's recovery goals.

The following paragraphs set forth the considerations made to determine the correct application of the going concern basis to the draft of the financial statements at 31 December 2021.

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

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 covenants at 31 December 2020: based on the results for 2020, as reflected in the relevant consolidated financial statements, the Trevi Group was unable to meet the financial covenants 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 covenants:

- 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 covenants were not met and, specifically: **(a)** the Leverage Ratio was 5.37x; and **(b)** the Debt/Equity Ratio was 2.15x. 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 lines of credit in the form of cash and guarantee facilities provided for in the Restructuring Agreement, thereby terminating the necessary financial support to the Group. 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, as well as the commitment of the same Lending Banks to allow using short-term lines of credit, both in the form of cash and guarantee facilities to support the business of the Group, as described in detail below.

B. Need to update the financial covenants for the subsequent verification dates: the forecasts of the New Consolidated Plan indicate that, in all likelihood, the Proposing Companies will not be able to comply with the financial covenants provided for in the Restructuring Agreement at the subsequent verification dates either. The financial covenants 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 covenants 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 covenants that are revised and aligned with respect to the provisions of the New Consolidated Plan and, to this end, it was 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 deviations from the Original Consolidated Plan requiring the preparation and approval of the New Consolidated Plan; and **(b)** providing for new financial covenants, modified in order to make them consistent with the New Consolidated Plan;

C. Need to reschedule certain financial due dates: as mentioned, the deviations from the Original Consolidated Plan, 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. Specifically, the Restructuring Agreement envisages that most of the financial indebtedness towards the Lending Banks is to be repaid via bullet payments at 31 December 2024 and, furthermore, there are a number of financial due dates over the next 12 months that are not consistent with the Group cash-flow generation as envisaged by the New Consolidated Plan. Obviously, 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 made it necessary to ask the Lending Banks, on the one hand, to suspend the aforementioned repayment obligations and, on the other hand, to reschedule them to a date that is consistent with the cash flows provided for in the New Consolidated Plan.

More generally, the circumstances described above required Management to make efforts to prepare and agree with the Lending Banks on a new financial manoeuvre, corrective of the one that had been placed at the basis of the Restructuring Agreement, in order to make the Group's capital and financial structure consistent with the new situation.

As to the circumstances described above, the actions taken in this regard by Management and the status of the same, reference should be made to the considerations made in the following paragraphs, and in particular to what reported with regard to the Standstill Agreement (as defined below) and the subsequent discussions, still in progress, with the Lending Banks aimed at the signing of the New Agreement (as defined below).

Risks relating to liquidity trends over the next 12 months

Consistently with assessments made at the approval of the 2020 financial statements and the interim financial report at 30 June 2021, an element that has been assessed with particular attention, in light of the lower cash generation foreseen in the New 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, at least in the short time, new cash lines of credit not provided for in the Original Consolidated Plan. The Group will therefore have 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 Standstill Agreement and the following New Agreement.

Obviously, this aspect is central to the evaluation of the going concern assumption, and made it necessary at the approval of the 2020 financial statements and the interim financial report at 30 June 2021 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 were reasonably suitable to support the Group's financial needs as they arise without recourse to new lines of credit, and without causing foreseeable situations of cash flow tension.
This verification yielded positive results at the time of the approval of the 2020 financial statements and the interim financial report at 30 June 2021 and was repeated for the approval of the 2021 financial statements. To this end, as will be discussed in more detail below, Management updated the cash flow forecasts that had been made at the time of approval of the interim financial report on the basis of actual data and extended these forecasts until 31 December 2022.

The reasonable expectation of a positive cash flow position for the Group emerges from that year, or at least until then, based on the assumption that an agreement will be reached with Lending Banks allowing the implementation of the New Financial Manoeuvre (as defined below) and the use of unsecured lines of credit, necessary for the job orders in which the Group Companies take part.

Risks raised by deviations from the Original Consolidated Plan and by the possible failure to achieve the objectives of financial rebalancing

Consistently with assessments made at the approval of the 2020 financial statements and the interim financial report at 30 June 2021, one of the elements taken into account in order to evaluate the uncertainties regarding the going concern is whether the forecasts of the New Consolidated Plan, also in light of the latest results regarding the Group's performance, appear anyhow suitable to allow, within the related time frame of reference, a financial rebalancing to be achieved; the possibility of reaching an agreement with the Lending Banks on the financial manoeuvre also depends on this element.
Based on the figures at 31 December 2021, the Group's performance during the year in terms of main indicators (Revenue, recurring EBITDA and Net Financial Debt) was substantially in line with the forecasts of the New Consolidated Plan. In this regard, during the year the Group generated cash flows of about Euro 17.6 million, going from a Net Financial Debt of Euro 269.4 million at 31 December 2020 to Euro 251.8 million at 31 December 2021. Furthermore, the backlog growth trend was confirmed during the year thanks to the new orders acquired (already reported at the approval of the interim financial report at 30 June 2021). The consolidated figures of the financial statements at 31 December 2021 confirm the recovery trends of the business that emerged at the approval of the interim financial report at 30 June 2021, which are reflected in the New Consolidated Plan whose implementation constitutes a key element for the achievement of the objectives of financial rebalancing.

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, at the approval of the 2020 financial statements and of the interim financial report at 30 June 2021, 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 represented elements that could constitute significant uncertainties with respect to the going concern assumption and whether such uncertainties could reasonably be overcome. On that occasion, the directors decided to approve the financial statements on a going concern basis, although they pointed out a significant residual uncertainty relating to the risk of failure to reach an agreement with the Lending Banks. The Board of Directors therefore deemed it appropriate to request and obtain an update of the information on the circumstances described above in order to assess whether it was correct to apply the going concern assumption also with reference to the approval of financial statements at 31 December 2021.
In this regard, the following should be considered.

The Standstill Agreement, the following discussions with the Lending Banks and the New Agreement

As already illustrated in the Directors' Reports accompanying the 2020 financial statements and the interim financial report at 30 June 2021, with reference to the circumstances described above, relating to the failure to comply with certain provisions of the Restructuring Agreement, discussions were promptly initiated, starting in February 2021, with the Lending Banks (many of which became shareholders of the Parent in accordance with the Restructuring Agreement), with the involvement of their respective legal and financial advisors.
To date, also due to the large number of parties involved and to the not entirely homogeneous positions of the banks, the aforementioned discussions have not yet been completed with the signing of a new agreement, but are at an advanced stage as will be better described below.
Within the framework of said discussions, the Lending Banks required further information and details from the Parent and its advisors, also in order to complete their own preliminary investigation processes and, subsequently, to initiate their own decision-making processes. Specifically, the Parent and the Lending Banks agreed to what follows as a form of protection for themselves and all the stakeholders: **(i)** submit the New Consolidated Plan to an independent business review (**"IBR"**) to verify the reasonable validity of the business and market assumptions underlying the New Consolidated Plan; **(ii)** promptly define a comprehensive financial (and, if appropriate, equity) manoeuvre proposal to support the New Consolidated Plan, which includes the above-mentioned requests by the Parent, to be submitted to the Lending Banks for the purposes of signing a new agreement with them (the **"New Agreement"**); and **(iii)** place the new financial manoeuvre and the New Agreement within the framework of one of the instruments provided for by the Italian Bankruptcy Law for the reorganisation of companies in crisis, and therefore to submit the New Consolidated Plan, the new financial manoeuvre and the New Agreement to the examination of an independent expert in order to issue the certifications required by law.
Also in the context of discussions with the Lending Banks, in order to manage the current phase and to allow, in the interests of all parties involved and in general of the stakeholders of the Trevi Group, the continued management

of the business while the banks' investigation and decision-making processes are pending, a moratorium and standstill agreement (the **"Standstill Agreement"**) was signed on 5 August 2021 between the Parent, the Italian subsidiaries Trevi, Soilmec and PSM and the Lending Banks. The Standstill Agreement provided for: **(i)** a general suspension of obligations relating to compliance with financial covenants; **(ii)** the suspension of the obligations to pay the amounts due during 2021; **(iii)** the maintenance of 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.

In line with the foregoing, on 22 December 2021, within the context of the discussions above, the guidelines of a possible new financial manoeuvre were presented to the Lending Banks (on which reference should be made to the press release of 22 December 2021, available on the Parent's website) providing for, amongst other things **(i)** a capital strengthening through a cash capital increase of Euro 20 million and a capital increase by converting Euro 60 million of bank loans, **(ii)** the rescheduling of the repayment of medium/long-term lines of credit until 2026, with changes to the relevant financial covenants, **(iii)** the extension to 2026 of the maturity date of the Bond Issue; **(iv)** the confirmation of the unsecured lines of credit granted to the Group, to the extent of 80% of the total ceiling amount granted pursuant to the Restructuring Agreement. Along with the hypothetical manoeuvre, a request was submitted to the Lending Banks to extend the term of the Standstill Agreement from 31 December 2021 to 30 April 2022.

Nevertheless, the Lending Banks made the extension of the Standstill Agreement duration conditional on reaching an agreement in principle on the guidelines of the new financial manoeuvre. As a result, on 31 December 2021, the Standstill Agreement expired and was not formally renewed. However, the parties have continued the relevant negotiations in relation to the new financial manoeuvre, and are operating under a "de facto" standstill regime, as evidenced by the fact that the Lending Banks not only have not exercised (nor expressed their intention to exercise) the remedies provided for in the Restructuring Agreement to date, but in addition to pursuing the aforementioned negotiations on the new manoeuvre hypothesis, they continued to support the Group by not reducing the utilisation of the self-liquidating lines and by allowing the issuance of certain guarantees identified as urgent by the Parent in the context of the projects to which the Group companies are party, and by continuing to make cash lines of credit available.

Concurrently, with the support of advisors, Management continued negotiations both with the Lending Banks and controlling shareholders aimed at defining the new financial manoeuvre. In this regard, on 26 April 2022, the Board of Directors approved a proposal of financial manoeuvre, partially different from the one approved last December, notice of which was given to the market (reference should made to the press release of 26 April 2022 available on the Parent's website). This proposed manoeuvre was later further modified in order to take into account the ongoing discussions with the Lending Banks. The latest version of the financial manoeuvre is the one sent to the Lending Banks on 9 June 2022 (the **"New Financial Manoeuvre"**), which provides, in a nutshell:

(a) its implementation in accordance with an agreement based on a certified recovery plan pursuant to Article 67, paragraph III, lett.(d) of the Italian Bankruptcy Law.
(b) a cash capital increase with right of first refusal to be offered to shareholders for a total of Euro 25 million (but in no case exceeding the amount of debt subject to conversion), fully guaranteed pro rata by CDPE Investimenti S.p.A. (**"CDPE"**) and Polaris Capital Management LLC (**"Polaris"** and, together with CDPE the **"Institutional Shareholders"**);
(c) a capital increase reserved to the Lending Banks, to be subscribed by converting bank loans into ordinary shares of the Parent, for a minimum equivalent amount of loans of Euro 20 million, with the option for the Lending Banks to convert an amount higher than this minimum amount;
(d) the subordination and deferment of a portion of the bank debt up to a maximum of Euro 40 million, leaving the Lending Banks the choice between conversion and subordination of the related loans;
(e) the extension of the final maturity date of the medium/long-term debt to 31 December 2026, with the introduction of a repayment plan starting from 2023;
(f) the granting/confirmation of unsecured lines of credit for the execution of the New Consolidated Plan;
(g) the extension of the maturity date of the Bond Issue to 2026.

With regard to the ongoing discussions with the Lending Banks and controlling shareholders, the Parent received on 10 May and 17 May 2022, respectively, letters from CDPE and Polaris confirming their commitment, subject to final approval by the relevant decision-making bodies and to certain additional conditions, including reaching an agreement with the Lending Banks, to subscribe pro-rata the above-mentioned capital increase with right of first refusal, and to guarantee, again pro-rata, the subscription of any unexercised rights, up to Euro 20 million. Based on the discussions subsequently carried out by the Parent with the Institutional Shareholders, the latter have confirmed their commitment up to Euro 25 million, it being understood that the same may not exceed the final amount of the capital increase by conversion subscribed by the Lending Banks. Furthermore, on 17 June 2022, the Parent also received a comfort letter from the advisors of the Lending Banks in which they confirmed - on behalf of the Lending Banks that jointly own a percentage equal to about 75% of all the bank loans in the form of cash and guarantee facilities due from the group companies concerned and that are members of the steering committee - their interest to assess the Group's restructuring transaction and that, subject *inter alia* to the positive outcome of the ongoing analysis of the documentation provided by the Parent and the reaching of an agreement between the Lending Banks and the Parent on the final content of the New Financial Manoeuvre, they intend to submit to their decision-making bodies said manoeuvre and the New Agreement. Although this comfort letter was sent on behalf of only some of the Lending Banks, as mentioned above they jointly own a very significant percentage of the amounts due to the banks from the group companies concerned and are also members of the steering committee. Furthermore, discussions with the Lending Banks are still in progress and will continue in the coming weeks, in order to define the more detailed information of the New Financial Manoeuvre (including the agreement between the banks on the allocation of unsecured lines of credit and the order of priority of payments to be made over the period of the plan), and in order to take into account the positions of financial lenders different from the Lending Banks on whose behalf the comfort letter was delivered. In light of these elements, although non-aligned positions among the Lending Banks cannot be ruled out, the directors believe that conditions exist to reach a satisfactory meeting point for all parties in the coming weeks.

Also in compliance with what provided for by the Standstill Agreement, the Parent also took and is still taking all the necessary steps to get the New Agreement, which implements the content of the New Financial Manoeuvre, signed, specifically it:

(i) appointed Alvarez & Marsal, a leading consulting firm, to carry out an IBR on the New Consolidated Plan, which has been completed and submitted to the Lending Banks;

(ii) is defining the terms of the New Financial Manoeuvre with the Lending Banks and the controlling shareholders; and
(iii) appointed Mario Ravaccia, of Studio Spada & Partners, as expert in charge of drawing up the statements necessary for the New Consolidated Plan and the New Financial Manoeuvre, which is currently being finalised.

Obviously, neither the receipt of the above-mentioned comfort letter from the advisors of the Lending Banks and controlling shareholders nor the completion of the activities above allow considering the uncertainty deriving from the Significant Events occurred under the Restructuring Agreement and, in general, from the need to enter into a New Agreement with the Lending Banks aimed at incorporating the contents of the New Financial Manoeuvre to be overcome. Said uncertainty can be definitively deemed to be overcome only after the completion of the activity certifying the New Consolidated Plan and the positive assessment, by the competent bodies of all the Lending Banks, of the New Financial Manoeuvre and the signing and effectiveness of the New Agreement. Nevertheless, the advanced stage of discussions with Lending Banks on the Financial Manoeuvre along with the comfort letter received from their advisors and from controlling shareholders, although not binding, together with the support that the Lending Banks are willing to continue to provide - albeit with some difficulties - to the Group by allowing the Parent to issue urgent guarantees, are a sign that discussions with Banks are significantly progressing, thus making it possible to expect the successful conclusion of negotiations

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 reflected in the forecasts of the New 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 flows, also at the level of the individual Trevi and Soilmec Divisions. In particular, Management prepares a treasury plan until the end of the year on a weekly basis for the first three months and on a monthly basis for the following months, 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 short-term cash flows 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 22 April 2022, 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, in accordance with the Standstill Agreement, the Parent keeps providing the Lending Banks with an updated treasury plan, verified by PricewaterhouseCoopers, relating to cash flow forecasts for the following 6 months, based on weekly forecasts for the first 3 months and monthly forecasts for the following 3 months. The latest updated treasury plan was provided to the Lending Banks on 03 May 2022, and based on these forecasts, no critical issues arose in relation to the cash position of the Group and/or the individual divisions in the relevant period. In such respect, these forecasts lay on the assumption that the Lending Banks will continue to support the Group in order to acquire and execute job orders for the entire period subject to analysis, by issuing the guarantees requested.
Management also carried out in-depth analyses on the expected liquidity trend in the 12 months following the reporting date of 31 December 2021, which were drawn up by collecting all the necessary information from all the legal entities of the Group and examine the expected liquidity trend at 31 December 2022. These analyses confirmed that there were no critical cash flow situations that could compromise the Group's ordinary operations.

The Board of Directors, for the purposes of approving the draft financial statements, examined the update of the liquidity analysis at 31 December 2022. Therefore, on the basis of these projections, it is reasonable to expect that the Group's minimum cash will remain at a level 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 for the situation and the results of the analysis carried out do not currently show situations of cash tensions and/or shortfalls until December 2022. Cash forecasts appear to have been drawn up in a prudent manner. In conclusion, given that **(i)** cash-flow forecasts are prepared with methods consolidated over the years, **(ii)** these forecasts are subject to verification by a third-party and are shared on a periodical basis with the Lending Banks, and **(iii)** at 31 March the Trevi Division acquired orders equal to approximately 92% of the revenue expected to be generated in 2022 and the Soilmec Division acquired orders equal to approximately 69% of the revenue expected to be generated in 2022, without prejudice to the possible consequences, as illustrated above, arising from the failure to meet the covenants set out in the Restructuring Agreement, at present, it is believed that the risk related to cash-flow forecasts is adequately monitored and mitigated.

Achievement of recovery goals
As noted above, the consolidated figures at 31 December 2020 show deviations from the Original Consolidated Plan, 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 New Consolidated Plan. To this end, Management has been assisted by leading industrial and financial advisors.

At the approval of the 2020 Financial Statements and of the Interim Financial Report at 30 June 2021, the Board of Directors assessed with particular attention the risks resulting from the possible failure to implement the plan and deviations from the same and, specifically, the risk that the New Consolidated Plan would not allow the Parent and the Group to achieve the recovery goals originally set and deemed surmountable (for details of the relevant considerations, reference should be made to the Directors' reports accompanying the 2020 financial statements and the interim financial report at 30 June 2021).
In order to update the assessment already carried out by the Board of Directors on this risk factor at the approval of the 2020 Financial Statements and of the Interim Financial Report at 30 June 2021, the Directors have herein made the following considerations:

- the deviations observed with respect to the Original Consolidated Plan are mainly attributable to the spread of the Covid-19 pandemic or related to additional one-off non-recurring events;
- the New Consolidated Plan seems to have been drawn up in accordance with reasonable and prudent criteria that include actions aimed at increasing volumes and improving profitability and shows the possibility of having, at the end of the plan, a balanced financial position and performance, and its feasibility is supported by the performance in the first quarter of 2022, whose results - that have not yet been subject to independent review - are in line with the relevant forecasts;
- the feasibility of the New Consolidated Plan is confirmed by figures at 31 December 2021 that are in line with the forecast of revenue and recurring EBIDTA for 2021 formulated at the approval of the interim financial report at 30 June 2021, orders acquired in 2021 amounting

1 This is a select committee of Lending Banks that was formed at the time of the Standstill Agreement, on the basis of an interbank agreement, with functions of coordinating them, in order to facilitate and streamline the activities of analysis and verification of the transaction, and to simplify negotiations, it being understood that each of the Lending Banks retains full discretion as to whether or not to adhere to the possible new agreement.

to approximately Euro 600 million increasing by 41% compared to the previous year and an order backlog of Euro 454.6 million that was up by 43% with respect to the previous year. This trend continued in the first quarter of 2022, with a decrease in the Net financial debt of Euro 17.6 million that fell from Euro 269.4 million at 31 December 2020 to Euro 251.8 million at 31 December 2021. With reference to considerations regarding potential impacts arising from the Russia-Ukraine conflict and the prolonged health emergency from Covid-19, reference should be made to the sections on "Impacts of the Russia-Ukraine Conflict", "COVID-19" and "Risk related to the trend in raw material prices" of this report, respectively;
- the IBR carried out by Alvarez & Marsal on the New Consolidated Plan and shared with the Lending Banks confirmed the reasonableness and feasibility of the same;
- the New Financial Manoeuvre currently under definition, whose content has been subject to comments of both controlling shareholders (i.e., CDPE and Polaris) and banks of the steering committee through consultants, would allow, with the capital strengthening transaction, to further strengthen the financial position and performance of the Group, also giving a boost to the business as well as to the achievement of the recovery goals in accordance with the New Consolidated Plan;

Furthermore, the reasonableness and feasibility of the New Consolidated Plan will be further supported by the fact that it is currently being certified by the appointed expert, Mario Ravaccia, who meets the requirements provided for by the Italian Bankruptcy Law and whose work is in progress, thus representing an additional form of protection for Directors and the other stakeholders involved. In this regard, on 17 May 2022 the expert issued a comfort letter confirming that, on the assumption that the circumstances herein described occur, the New Consolidated Plan can be deemed certifiable pursuant to Art. 67, paragraph 3, letter d) of the Italian Bankruptcy Law based on appropriate arrangements with the Lending Banks.

In conclusion, the Directors observed that, despite the encouraging signals given from the 2021 financial statements figures, the achievement of the objectives set in the New Consolidated Plan depends in any case on the completion of the New Agreement implementing the contents of the New Financial Manoeuvre

Concluding remarks

In conclusion, as fully explained in the previous paragraphs and in the additional sections expressly referred to therein, there are some uncertainties arising from the Group's exposure to risks which, as mentioned above, have different levels of magnitude and for which consequent measures are in place as form of protection. These risks, among which the successful conclusion of the negotiations with the Lending Banks for the completion of the New Agreement, examined in their entirety, indicate the existence of a 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, taking into account all of the circumstances outlined above and in light of the status of the discussions in progress with the Lending Banks and their advisors, deems it appropriate to prepare the separate financial statements of the Parent and the consolidated financial statements of the Trevi Group on a going concern basis.

COVID 19

In 2021, the Trevi Group, in order to guarantee the safety of employees and the going concern, continued adopting measures to combat the COVID-19 pandemic in relation to the provisions in force nationally and in the countries where it operates.

To do this, a Team dedicated to managing the COVID-19 emergency was kept operational, consisting of senior management figures, the HSE (Health, Safety and Environment) Function, the Company Doctor and the union representatives, who ensured a rapid decision-making process aimed at defining and implementing specific actions.

These actions, which can be summarised in the following list, have made it possible to obtain significant results in terms of prevention and protection, despite the surrounding difficulties and risk situations. The following have been carried out:

- body temperature measurement when entering the workplace;
- cleaning and sanitising of work environments;
- information and training of staff on measures to prevent contagion;
- provision of personal protective equipment such as masks and filtering facepieces;
- numbered quotas for access to the canteen and changing rooms;
- promotion of the work-from-home scheme and the use of web platforms to limit face-to-face meetings;
- additional rapid swabs on top of those recommended by the relevant authorities, limited to particular risk situations,

in order to prevent the onset of outbreaks within the workplace and cascade infections;
- promotion of covid vaccination measures through:
  - raising awareness of vaccines among company staff;
  - participation in vaccination hubs for companies promoted by regional associations (e.g., Confindustria Romagna) to facilitate the vaccination process for the Italian office staff;
  - assistance to expatriate and construction site staff, to facilitate their vaccination process in the workplace.

Furthermore, the management of the COVID-19 risk has effectively become a process fully incorporated into the ISO45001 Health and Safety Management System implemented by the Trevi Group.

During 2021 the number of cases reported that affected the Trevi Group staff was in line with the trend for the period observed in Italy and abroad, none of which was critical to the health of the people concerned.

In 2022, the corporate COVID-19 Plans will continue to be managed and revised in relation to the new applicable provisions and any changes to the risk level relating to the geographical segments in which the Group operates.
With regard to the use of regulatory measures to deal with the negative impact of the COVID-19 pandemic, during 2021, Trevi S.p.A. and Soilmec S.p.A. used the tax credit generated by the conversion of deferred tax assets (DTAs) relating to tax losses, following the disposal of non-performing loans granted against consideration by 31 December 2020. This remedy was provided for by Italian Law No. 126 of 13 October 2020, that converted with amendments Italian Law Decree No. 104 of 14 August 2020 ("August Decree") and that covers the conversion of deferred tax assets (DTAs) in case of disposal of non-performing loans granted against consideration by 31 December 2020. Specifically, Trevi S.p.A. could benefit from a tax credit of Euro 173,627 having disposed of non-performing loans on 22 December 2020, used for offsetting Euro 111,288.00 on 18 January 2021. Furthermore, Soilmec S.p.A. could benefit from a tax credit of Euro 179,146.00 after disposing of non-performing loans on 22 December 2020, used in full for offsetting purposes on 16 January 2021.
As Italian Legislative Decree No. 73/2021, the so-called "Support Decree-bis", re-proposed the "sanitisation/purchase of PPE bonus" for the expenses incurred for the sanitisation of workplaces and the purchase of PPE and other protective devices for the health of workers and users, Trevi S.p.A. and Soilmec S.p.A. took advantage of this tax credit equal to 30% of the eligible expenses incurred, for an amount of Euro 3,165.00 and Euro 6,831.00, respectively.

During the first half of 2021, the Group companies operating in Italy (Trevifin, Trevi S.p.A., Soilmec S.p.A. and PSM S.p.A.) made use of the Cassa Integrazione Guadagni Ordinaria [Italian furlough scheme] to reduce personnel expense by approximately Euro 2 million.

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 covenants, it is 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 divisions, 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 31.12.2021
Trevi	Treviicos	USA	CRA - Bonding Company (Subject to Covenant)	8.8
Trevi	Trevi Foundations Nigeria Ltd	Nigeria	Currency Restrictions	6.5
Trevi	Foundation Construction Ltd	Nigeria	Currency Restrictions	0.3
Trevi	Swissboring Overseas Piling Corp. Ltd (Dubai)	Dubai	Cash collateral on a revolving line	2.5
Total				**18.1**

To date, most of the lines of credit with lending banks are governed by the Restructuring Agreement, which was finalised in the first half of 2020 with the capital increase and by converting bank loans into capital.
The geographical distribution of the Group's cash and cash equivalents at 31 December 2021 is shown below:

Description	31/12/2021	31/12/2020	Change
Italy	14,031	14,430	(399)
Europe (excluding Italy)	8,630	14,388	(5,758)
United States and Canada	26,870	14,908	11,962
South America	4,378	4,959	(581)
Africa	14,922	7,956	6,966
Middle East and Asia	6,368	6,354	14
Far East and Rest of the World	2,448	6,815	(4,367)
Total	**77,647**	**69,810**	**7,837**

Bank loans and borrowings of the Group at the reporting date are broken down as follows:

SHORT-TERM LOANS AND BORROWINGS	31/12/2021	31/12/2020	Change
Italy	188,052	180,506	7,546
Europe (excluding Italy)	0	0	0
United States and Canada	6,180	5,705	475
South America	547	533	14
Africa	113	113	0
Middle East and Asia	0	0	0
Far East	5,457	6,517	(1,060)
Rest of the world	786	803	(17)
Total	**201,135**	**194,177**	**6,958**

MEDIUM/LONG-TERM LOANS AND BORROWINGS	31/12/2021	31/12/2020	Changei
Italy	5,135	4,660	475
Europe (excluding Italy)	1,790	1,794	(4)
United States and Canada	0	0	0
South America	0	0	0
Africa	4,142	0	4,142
Middle East and Asia	0	0	0
Far East	1,630	1,779	(149)
Rest of the world	0	0	0
Total	**12,697**	**8,233**	**4,464**

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	31/12/2021	31/12/2020	Change
Italy	245,879	243,226	2,653
Europe (excluding Italy)	824	1,721	(897)
United States and Canada	6,611	6,766	(155)
South America	1,288	1,897	(609)
Africa	457	259	198
Middle East and Asia	1,071	882	189
Far East	7,911	10,031	(2,120)
Rest of the world	881	877	4
Total	**264,921**	**265,659**	**(738)**

NON-CURRENT FINANCIAL LIABILITIES	31/12/2021	31/12/2020	Change
Italy	74,385	77,790	(3,405)
Europe (excluding Italy)	2,662	2,881	(219)
United States and Canada	194	880	(686)
South America	132	17	115
Africa	4,756	427	4,329
Middle East and Asia	1,146	1,351	(205)
Far East	2,117	4,090	(1,973)
Rest of the world	3	34	(31)
Total	**85,396**	**87,470**	**(2,074)**

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.

At 31 December 2021, following the signing and execution of the Restructuring Agreement in 2020, the Group's loans are fixed-rate loans.

			31/12/2021
Description	**Fixed rate**	**Variable rate**	**Total**
Loans and Leases	300,316	0	300,316
Bond issue	50,000	0	50,000
Total financial liabilities	**350,316**	**0**	**350,316**

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 Group does not use instruments of an explicitly speculative nature for its hedging against the currency risk. However, if such instruments are used and 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.

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 overseas operations

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 approximately 87% 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

In Algeria, the domestic political framework was characterised by the holding of legislative elections in June, which nevertheless recorded a negative turnout record. At economic level, the effects of the crisis triggered by the Covid-19 persist, which particularly penalised undiversified economic systems such as Algeria's, focused almost exclusively on the export of hydrocarbons. To these factors, the impact of an unprecedented climatic crisis must be added, characterised by record heat waves and a series of fires that devastated the north-eastern region of Tizi Ouzou in particular, causing over 90 deaths and hundreds of displaced persons. In terms of external transactions, diplomatic relations with Morocco were interrupted at the end of August following a series of frictions that had intensified in recent months.

In this context, elections were held in June - the first after resignation of Abdelaziz Bouteflika, the former president who dominated the political scene from 1999 to 2019 and recently passed away (17 September) at the age of 84 - to choose the representatives of the National Assembly, the lower house of parliament. According to the government and President Tebboune, the vote was supposed to represent "the second fundamental step towards change and the construction of a democratic Algeria closer to the citizens". However, with only 23% of the eligible voters - estimated at 24 million - going to the polls, the elections did not achieve the hoped-for result of rekindling public interest in politics and institutions, registering the lowest turnout in recent years and reconfirming a trend that had already emerged during last November's constitutional referendum, when 24% of voters voted. In part, this was the result of a boycott campaign led by the leaders of the protest movement, known as Hirak, and some opposition forces, including minority parties such as the Socialist Forces Front (Ffs).

The results saw the National Liberation Front (Fln), the nationalist party that has dominated the Algerian political scene since independence, receive the majority of votes.
To cope with the economic difficulties, the president and the new government have recently launched an action plan that aims to encourage investment, stimulate private sector growth and diversify the economy by making it less dependent on the hydrocarbon sector. Among the cornerstones of this plan, approved at the beginning of September by the Council of Ministers, is the modernisation of the banking and financial systems through digitisation and internationalisation of Algerian credit institutions, but also a review of monetary policy, including exchange rates, in order to encourage investors while safeguarding exports.

Argentina

Argentina, which is one of the most important economies in Latin America, seems to have reached economic collapse. The country had already been in economic recession for two years, with GDP falling between 2% and 3% in 2018 and 2019. Once again, Covid-19 has only exacerbated this precarious situation: Argentina, in fact, has suffered more than other countries in Latin America and the world from the crisis caused by the pandemic, with GDP falling by just over 10% and inflation rising by 36.1%. Such alarming figures have not been seen since the 2001-2002 *corralino* crisis, considered the worst in Argentine history, when GDP fell by 10.9%. In addition, the prices of basic necessities have now risen by 4%, the rate of people under the poverty line has reached 44%, and the value of the currency has halved, so much so that while in January 2020 the dollar was bought with 78 pesos, today it is bought with 160 pesos, and the financial market has fallen from USD 350 billion to USD 20 billion, indicating that many companies have lost value and others have left the country.

Risk related to the trend in raw material prices

Energies

The year 2021 was a very significant year for the oil market. Exactly one year ago, the price of a barrel of oil was around USD 50, and then over the course of the following months,

the price rose higher and higher. The highest price level in 2021 was recorded at the end of October, when a barrel was trading at around USD 86, before falling back at the end of the year. In the last 12 months, the recorded price growth was over 25% thus far surpassing the 2020 crisis and exceeding pre-pandemic levels.
What drove the price of oil so high was the imbalance recorded between supply and demand. In 2021, global demand for oil increased as a result of the resumption of economic activities after the pandemic blockade, but also due to the resumption of previously banned movements as the spread of Covid-19 slowed down. A further contributing cause to the rise in oil prices was the increase in gas prices. Since the price of the latter reached all-time highs, oil was chosen as a substitute in energy production, as it was more cost-effective.

The major crude oil producers were surprised by the sudden rebound in demand, unable to keep up with the pace of growth due to several difficulties.
Firstly, due to continuous production disruptions caused by adverse weather conditions in the United States, which forced energy companies to draw the large quantities of crude oil needed from stocks. Secondly, due to persistent global underinvestment and maintenance delay caused by the pandemic, as in the case of Nigeria, Angola and Libya, some OpecPlus members had difficulties increasing production.
Regarding the potential impacts of the above-mentioned risks, reference should be made to the more detailed considerations in the following section commenting on commodity supply costs.

Ferrous and Non-Ferrous Metals, Organic Chemicals - Plastics
From the point of view of the prices of the various raw material families, there was a significant decrease in ferrous metals, which fell by more than 5%, and in organic chemicals - plastics in December. Conversely, non-ferrous metals (up by 2.5% in November), energy (up by 2.1%) and especially wood and paper (up by 6.5%) continued to register increases. An analysis of the dynamics throughout 2021 radically changes the hierarchy of the goods with the largest increases. In first position is energy, with an increase close to 100%, followed at a distance by ferrous (up by 57%) and wood and paper (up by 54%). The annual increases of all other raw material families are slightly below 50%, with foodstuffs coming in last in terms of growth rates. A separate case regards precious metals, which had also seen their prices rise during the initial phase of the pandemic, buoyed by their role as safe haven goods.
In this regard, in the context of the IBR, following an overall review of the contracts relating to existing contracts/orders, a specific analysis of the possible impacts on the variability of the purchase price/availability of raw materials was carried out, from which it emerged that:

- Trevi Division: given the nature and average duration of the related job orders, the value at risk is calculated in an economic dimension that is not particularly significant in the overall volume of business of the Division;

- Soilmec Division: it is believed that the sector to which it belongs has already seen the upward trends in the costs of some materials reversed on product prices.

Cyber risk
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.
In this context, on 11 January 2022, the Trevi Group suffered a cyberattack that affected the data centres in Cesena (FC) and Asolo (TV), causing temporary inaccessibility to operational IT functions.
The functionality of the entire IT infrastructure was promptly restored and, in less than twenty-four hours, the main IT services were available again.
To date, there has been no loss of data and/or information and there are no consequences for the activities of the Group companies.
The prompt and effective response with which the Group managed the incident was made possible thanks to a specific Disaster Recovery and Business Continuity Plan and infrastructures with Hybrid Cloud technologies, which made it possible to safeguard services and backups.

The Group is also continuing to adopt specific training courses to suggest suitable behaviour to users in order to avoid involvement in "malicious" processes, as well as continuing to issue "information pills" to report concrete cases of computer fraud that users might come across if they do not follow the correct procedures and instructions. It is therefore considered that the measures adopted and the existing safeguards represent adequate elements to mitigate this risk, and that, therefore, no significant risk remains for the continuity of the company's activities.

Impact of the Russia - Ukraine conflict

In relation to the very recent international political events involving Russia and Ukraine, the main elements with

reference to the Group's operations are reported below.
The Group has no production activities in Russia or Ukraine, nor has it outsourced the development or use of software and data centres in the areas affected by the conflict. Therefore, there has been no need to move personnel out of the conflict zones, and at the moment it is not believed that other countries impacted to any extent by the conflict generate problems for Trevi Group operations.

Furthermore, it is not believed that the sanction laws implemented by many countries against Russia could have an impact on the Parent's business and could expose the Group's people or production activities to legal risk. However, as far as the supply chain of Group companies is concerned, the sanctions could lead, given the characteristics of Russian exports, to inflationary pressures on the cost of raw materials and possible difficulties in their procurement (ferroalloys, steel, microchips, etc.), with an impact on normal production flows. The Group has management control tools to monitor the impact of inflationary pressure on raw material costs and, since it is currently impossible to make forecasts on the evolution of the conflict, it may be necessary to increase the frequency and depth of controls and risk analyses.
With reference to the execution of financial transactions through the banking system, at the reporting date there are no problems related to the inhibition of certain international payment systems for Russia. The Group has only one supply - denominated in Euro - in progress with a Russian customer in a third country, the amount of which is less than 1% of the Group's total revenue; moreover, the aforesaid supply was covered by advances and backed by guarantees issued by an Italian bank. At the reporting date the portion of the supply performed has been fully collected and, therefore, the guarantees released; a further portion of the supply of approximately Euro 2.0 million is in progress, and the backlog does not include further orders from the areas mentioned above. The New Consolidated Plan does not envisage any developments in these areas.

No financing difficulties are expected since there are no exposures to Russia and Ukraine. In addition, the Group's cost of financing is at a fixed rate, as it is crystallised in accordance with the Restructuring Agreement.

Finally, the Group does not believe that there may be any new fraud risk factors related to the current conflict, while as regards the risk of cyber attacks, in recent years the Group has implemented a series of initiatives aimed at increasing the level of security of the entire IT infrastructure.

At the moment, it is not believed that the risks indicated above - in light of the factors and considerations made regarding the ongoing conflict, and in general the Russian-Ukrainian geographical segment - represent a residual risk relevant to the going concern.

Impairment test at 31 December 2021

The Group checked the existence of impairment indicators at 31 December 2021 that could indicate 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 2021: see the specific paragraph on "Impairment" included in the Notes to the consolidated Financial Statements at 31 December 2021.

Staff and Organisation

TREVI – Finanziaria Industriale S.p.A.

- During 2021 the Parent's top positions have changed. In particular:
-
- On 28 February 2021, Riccardo Losappio tendered his resignation from his positions held at Soilmec S.p.A..
-
- On 1 March 2021, Massimiliano Battistelli was appointed General Manager of Soilmec S.p.A..

Workforce at 31 December 2021

The Group workforce at 31 December 2021 was 3,218, with a net decrease of 486 units compared to 3,704 at 31 December 2020.
The average workforce in 2021 was 3,461 units.

(in units)

Description	31/12/2021	31/12/2020	Change	Average	Media
Executives	77	108	(31)	93	93
White-collar workers and Managers	1,222	1,499	(277)	1361	1361
Blue-collar workers	1,919	2,097	(178)	2008	2008
Total workforce	**3,218**	**3,704**	**(486)**	**3,461**	**3.461**

The workforce broken down by geographical segment is as follows:

(in units)

	Workforce	
Geographical segment	**31/12/2021**	**31/12/2020**
Italy	862	869
Europe (excluding Italy)	82	171
United States and Canada	103	151
South America	269	376
Africa	493	577
Middle East and Asia	585	702
Far East and Rest of the World	824	858
Totale	**3,218**	**3,704**

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. The use of the Performance Management System (PMS) has been consolidated since 2016 in the Trevi Group and its application scope and processes are being strengthened and expanded over the years.

During 2021, the PMS was managed for white-collar workers through the Oracle HCM management system, involving the entire Italian workforce, expatriate Italians and, for the first time, also the white-collar workers of the Group's subsidiaries in the Middle East, Far East and North America. In these geographical segments the Oracle system has been active and available since January 2021 and staff have been trained on both the new process and the use of the tool. In 2022, Oracle HCM is also expected to be live in South America, so that from next year, the white-collar workers in these geographical segments will also be included in the PMS. In the long term, the goal is to implement Oracle HCM - and consequently the white-collar workers assessment process - on a global basis.

For blue-collar workers, on the other hand, an offline assessment campaign was conducted during 2021 for all Italian personnel, expatriate and non-expatriate. Evaluations are underway to bring this evaluation process into the system as well, creating ad hoc forms for the different types of workers: office workers and site workers. In addition, some evaluations are also being carried out on how to apply the same process in foreign branches.

A novelty that was introduced this year was the inclusion of Behaviours as an object of evaluation, marking the importance, even for technical roles such as those of workers, of adherence to values and the personification of company policy through one's actions.

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. As a further development for 2022, thanks also to the progressive implementation of new modules of Oracle HCM, the goal is to create a direct link with the applications dedicated to the Learning and Compensation area, so that not only the Human

Resources (HR) function but also the manager and the people themselves can have integrated tools for the management of their working lives in an all-round way.

During 2021, in addition to the position mapping project carried out in 2020, the digitisation of activities relating to meritocratic policies (Compensation Plan, Salary Review and Management By Objectives - MBO) was completed through the implementation of these processes on the Human Capital Management Software adopted by the Group. The processes were thus revisited in a digital & smart key, through an accurate and consistent analysis of the corporate needs and the refinement of a standardised worldwide process. Reporting tools have also been implemented (and will be further revised and developed in 2022) to provide up-to-date data according to common logic and standards. During 2022, a large number of Trevi Group people will be trained in the use of these forms, enabling HR to assess their impact and consider possible corrective and improvement actions. This activity allows all Group companies to act, according to common guidelines, through a single tool, in compliance with standard and univocal logics and formats.

Information on remuneration policies is provided in the remuneration report prepared by the Parent pursuant to Article 123-ter of Italian Legislative Decree No. 58 of 24 February 1998, available in accordance with the terms of current regulations at the Parent's registered office, at Borsa Italiana S.p.A. and on the website **www.trevifin.com.**
The Trevi Group's internal Academies - Foundations Technology Academy (FTA), dedicated to technical training, and Trevi Group Academy (TGA), dedicated to managerial training - have been in operation for several years now with the aim of enhancing and preserving the skills of the people who work in the Group, not only by collecting and enhancing best practices and know-how, but also by supporting innovation and the management of continuous change. The Trevi Group also relies on external suppliers for training services such as language, IT and professional training courses. The cost of organising and delivering the training courses offered to its employees is financed in part or in full by interprofessional funds such as Fondimpresa (for white-collar workers, middle managers and blue-collar workers) and Fondirigenti (for executives).

As hoped last year, in the course of 2021 an effort was made to extend the capillarity of the service, also increasing coverage for the worker categories that are more difficult to reach with digital tools (blue-collar workers) and strengthening collaboration with local HR functions for ad hoc training managed in the various Legal Entities. This direction will be pursued also in 2022.

Technical Training

Since 2003, the Trevi Group has had a Technical Academy dedicated to the training of in-house personnel with the aim of training new staff and continuously updating them on technologies and equipment. In this way, the corporate know-how is not lost and the technical skills of employees is strengthened, thus promoting company development.

Also in 2021, the activity was partly held back by Covid in the technical-practical parts, and was therefore mainly focused on the E-learning development of training courses and the redefinition of the training offer apparatus. The aim is to ensure continuous and structured training for technical staff within a "LifeLong Learning" framework.

Managerial Training

During 2021, the activities of the Trevi Group Academy, created in 2016 with the aim of promoting managerial and management training for the Group's personnel, continued, in order to develop all those skills considered strategic for the Parent. There are four main pillars on which the provision of its training activities is based:

People Management, Client Management, Project Management and Finance For Non-Financial People. This year, the initiatives proposed in the People, Finance, Project Management and Communication areas were particularly interesting.

Environmental awareness and occupational health and safety

The 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:

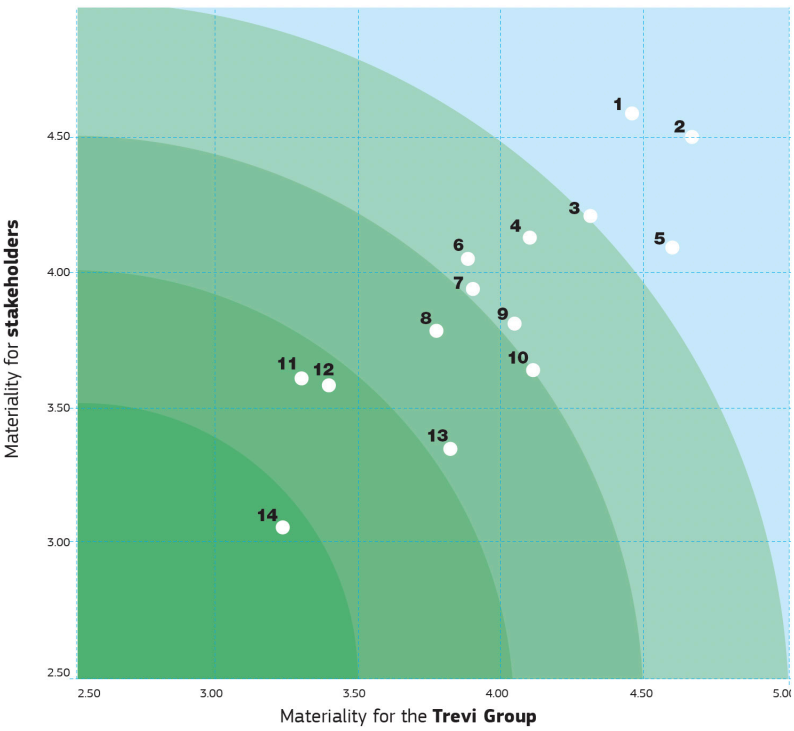
- Exercising leadership at all levels of the organisation.
- Acting on people's values and mindset, in order to create a "Zero Accident" working environment.
- Managing the HSE system as an operational responsibility with clear authority and responsibility.
- Applying a systematic approach to the management 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, the Trevi Group aims at achieving HSE performance it can be proud of, generating satisfaction among 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, under the section Investor Relations, Non-financial Statements.

The Trevi Group considers 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 European Directive 2014/95/EU, the Trevi Group has also prepared the "Consolidated non-financial statement" for 2021, in which it reports and informs its stakeholders about its performance and policies in relation to a set of material topics such as environmental aspects, aspects related to staff management, protection of human rights, the fight against corruption and social aspects.



1_ Compliance, ethics and business integrity
2_ Occupational health and safety
3_ Fighting against active and passive corruption
4_Management of waste and hazardous substances
5_Appropriate and timely management of health emergencies
6_Managing emissions and fighting against climate change
7_Respect for human rights
8_Promotion of diversity and equal opportunities
9_ Employee training and development
10_ Responsible and sustainable supply chain management
11_ Protection of biodiversity and natural capital
12_ Ongoing relations with local communities
13_Commitment in maintaining the employment level
14_ Efficient management of water resources

In the second half of 2021, the Materiality Matrix was further updated and supplemented thanks to the assessments expressed by the members of the Trevi Group Board of Directors and Board of Statutory Auditors. In light of the results that have emerged, there is substantial correspondence with the previous assessments, such that the integration has not led to changes in the relevance ranking, but only to contained deviations within the Matrix.

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 2021.

The Trevi Group is present in over 67 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 and support 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 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.
- together with the Pascal Comandini High School in Cesena, the Trevi Group developed an innovative project that will see a number of business professionals take on the role of teacher. The idea is to bring to the classroom, in addition to knowledge, the work experience gained in the field and transfer to young students experiences and notions that elude educational programmes;
- full compliance with the principles contained in the Code of Ethics in carrying out its business.

During 2021 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. Among the projects carried out within the scope of Social Value it is worth mentioning:

- In Italy, at the request of the Trevi Group, the University of Bologna set up a study grant named in memory of Alberto Antonelli, for many years head of Soilmec's technical department and a point of reference for many young designers, who died prematurely in spring 2020. The initiative will benefit students enrolled in the first year of the Master's Degree Course in Electronic Engineering at the University of Bologna;
- In Argentina, the Pilotes Trevi Sacims branch supported and sustained with donations of money and assistance the "Jardín de Infantiles Nuestra Señora del Valle", the nursery school located in the Bancalari neighbourhood of Don Torcuato and the only full-time day nursery school in the area, which allows the parents of the 150 children, aged between 3 and 5, who attend it to carry out their respective jobs with the certainty that their children are cared for in a space where they develop both educational and recreational activities.

- In the Philippines, the Trevi branch participated in the collection of basic necessities for the people affected by typhoon Odette. The super typhoon Rai (known in the Philippines as "Odette") hit the south-east of the Philippines with great vehemence, making it the strongest storm in 2021, among the fifteen that ravaged the country.
- In the United States, the Trevi's US subsidiary contributed to the COVID relief project with a donation for the children of St. Martha Paris and school in Philadelphia and supported the family of a Treviicos employee who died from COVID.

Other information

In accordance with Consob notice of 28 July 2006 No. DEM/6064293, it is stated that, in 2021, 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·

- 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 - 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 covenants 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, the Issuer informed the market about the start of discussions with the Banks that are parties to the Restructuring Agreement aimed at identifying the amendments to the existing agreements necessary to deal with the foreseeable failure to comply with one of the financial covenants set out in the same 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 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 2018-2022 Business Plan, which did not seem to be entirely achievable within the time frame taken into account.
- On 23 April 2021, the Board of Directors approved the updated 2021-2024 business plan to take into account the slowdown recorded in 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 (the **"Updated Business Plan"**). 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.
- On 14 July 2021, the Board of Directors approved the signing of a moratorium and standstill agreement (the "**Standstill Agreement"**), as a result of the aforementioned negotiations with the banks that are parties to the Restructuring Agreement. The Standstill Agreement, signed on 5 August 2021, provides for a suspension of the obligations set out by the Restructuring Agreement until the end of 2021, including the obligation to meet the financial covenants at the subsequent verification dates and the obligation to repay some debt instalments falling due during the relevant period. The Standstill Agreement also provides for new commitments undertaken by banks during that period within the existing lines of credit, in order to support the business through the acquisition of new job orders and the continuation of those already in progress, in line with the provisions of the Updated Business Plan. In accordance with the Standstill Agreement, the Updated Business Plan was submitted to an independent business review carried out by an advisor with top standing.
- On 22 December 2021, within the context of the discussions above, the guidelines of a possible new financial manoeuvre were presented to the Lending Banks of the Group providing for, amongst other things (i) a capital strengthening through a cash capital increase of Euro 20 million and a capital increase by converting Euro 60 million of bank loans, (ii) the rescheduling of the repayment of medium/long-term lines of credit until 2026, with changes to the relevant financial covenants, (iii) the extension to 2026 of the maturity date of the 2021-2024 bond issue. Along with the hypothetical manoeuvre, a request was submitted to the Lending Banks to extend the term of the Standstill Agreement from 31 December 2021 to 30 April 2022.

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 Law on Finance, 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 under 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 29 June 2022 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 Co**nsolidated Law on Finance**) and (ii) the Italian Regulation No. 11971 of 14 May 1999 on issuers (the **"Issuer Regulation**").

ADDITIONAL INFORMATION

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.

At the reporting date, the share capital structure is as follows:

- 25.67% held by CDPE Investimenti S.p.A. (subsidiary of CDP Equity S.p.A.);
- 24.13% held by Polaris Capital Management, LLC, acting as Registered Investment Advisor pursuant to the US Investment Advisers Act of 1940, on behalf of its investors;
- 37.2% held by banks and financial institutions that have entered into subscription commitments under the Restructuring Agreement; and
- approximately 13.06% held by other investors.

Treasury shares and shares of parents

At 31 December 2021 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 2021, 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 2021 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, with an expansion to the micropile range;
- Preliminary study of drilling rigs automation systems.

Numerous patent applications were filed during the year, related to applications developed in the field of product engineering. In the same year several patents filed prior to 2021 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 and the project for a small diameter drilling rig started. With regard to the third point, work continued on the study of a drilling rig automation system.

In particular, approximately 2% of the Soilmec Division revenue was allocated to innovation with projects on electrical machinery and equipment, the development of autonomous and remotely driven machines, digital transformation, the creation of skilled jobs, and the development of solutions for the safety of people, infrastructures and territories.

Related party transactions

On 30 May 2021, the Board of Directors updated, with the favourable opinion of the Related Party Committee, the related party procedure, previously approved by the Board of Directors on 30 May 2018, implementing what envisaged by Art. 2391 bis of the Italian Civil Code, the Related Party Transaction Regulation adopted by CONSOB Resolution No. 17221 of 12 March 2010, as subsequently amended and clarified by CONSOB Notices.

The Procedure for Related Party Transactions of the Parent is available on the Parent's website http://www.trevifin.com.
In accordance with Consob Rule 11971 of 14 May 1999, at 31 December 2021 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

Upon completion of the capital strengthening project carried out in 2020, persons holding significant investments pursuant to Art. 120 of the Italian Consolidated Law on Finance are:

- CDPE Investimenti S.p.A., company controlled by CDP

Equity S.p.A., that indirectly holds 38,731,103 shares, representing about 25.674% of the share capital;
- Polaris Capital Management, LLC, that holds 36,405,561 shares, equal to about 24.13% of the share capital, also in its quality as Registered Investment Advisor pursuant to the US Investment Advisers Act of 1940, on behalf of its investors;
- SACE S.p.A., company controlled by CDP Equity S.p.A., that directly holds 10,540,171 shares, representing 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;
- AMCO ASSET MANAGEMENT COMPANY S.P.A. that directly holds 7,462,887 shares, equal to about 4.95% 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 2021 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, none of the shareholders exercised any management or coordination activity or held any controlling interest.

At the date of this Report, TREVI - Finanziaria Industriale S.p.A. is the Parent of the 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 liquidation, 100% directly held by a sole shareholder.
- PSM S.p.A., 99.92% indirectly held (100% owned by Soilmec S.p.A.).
- Parcheggi S.p.A., indirectly held (60% owned by Trevi S.p.A.).

Significant events after the reporting period at 31 December 2021

During the first three months of the year, the Group acquired orders for approximately Euro 237 million, compared to Euro 110.7 million acquired in the same period of 2021. The Trevi Division, in particular, acquired orders for Euro 180.4 million (Euro 74.7 million in the same period of 2021), while the Soilmec Division acquired orders for Euro 61.1 million (Euro 37.7 million in the first quarter of 2021). The Group's order backlog at 31 March 2022 amounted to Euro 585 million, a significant increase compared to Euro 329 million at 31 March 2021 (Euro 317 million at 31 December 2020 and Euro 455 million at 31 December 2021).

The Trevi Group's performance trend in the first few months of the year in terms of order intake, production revenue and backlog was substantially in line with the forecasts for the first year of the New Consolidated Plan, which was updated considering the period 2022-2026 as the timeframe, as well as with the incorporation of the accounting figures at 31 December 2021 and certain prudential elements in the plan years.

The Group's net financial debt at 31 March 2022 was approximately Euro 266 million, an increase compared to Euro 251.8 million recognised at the end of 2021, due both to the seasonality of the Group's performance and to certain delays in the granting of guarantees by banks, which led to delays in collections from customers.

During the first quarter, discussions continued with the Lending Banks that are parties to the Restructuring Agreement that began in February 2021 following the failure, due to the impact of Covid-19, to meet the financial covenants at 31 December 2020 established in the Restructuring Agreement. Following the presentation to the Lending Banks, on 22 December 2021, of the guidelines of a possible New Financial Manoeuvre and the simultaneous request to extend to 30 April 2022 the duration of the Standstill Agreement, said Agreement expired on 31 December 2021 and was not formally renewed. However, the parties have continued the relevant negotiations in relation to the New Financial Manoeuvre, and are operating under a "de facto" standstill regime, as evidenced by the fact that the Lending Banks not only have not exercised (nor expressed their intention to exercise) the remedies provided for in the Restructuring Agreement to date, but in addition to pursuing the aforementioned negotiations on the new manoeuvre hypothesis, they continued to support the Group by not reducing the utilisation of the self-liquidating lines and by allowing the issuance of certain guarantees identified as urgent by the Parent in the context of the projects to which the Group companies are party, and by continuing to make cash lines of credit available.

The above-mentioned discussions are aimed at defining the New Financial Manoeuvre with the Lending Banks, as well as finalising the New Agreement that will implement its contents. In addition, on 26 April 2022, the Parent's Board of Directors approved an updated version of the guidelines of the New Financial Manoeuvre, which differs from the one presented last December mainly in the following aspects: (i) the reduction of the amount of bank debt subject to conversion from Euro 60 million to a minimum of Euro 20 million; and (ii) the subordination and deferment of a portion of the bank debt up to a maximum of Euro 40 million, leaving the Lending Banks the choice between conversion and subordination of the related loans.

After having installed the new SAP information system at Trevi Finanziaria Industriale S.p.A., Trevi S.p.A. and Soilmec S.p.A., in the first quarter of the year work continued to extend the new information system to 7 other companies and permanent establishments abroad.

Furthermore, on 11 January 2022, the Trevi Group suffered a cyberattack that affected the data centres in Cesena (FC) and Asolo (TV), causing temporary inaccessibility to operational IT functions.
The functionality of the entire IT infrastructure was promptly restored and, in less than twenty-four hours, the main IT services were available again.
To date, there has been no loss of data and/or information and there are no consequences for the activities of the Group companies.

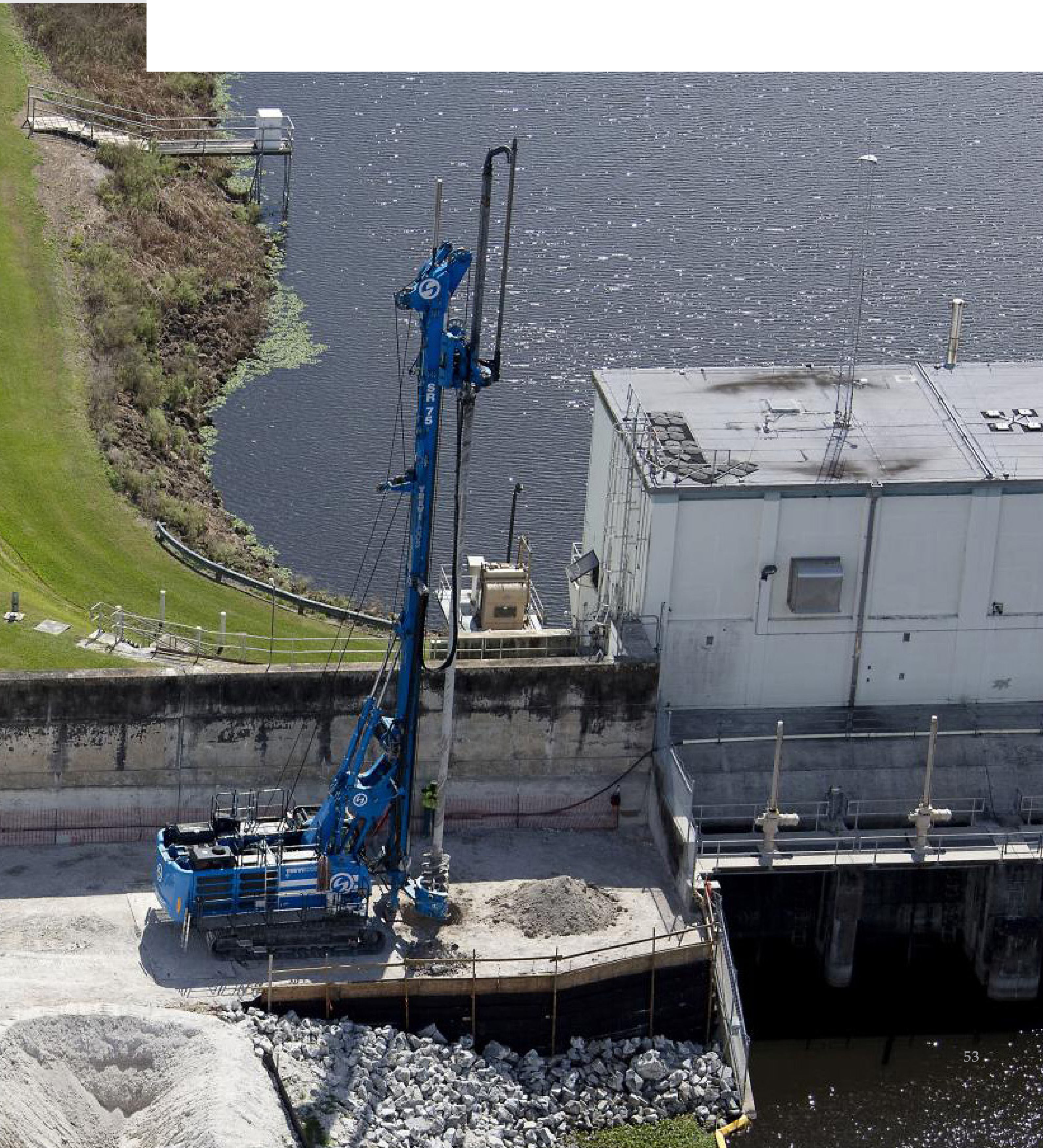
The prompt and effective response with which the Group managed the incident was made possible through the adoption of a specific Disaster Recovery and Business Continuity Plan and infrastructures with Hybrid Cloud technologies, which made it possible to safeguard services and backups.

Loss allocation
It is proposed that the Share premium reserve, amounting to Euro 13,053 thousand, and the Legal reserve for the remaining part amounting to Euro 1,401 thousand be fully used to cover the loss for the year.

Evoluzione prevedibile della gestione
In 2022, the Trevi Group revenue is expected to increase compared to 2021 at a rate of between 6% and 10%.
The evolution of the global scenario influenced by the war between Russia and Ukraine could affect the Group's operations, which, however, since it is not present in the countries in conflict and operates with a wide geographical diversification, at the time of approval of these draft financial statements do not appear to be significantly affected.
The acquisition of new orders in 2022 is expected to be in line with that of 2021, also in light of the good performance of order intake in the first half of the year.

Over the next few months, work will continue to reach the New Agreement with the Lending Banks, which it is hoped will take place by August 2022.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021



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

ASSETS	Notes	31/12/2021	31/12/2020
Non-current assets			
Property, plant and equipment			
Land and buildings		47,430	52,254
Plant and machinery		95,065	102,202
Industrial and commercial equipment		14,173	24,401
Other assets		14,027	10,329
Assets under construction and payments on account		2,449	1,894
Total property, plant and equipment	**(1)**	**173,144**	**191,080**
Intangible assets			
Development costs		7,452	6,646
Industrial patents and intellectual property rights		532	182
Concessions, licences and trademarks		187	177
Goodwill		6	0
Assets under development and payments on account		7,432	3,392
Other intangible assets		390	450
Total intangible assets	**(2)**	**15,999**	**10,847**
Equity investments	**(4)**	**647**	**3,628**
- Equity-accounted investments in associates and joint ventures		*80*	*2,978*
- Other equity investments		*567*	*650*
Deferred tax assets	(5)	28,455	29,465
Non-current derivatives			0
Other non-current financial assets	(6)	11,735	11,052
- of which from related parties	*(34)*		*0*
Trade receivables and other non-current assets	(7)	1,728	1,010
Total non-current assets		**231,708**	**247,082**
Assets held for sale		**0**	**0**
Current assets			
Inventories	(8)	114,609	122,712
Trade receivables and other current assets	(9)	272,601	240,694
- of which from related parties	*(34)*	*7,084*	*10,888*
Current tax assets	(10)	5,637	6,700
Current derivatives			0
Current financial assets	(11)	10,847	3,675
- of which from related parties	*(34)*	*1,319*	*1,297*
Cash and cash equivalents	(12)	77,647	69,810
Total current assets		**481,341**	**443,591**
TOTAL ASSETS		**713,049**	**690,673**

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

In the photo on the previous page: Treviicos - HHD project - Florida, USA

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

ASSETS	Notes	31/12/2021	31/12/2020
Non-current assets			
Property, plant and equipment			
Land and buildings		47,430	52,254
Plant and machinery		95,065	102,202
Industrial and commercial equipment		14,173	24,401
Other assets		14,027	10,329
Assets under construction and payments on account		2,449	1,894
Total property, plant and equipment	**(1)**	**173,144**	**191,080**
Intangible assets			
Development costs		**7,452**	**6,646**
Industrial patents and intellectual property rights		532	182
Concessions, licences and trademarks		187	177
Goodwill		6	0
Assets under development and payments on account		7,432	3,392
Other intangible assets		390	450
Total intangible assets	**(2)**	**15,999**	**10,847**
Equity investments	**(4)**	**647**	**3,628**
- Equity-accounted investments in associates and joint ventures		*80*	*2,978*
- Other equity investments		*567*	*650*
Deferred tax assets	(5)	28,455	29,465
Non-current derivatives			0
Other non-current financial assets	(6)	11,735	11,052
- of which from related parties	*(34)*		*0*
Trade receivables and other non-current assets	(7)	1,728	1,010
Total non-current assets		**231,708**	**247,082**
Assets held for sale		**0**	**0**
Current assets			
Inventories	(8)	114,609	122,712
Trade receivables and other current assets	(9)	272,601	240,694
- of which from related parties	*(34)*	*7,084*	*10,888*
Current tax assets	(10)	5,637	6,700
Current derivatives			0
Current financial assets	(11)	10,847	3,675
- of which from related parties	*(34)*	*1,319*	*1,297*
Cash and cash equivalents	(12)	77,647	69,810
Total current assets		**481,341**	**443,591**
TOTAL ASSETS		**713,049**	**690,673**

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

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

EQUITY	Notes	31/12/2021	31/12/2020
Share capital and reserves			
Share capital		97,374	97,374
Other reserves		34,959	247,974
Retained Earnings/(Losses carried forward)		12,200	(463,457)
Profit/(loss) for the year		(52,977)	241,468
Equity attributable to the Owners of the Parent		**91,556**	**123,359**
Share capital and reserves attributable non-controlling interests		(3,314)	1,415
Profit/(Loss) attributable to non-controlling interests		1,682	(4,733)
Deficit attributable to non-controlling interests		**(1,632)**	**(3,318)**
Total Equity	**(13)**	**89,924**	**120,041**
LIABILITIES	**Notes**	**31/12/2021**	**31/12/2020**
Non-current liabilities			
Long-term loans and borrowings	(14)	12,697	8,234
Long-term loans and borrowings from other financial backers	(14)	72,698	79,237
Non-current derivatives	(14)	(0)	(0)
Deferred tax liabilities	(15)	26,209	20,748
Post-employment benefits	(17)	11,109	11,508
Non-current provisions	(16)	26,736	15,632
Other non-current liabilities	(17.1)	6,965	4,913
Total non-current liabilities		**156,414**	**140,272**
Liabilities associated with assets held for sale		**0**	**0**
Current liabilities			
Trade payables and other current liabilities	(18)	186,938	148,506
- of which to related parties	*(34)*	*1,115*	*878*
Current tax liabilities	(19)	9,863	11,677
Short-term loans and borrowings	(20)	201,135	194,176
Short-term loans and borrowings from other financial backers	(21)	63,786	71,483
Current derivatives	(22)	0	0
Current provisions	(23)	4,989	4,518
Total current liabilities		**466,711**	**430,360**
TOTAL LIABILITIES		**623,125**	**570,632**
TOTAL EQUITY AND LIABILITIES		**713,049**	**690,673**

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

STATEMENT OF PROFIT OR LOSS

(Euro '000)

	Notes	31/12/2021	31/12/2020
Revenue from sales and services	(24)	479,868	456,662
- of which from related parties	*(34)*	*440*	*1,003*
Other operating revenue	(24)	14,748	34,654
- of which from related parties	*(34)*	*2,344*	*4,255*
Sub-total of revenue		**494,616**	**491,316**
Changes in inventories of finished and semi-finished products		(6,525)	5,901
Internal work capitalised		12,850	13,478
Raw materials and consumables	(26)	(174,494)	(157,580)
Change in raw materials, consumables, supplies and goods	(27)	(5,609)	(968)
Personnel expense	(34)	(127,818)	(138,575)
Other operating expense	(1)-(2)	(150,536)	(168,184)
- of which to related parties	*(28)*	*(191)*	*13*
Depreciation and amortisation	(25)	(33,937)	(41,220)
Provisions and impairment losses		(14,178)	(3,614)
Operating profit/(loss)		**(5,631)**	**554**
Financial income	(29)	3,429	293,301
(Financial expense)	(30)	(22,811)	(33,960)
Net Exchange Gains/(Losses)	(31)	(8,282)	2,840
Net financial income/(expense)		**(27,664)**	**262,181**
Adjustments to financial assets		(460)	(694)
Profit/(loss) before taxes		**(33,755)**	**262,041**
Income taxes	(32)	(17,540)	(12,465)
Profit/(loss) from continuing operations		**(51,295)**	**249,576**
Loss from assets held for sale		**0**	**(12,840)**
Profit/(Loss) for the year		**(51,295)**	**236,736**
Attributable to:			
Owners of the Parent	(33)	(52,977)	241,468
Non-controlling interests		1,682	(4,733)
		(51,295)	**236,735**
Basic earnings/(losses) per share:		**(0.35)**	2.72
Diluted earnings/(losses) per share:		**(0.32)**	2.43

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

STATEMENT OF COMPREHENSIVE INCOME

Description	31/12/2021	31/12/2020
Profit/(loss) for the year	(51,295)	236,736
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	23,352	(21,492)
Items that are or may be reclassified to profit or loss for the year net of taxes	**23,352**	**(21,492)**
Items that will not be reclassified to profit or loss for the year		
Actuarial gains/(losses)	(31)	14
Income taxes		
Items that will not be reclassified to profit or loss for the year net of taxes	**(31)**	**14**
Comprehensive income/(expense) net of taxes	**(27,974)**	**215,258**
Owners of the Parent	(29,717)	220,718
Non-controlling interests	1,743	(5,460)

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

STATEMENT OF CHANGES IN EQUITY

(Euro '000)

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)**	**(3,078)**	**(222,169)**
Profit for the year			241,468	241,468	(4,733)	**236,736**
Actuarial gains		14		14		**14**
Other comprehensive expense		(20,762)		(20,762)	(727)	**(21,490)**
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**	**(3,318)**	**120,041**

Description	Share capital	Other reserves	Losses carried forward	Owners of the Parent	Non-controlling interests	Total Equity
01/01/2021	**97,374**	**247,974**	**(221,989)**	**123,359**	**(3,318)**	**120,041**
Loss for the year			(52,977)	(52,977)	1,682	(51,295)
Actuarial losses		(31)		(31)		(31)
Other comprehensive income		23,292		23,292	59	23,352
Total comprehensive expense		**23,261**	**(52,977)**	**(29,716)**	**1,741**	**(27,974)**
Allocation of 2020 profit and distribution of dividends		(236,261)	236,539	278	56	334
Capital increase					(111)	(111)
Acquisitions/disposals and other changes		(14)	(2,351)	(2,365)		(2,365)
31/12/2021	**97,374**	**34,960**	**(40,778)**	**91,556**	**(1,632)**	**89,924**

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.

STATEMENT OF CASH FLOWS

	Description	31/12/2021	31/12/2020
	Profit/(loss) for the year attributable to the Owners of the Parent and Non-controlling interests	(51,295)	236,736
	Income taxes	17,540	12,465
	Profit/(loss) before taxes	**(33,755)**	**249,201**
	Amortisation, depreciation and write-downs	34,210	38,328
	Net financial (income)/expense	19,382	(259,325)
	Change in provisions for risk and charges and for post-employment benefits	(616)	(709)
	Provisions for risks and charges	14,825	6,750
	Use of provisions for risks and charges	(1,928)	(4,426)
	Adjustments to financial assets and discontinued operations	460	694
	(Gains)/losses from the sale of or impairment losses on non-current assets	703	(967)
(A)	**(A) Cash flows from continuing operations before changes in the Working Capital**	**33,281**	**29,546**
	(Increase)/Decrease in inventories	10,096	(11,467)
	(Increase)/Decrease in trade receivables	(32,358)	41,560
	(Increase)/Decrease in trade payables	30,775	(68,593)
	(Increase)/Decrease in other assets/liabilities	14,121	(13,249)
(B)	**Changes in working capital**	**22,634**	**(51,749)**
	(C) Financial income collected/Interest expense paid	(5,853)	(10,091)
	(D) Taxes paid	(3,550)	(5,356)
(E)	**Cash flows from/(used in) continuing operations (A+B+C+D)**	**46,512**	**(37,650)**
	Investing activities		
	Operating Investments	(22,303)	(6,173)
	Net exchange gains/(losses)	5,392	(10,751)
(F)	**Cash flows used in investing activities**	**(21,105)**	**(16,643)**
	Financing activities		
	Increase/(Decrease) in Share Capital and reserves for the repurchase of treasury shares	0	15,084
	Other changes including those in non-controlling interests	0	72,618
	Changes in loans, financing, derivatives, finance leases and other financing	(19,517)	(113,049)
	Dividends paid	(620)	(644)
(G)	**Cash flows used in financing activities**	**(20,137)**	**(25,991)**
(H)	**Change in assets/(liabilities) associated with discontinued operations**	**0**	**85,996**
	Net Change in Cash Flows (E+F+G+H)	**5,270**	**5,712**
	Opening cash and cash equivalents	**69,810**	**77,709**
	Change in cash flows for assets held for sale	0	(8,444)
	Effects of exchange fluctuations on cash and cash equivalents	2,188	(5,116)
	Scope change effect	379	(51)
	Net change in cash flows	**5,270**	**5,712**
	Closing cash and cash equivalents	**77,647**	**69,810**

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

In the photo: Trevi Algerie, Metro Algiers

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2021

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 29 June 2022.

The 2021 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 2021 financial statements, the Board of Directors carried out all the necessary assessments relating to the going concern assumption 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 also with regard to these financial statements, the Directors took into account all the available information about the future, relating at least - without limitation - to 12 months following the reporting date of the consolidated financial statements at 31 December 2021. 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. In particular, the Board of Directors took into consideration the assessments that had been carried out when approving the most recent financial statements and interim financial report, paying particular attention to the circumstances that had been identified as possible risk factors at that time, in order to verify their status. In line with what observed at the approval of the 2020 financial statements and of the interim financial report at 30 June 2021, the risk indicators to be assessed with particular attention in the case of Trevifin and the Trevi Group are those falling within the financial area and, especially, those related to the possible consequences deriving from the failure to comply with some Restructuring Agreement provisions (and the plan underlying it) and to the transactions with the Lending Banks.

In the light of what mentioned under paragraph “Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern”, the Directors prepared the Consolidated Financial Statements at 31 December 2021 on a going concern basis.

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

Overview

This section aims at: (**i**) examining the correct application of the going concern assumption to the 2021 financial statements (separate and consolidated) 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.

At the approval of the Separate and Consolidated Financial Statements at 31 December 2020 and of the Interim Consolidated Financial Statements at 30 June 2021, some going concern risk factors were identified by Management, specifically: **(a)** the risk linked to the failure to comply with the covenants 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 reporting date of these financial statements; and **(c)** the risk arising from any failure to achieve the recovery goals, as set out in the New Consolidated Plan (as defined below).

In this regard, as widely shown in the notes to these financial statements to which reference should be made, in the context of the Directors' Reports accompanying the 2020 financial statements (separate and consolidated) and the Interim Financial Report at 30 June 2021, the Board of Directors after having carefully and exhaustively assessed the risks to which the going concern was exposed, as summarised above, had deemed it appropriate to adopt the going concern basis, although it pointed out that the residual significant uncertainty was the positive conclusion of the negotiations with the Lending Banks in relation to the proposed amendments to the Restructuring Agreement put forward at the time by the Parent (reference should be made to the accompanying Directors' Reports). For the purposes of this report, the going concern is assessed based on the above-mentioned circumstances and information available about their development after the date of approval of the Interim Financial Report, to be taken into account up to the date of preparation of these financial statements.

Group recapitalisation and debt restructuring project completed in 2020

- 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 debt that resulted on 5 August 2019 in the subscription of a restructuring agreement pursuant to Art. 182-*bis* of the Italian Bankruptcy Law signed, *inter alios*, by the Parent, Trevi and Soilmec, on the one hand, and by the Lending Banks of the Group (the "**Lending**

Banks”) on the other, which was subsequently approved by the Court of Appeal of Bologna on 10 January 2020 (the “**Restructuring Agreement**”).

- This Restructuring Agreement and the related financial manoeuvre were based on a business and financial plan relating to the Trevi Group for the period 2018-2022 (the “**Original Consolidated Plan**”) - drawn up during 2018 and 2019 - which was approved, in its final version, by the Parent’s Board of Directors on 2 August 2019.
- After the approval of the Restructuring Agreement, the Group fully implemented all the main statutory/non-recurring transactions set out therein, such as, *inter alia*:

  i) a capital increase of Euro 150.8 million (the “**Capital Increase**”), of which, **(i)** a tranche offered with right of first refusal to shareholders was fully subscribed for Euro 130 million, of which Euro 87.7 million through cash payment (approximately Euro 77.4 million attributable to CDPE Investimenti S.p.A. and Polaris Capital Management LLC) and Euro 42.3 million through conversion of bank loans by the main Lending Banks, at a conversion ratio of 4.5:1; and **(ii)** a tranche reserved to the Lending Banks, with the exclusion of the right of first refusal, was subscribed for Euro 20.8 million by converting bank loans, at the same conversion ratio of 4.5:1;

  ii) the divestment occurred on 31 March 2020 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 in favour of the Indian group headed by Megha Engineering & Infrastructures Ltd., a leading Indian operator in the infrastructure segment (“**MEIL**”), among the leaders of the industry. The proceeds of this divestment have been used to repay part of the indebtedness of the companies in the Oil & Gas Division, while the remaining part of this indebtedness has been taken over by Trevifin and rescheduled consistently with the debt subject to the restructuring;

  iii) the disbursement by some Lending Banks of a new loan for a total of Euro 12,878,866.00, of which Euro 12,000,000.00 paid before the approval, by virtue of application of the authorisation of the Court of Forlì pursuant to Article 182-*quinquies* of the Italian Bankruptcy Law, and Euro 878,866.00 paid after the approval, pursuant to Article 182-*quater* of the Italian Bankruptcy Law;

  iv) the consolidation and rescheduling of most of the bank debt to 31 December 2024 and the reduction of the related interest rate;

  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 of approximately Euro 200 million, a part of which - corresponding to Euro 14.7 million - disbursed also during the period prior to the approval date of the Restructuring Agreement pursuant to the Article 182-*quinquies* of the Italian Bankruptcy Law; and

  vi) 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. 2014 – 2019*” issued by Trevifin in 2014 for Euro 50 million (the “**Bond Issue**”).

Events subsequent to the restructuring transaction

Following the completion of the transactions provided for in the Restructuring Agreement, summarised in the previous paragraph, the following main events occurred:

- 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 covenants set out in the Restructuring Agreement, namely the ratio of consolidated net financial debt to 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 covenants 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 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 covenants originally set in the Restructuring Agreement, as well as the recalculation of some due dates scheduled for the current year relating to some exposures, based on a new business plan considering the current situation, to be incorporated into a new agreement with the Lending Banks.

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 on the going concern assumption at the approval of the most recent separate and interim financial statements, with specific reference to some risk areas.
For the purposes of approving the draft financial statements at 31 December 2020 and the interim financial report at 30 June 2021, the Board of Directors carried out all the necessary assessments relating to the going concern assumption 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 also with regard to these financial statements, the Directors took into account all the available information about the future, relating at least - without limitation - to 12 months following the reporting date of the consolidated financial statements at 31 December 2021. 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. In particular, the Board of Directors took into consideration the assessments that had been carried out when approving the most recent financial statements and interim financial report, paying particular attention to the circumstances that had been identified as possible risk factors at that time, in order to verify their status. In line with what observed at the approval of the 2020 financial statements and of the interim financial report at 30 June 2021, the risk indicators to be assessed with particular attention in the case of Trevifin and the Trevi Group are those falling within the financial area as stated in the introduction of this paragraph and, especially, those related to the possible consequences deriving from the failure to comply with some Restructuring Agreement covenants (and the plan underlying it) and to the transactions with Lending Banks.
In order to clear up any misunderstandings, as stated in the previous section and in the Directors' Reports accompanying the 2020 financial statements and the interim financial report at 30 June 2021 and the related notes, the transactions 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 covenants 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 in 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, starting from the second half of 2020, leading to a worsening of all the main indicators (turnover, gross operating profit and Net Financial Debt) 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 covenants 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. This new plan was subsequently updated, at first, in order to incorporate the accounting figures at 30 June 2021 and, subsequently, in order to extend the relevant time frame to the period 2022-2026 as well as in order to take into account certain aspects, including the performance recorded during the year 2021 and certain prudential elements in the plan years (the "**New Consolidated Plan**").

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 consistently higher Net Financial Debt.

The New Consolidated Plan considers the 2022-2026 period as its time frame while the Original Consolidated Plan considered the 2019-2022 period (assuming that, at the end of that period, the Group final recovery objectives would have been achieved). Therefore, the New Consolidated Plan time frame exceeds that of the Original Consolidated Plan. 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 2022, should be assessed over a longer time frame in the context of the New Consolidated Plan.
More specifically, the deviations observed with respect to the Original Consolidated Plan, and the consequent need to prepare and approve the New Consolidated Plan have the following consequences:

> **(i)** the non-compliance with certain obligations of the Restructuring Agreement and the need to request the Lending Banks to subscribe a new agreement taking into account the covenants of the New Consolidated Plan. On this point, further details are provided in the following paragraph;
> **(ii)** a lower cash generation than that of the Original Consolidated Plan and the consequent need to assess if this circumstance could give rise to cash flow issues in the time frame considered that would make it impossible for the Group to operate normally, and
> **(iii)** the deviations from the Original Consolidated Plan, which led to the need to approve the New Consolidated Plan and the consequent need to assess the Group's continuing ability to rebalance its financial position and financial performance.

These uncertainties can all be traced back to an overall category of "financial risk", which consists of the Parent's ability, given the circumstances described above, to meet its financial commitments as well as to generate and/or raise sufficient resources to meet its financial requirements to support the business, the investment programme and the objectives of the New Consolidated Plan. The reasonable overcoming of these uncertainties, as explained in the following paragraphs, shall be evaluated in light of the actions undertaken by Management and depends on reaching a new agreement with the Lending Banks regarding a financial manoeuvre to support the Parent's recovery goals.
The following paragraphs set forth the considerations made to determine the correct application of the going concern basis to the draft of the financial statements at 31 December 2021.

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 covenants at 31 December 2020: based on the results for 2020, as reflected in the relevant consolidated financial statements, the Trevi Group was unable to meet the financial covenants 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 covenants:

- 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 covenants were not met and, specifically: **(a)** the Leverage Ratio was 5.37x; and **(b)** the Debt/Equity Ratio was 2.15x. 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 lines of credit in the form of cash and guarantee facilities provided for in the Restructuring Agreement, thereby terminating the necessary financial support to the Group. 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, as well as the commitment of the same Lending Banks to allow using short-term lines of credit, both in the form of cash and guarantee facilities to support the business of the Group, as described in detail below.

B. Need to update the financial covenants for the subsequent verification dates: the forecasts of the New Consolidated Plan indicate that, in all likelihood, the Proposing Companies will not be able to comply with the financial covenants provided for in the Restructuring Agreement at the subsequent verification dates either. The financial covenants 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 covenants 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 covenants that are revised and aligned with respect to the provisions of the New Consolidated Plan and, to this end, it was 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 deviations from the Original Consolidated Plan requiring the preparation and approval of the New Consolidated Plan; and **(b)** providing for new financial covenants, modified in order to make them consistent with the New Consolidated Plan;

C. Need to reschedule certain financial due dates: as mentioned, the deviations from the Original Consolidated Plan, 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. Specifically, the Restructuring Agreement envisages that most of the financial indebtedness towards the Lending Banks is to be repaid via bullet payments at 31 December 2024 and, furthermore, there are a number of financial due dates over the next 12 months that are not consistent with the Group cash-flow generation as envisaged by the New Consolidated Plan. Obviously, 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 made it necessary to ask the Lending Banks, on the one hand, to suspend the aforementioned repayment obligations and, on the other hand, to reschedule them to a date that is consistent with the cash flows provided for in the New Consolidated Plan.

More generally, the circumstances described above required Management to make efforts to prepare and agree with the Lending Banks on a new financial manoeuvre, corrective of the one that had been placed at the basis of the Restructuring Agreement, in order to make the Group's capital and financial structure consistent with the new situation.

As to the circumstances described above, the actions taken in this regard by Management and the status of the same, reference should be made to the considerations made in the following paragraphs, and in particular to what reported with regard to the Standstill Agreement (as defined below) and the subsequent discussions, still in progress, with the Lending Banks aimed at the signing of the New Agreement (as defined below).

Risks relating to liquidity trends over the next 12 months

Consistently with assessments made at the approval of the 2020 financial statements and the interim financial report at 30 June 2021, an element that has been assessed with particular attention, in light of the lower cash generation foreseen in the New 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, at least in the short time, new cash lines of credit not provided for in the Original Consolidated Plan. The Group will therefore have 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 Standstill Agreement and the following New Agreement. Obviously, this aspect is central to the evaluation of the going concern assumption, and made it necessary at the approval of the 2020 financial statements and the interim financial report at 30 June 2021 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 were reasonably suitable to support the Group's financial needs as they arise without recourse to new lines of credit, and without causing foreseeable situations of cash flow tension. This verification yielded positive results at the time of the approval of the 2020 financial statements and the interim financial report at 30 June 2021 and was repeated for the approval of the 2021 financial statements. To this end, as will be discussed in more detail below, Management updated the cash flow forecasts that had been made at the time of approval of the interim financial report on the basis of actual data and extended these forecasts until 31 December 2022. The reasonable expectation of a positive cash flow position for the Group emerges from that year, or at least until then, based on the assumption that an agreement will be reached with Lending Banks allowing the implementation of the New Financial Manoeuvre (as defined below) and the use of unsecured lines of credit, necessary for the job orders in which the Group Companies take part.

Risks raised by deviations from the Original Consolidated Plan and by the possible failure to achieve the objectives of financial rebalancing

Consistently with assessments made at the approval of the 2020 financial statements and the interim financial report at 30 June 2021, one of the elements taken into account in order to evaluate the uncertainties regarding the going concern is whether the forecasts of the New Consolidated Plan, also in light of the latest results regarding the Group's performance, appear anyhow suitable to allow, within the related time frame of reference, a financial rebalancing to be achieved; the possibility of reaching an agreement with the Lending Banks on the financial manoeuvre also depends on this element.
Based on the figures at 31 December 2021, the Group's performance during the year in terms of main indicators (Revenue, recurring Gross Operating Profit and Net Financial Debt) was substantially in line with the forecasts of the New Consolidated Plan. In this regard, during the year the Group generated cash flows of about Euro 17.6 million, going from a Net Financial Debt of Euro 269.4 million at 31 December 2020 to Euro 251.8 million at 31 December 2021. Furthermore, the backlog growth trend was confirmed during the year thanks to the new orders acquired (already reported at the approval of the interim financial report at 30 June 2021). The consolidated figures of the financial statements at 31 December 2021 confirm the recovery trends of the business that emerged at the approval of the interim financial report at 30 June 2021, which are reflected in the New Consolidated Plan whose implementation constitutes a key element for the achievement of the objectives of financial rebalancing.

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, at the approval of the 2020 financial statements and of the interim financial report at 30 June 2021, 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 represented elements that could constitute significant uncertainties with respect to the going concern assumption and whether such uncertainties could reasonably be overcome. On that occasion, the directors decided to approve the financial statements on a going concern basis, although they pointed out a significant

residual uncertainty relating to the risk of failure to reach an agreement with the Lending Banks. The Board of Directors therefore deemed it appropriate to request and obtain an update of the information on the circumstances described above in order to assess whether it was correct to apply the going concern assumption also with reference to the approval of financial statements at 31 December 2021.
In this regard, the following should be considered.

The Standstill Agreement, the following discussions with the Lending Banks and the New Agreement

As already illustrated in the Directors' Reports accompanying the 2020 financial statements and the interim financial report at 30 June 2021, with reference to the circumstances described above, relating to the failure to comply with certain provisions of the Restructuring Agreement, discussions were promptly initiated, starting in February 2021, with the Lending Banks (many of which became shareholders of the Parent in accordance with the Restructuring Agreement), with the involvement of their respective legal and financial advisors. To date, also due to the large number of parties involved and to the not entirely homogeneous positions of the banks, the aforementioned discussions have not yet been completed with the signing of a new agreement, but are at an advanced stage as will be better described below.
Within the framework of said discussions, the Lending Banks required further information and details from the Parent and its advisors, also in order to complete their own preliminary investigation processes and, subsequently, to initiate their own decision-making processes. Specifically, the Parent and the Lending Banks agreed to what follows as a form of protection for themselves and all the stakeholders: **(i)** submit the New Consolidated Plan to an independent business review ("**IBR**") to verify the reasonable validity of the business and market assumptions underlying the New Consolidated Plan; **(ii)** promptly define a comprehensive financial (and, if appropriate, equity) manoeuvre proposal to support the New Consolidated Plan, which includes the above-mentioned requests by the Parent, to be submitted to the Lending Banks for the purposes of signing a new agreement with them (the "**New Agreement**"); and **(iii)** place the new financial manoeuvre and the New Agreement within the framework of one of the instruments provided for by the Italian Bankruptcy Law for the reorganisation of companies in crisis, and therefore to submit the New Consolidated Plan, the new financial manoeuvre and the New Agreement to the examination of an independent expert in order to issue the certifications required by law.
Also in the context of discussions with the Lending Banks, in order to manage the current phase and to allow, in the interests of all parties involved and in general of the stakeholders

of the Trevi Group, the continued management of the business while the banks' investigation and decision-making processes are pending, a moratorium and standstill agreement (the "**Standstill Agreement**") was signed on 5 August 2021 between the Parent, the Italian subsidiaries Trevi, Soilmec and PSM and the Lending Banks. The Standstill Agreement provided for: **(i)** a general suspension of obligations relating to compliance with financial covenants; **(ii)** the suspension of the obligations to pay the amounts due during 2021; **(iii)** the maintenance of 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.

In line with the foregoing, on 22 December 2021, within the context of the discussions above, the guidelines of a possible new financial manoeuvre were presented to the Lending Banks (on which reference should be made to the press release of 22 December 2021, available on the Parent's website) providing for, amongst other things (**i**) a capital strengthening through a cash capital increase of Euro 20 million and a capital increase by converting Euro 60 million of bank loans, (**ii**) the rescheduling of the repayment of medium/long-term lines of credit until 2026, with changes to the relevant financial covenants, (**iii**) the extension to 2026 of the maturity date of the Bond Issue; (**iv**) the confirmation of the unsecured lines of credit granted to the Group, to the extent of 80% of the total ceiling amount granted pursuant to the Restructuring Agreement. Along with the hypothetical manoeuvre, a request was submitted to the Lending Banks to extend the term of the Standstill Agreement from 31 December 2021 to 30 April 2022.

Nevertheless, the Lending Banks made the extension of the Standstill Agreement duration conditional on reaching an agreement in principle on the guidelines of the new financial manoeuvre. As a result, on 31 December 2021, the Standstill Agreement expired and was not formally renewed. However, the parties have continued the relevant negotiations in relation to the new financial manoeuvre, and are operating under a "de facto" standstill regime, as evidenced by the fact that the Lending Banks not only have not exercised (nor expressed their intention to exercise) the remedies provided for in the Restructuring Agreement to date, but in addition to pursuing the aforementioned negotiations on the new manoeuvre hypothesis, they continued to support the Group by not reducing the utilisation of the self-liquidating lines and by allowing the issuance of certain guarantees identified as urgent by the Parent in the context of the projects to which the Group companies are party, and by continuing to make cash lines of credit available.

Concurrently, with the support of advisors, Management continued negotiations both with the Lending Banks and controlling shareholders aimed at defining the new financial manoeuvre. In this regard, on 26 April 2022, the Board of Directors approved a proposal of financial manoeuvre, partially different from the one approved last December, notice of which was given to the market (reference should made to the press release of 26 April 2022 available on the Parent's website). This proposed manoeuvre was later further modified in order to take into account the ongoing discussions with the Lending Banks. The latest version of the financial manoeuvre is the one sent to the Lending Banks on 9 June 2022 (the "**New Financial Manoeuvre**"), which provides, in a nutshell:

(a) its implementation in accordance with an agreement based on a certified recovery plan pursuant to Article 67, paragraph III, lett.(d) of the Italian Bankruptcy Law.

(b) a cash capital increase with right of first refusal to be offered to shareholders for a total of Euro 25 million (but in no case exceeding the amount of debt subject to conversion), fully guaranteed pro rata by CDPE Investimenti S.p.A. ("**CDPE**") and Polaris Capital Management LLC ("**Polaris**" and, together with CDPE the "**Institutional Shareholders**");

(c) a capital increase reserved to the Lending Banks, to be subscribed by converting bank loans into ordinary shares of the Parent, for a minimum equivalent amount of loans of Euro 20 million, with the option for the Lending Banks to convert an amount higher than this minimum amount;

(d) the subordination and deferment of a portion of the bank debt up to a maximum of Euro 40 million, leaving the Lending Banks the choice between conversion and subordination of the related loans;

(e) the extension of the final maturity date of the medium/long-term debt to 31 December 2026, with the introduction of a repayment plan starting from 2023;

(f) the granting/confirmation of unsecured lines of credit for the execution of the New Consolidated Plan;

(g) the extension of the maturity date of the Bond Issue to 2026.

With regard to the ongoing discussions with the Lending Banks and controlling shareholders, the Parent received on 10 May and 17 May 2022, respectively, letters from CDPE and Polaris confirming their commitment, subject to final approval by the relevant decision-making bodies and to certain additional conditions, including reaching an agreement with the Lending Banks, to subscribe pro-rata the above-mentioned capital increase with right of first refusal, and to guarantee, again pro-rata, the subscription of any unexercised rights, up to Euro 20 million. Based on the discussions subsequently carried out by the Parent with the Institutional Shareholders, the latter have confirmed their commitment up to Euro 25 million, it being understood that the same may not exceed the final amount of the capital increase by conversion subscribed by the Lending Banks. Furthermore, on 17 June 2022, the Parent also received a comfort letter from the advisors of the Lending Banks in which they confirmed - on behalf of the Lending Banks that jointly own a percentage equal to about 75% of all the bank loans in the form of cash and guarantee facilities due from the group companies concerned and that are members of the steering committee[2] - their interest to assess the Group's restructuring transaction and that, subject *inter alia* to the positive outcome of the ongoing analysis of the documentation provided by the Parent and the reaching of an agreement between the Lending Banks and the Parent on the final content of the New Financial Manoeuvre, they intend to submit to their decision-making bodies said manoeuvre and the New Agreement.

Although this comfort letter was sent on behalf of only some of the Lending Banks, as mentioned above they jointly own a very significant percentage of the amounts due to the banks from the group companies concerned and are also members of the steering committee. Furthermore, discussions with the Lending Banks are still in progress and will continue in the coming weeks, in order to define the more detailed information of the New Financial Manoeuvre (including the agreement between the banks on the allocation of unsecured lines of credit and the order of priority of payments to be made over the period of the plan), and in order to take into account the positions of financial lenders different from the Lending Banks on whose behalf the comfort letter was delivered. In light of these elements, although non-aligned positions among the Lending Banks cannot be ruled out, the directors believe that conditions exist to reach a satisfactory meeting point for all parties in the coming weeks.

Also in compliance with what provided for by the Standstill Agreement, the Parent also took and is still taking all the necessary steps to get the New Agreement, which implements the content of the New Financial Manoeuvre, signed, specifically it:

(i) appointed Alvarez & Marsal, a leading consulting firm, to carry out an IBR on the New Consolidated Plan, which has been completed and submitted to the Lending Banks;

(ii) is defining the terms of the New Financial Manoeuvre with the Lending Banks and the controlling shareholders; and

(iii) appointed Mario Ravaccia, of Studio Spada & Partners, as expert in charge of drawing up the statements necessary for the New Consolidated Plan and the New Financial Manoeuvre, which is currently being finalised.

[2] This is a select committee of Lending Banks that was formed at the time of the Standstill Agreement, on the basis of an interbank agreement, with functions of coordinating them, in order to facilitate and streamline the activities of analysis and verification of the transaction, and to simplify negotiations, it being understood that each of the Lending Banks retains full discretion as to whether or not to adhere to the possible new agreement.

Obviously, neither the receipt of the above-mentioned comfort letter from the advisors of the Lending Banks and controlling shareholders nor the completion of the activities above allow considering the uncertainty deriving from the Significant Events occurred under the Restructuring Agreement and, in general, from the need to enter into a New Agreement with the Lending Banks aimed at incorporating the contents of the New Financial Manoeuvre to be overcome. Said uncertainty can be definitively deemed to be overcome only after the completion of the activity certifying the New Consolidated Plan and the positive assessment, by the competent bodies of all the Lending Banks, of the New Financial Manoeuvre and the signing and effectiveness of the New Agreement. Nevertheless, the advanced stage of discussions with Lending Banks on the Financial Manoeuvre along with the comfort letter received from their advisors and from controlling shareholders, although not binding, together with the support that the Lending Banks are willing to continue to provide - albeit with some difficulties - to the Group by allowing the Parent to issue urgent guarantees, are a sign that discussions with Banks are significantly progressing, thus making it possible to expect the successful conclusion of negotiations.

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 reflected in the forecasts of the New 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 flows, also at the level of the individual Trevi and Soilmec Divisions. In particular, Management prepares a treasury plan until the end of the year on a weekly basis for the first three months and on a monthly basis for the following months, 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 short-term cash flows 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 22 April 2022, 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, in accordance with the Standstill Agreement, the Parent keeps providing the Lending Banks with an updated treasury plan, verified by PricewaterhouseCoopers, relating to cash flow forecasts for the following 6 months, based on weekly forecasts for the first 3 months and monthly forecasts for the following 3 months. The latest updated treasury plan was provided to the Lending Banks on 03 May 2022, and based on these forecasts, no critical issues arose in relation to the cash position of the Group and/or the individual divisions in the relevant period. In such respect, these forecasts lay on the assumption that the Lending Banks will continue to support the Group in order to acquire and execute job orders for the entire period subject to analysis, by issuing the guarantees requested.

Management also carried out in-depth analyses on the expected liquidity trend in the 12 months following the reporting date of 31 December 2021, which were drawn up by collecting all the necessary information from all the legal entities of the Group and examine the expected liquidity trend at 31 December 2022. These analyses confirmed that there were no critical cash flow situations that could compromise the Group’s ordinary operations.

The Board of Directors, for the purposes of approving the draft financial statements, examined the update of the liquidity analysis at 31 December 2022. Therefore, on the basis of these projections, it is reasonable to expect that the Group’s minimum cash will remain at a level 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 for the situation and the results of the analysis carried out do not currently show situations of cash tensions and/or shortfalls until December 2022. Cash forecasts appear to have been drawn up in a prudent manner.

In conclusion, given that (**i**) cash-flow forecasts are prepared with methods consolidated over the years, (**ii**) these forecasts are subject to verification by a third-party and are shared on a periodical basis with the Lending Banks, and (**iii**) at 31 March the Trevi Division acquired orders equal to approximately 92% of the revenue expected to be generated in 2022 and the Soilmec Division acquired orders equal to approximately 69% of the revenue expected to be generated in 2022, without prejudice to the possible consequences, as illustrated above, arising from the failure to meet the covenants set out in the Restructuring Agreement, at present, it is believed that the risk related to cash-flow forecasts is adequately monitored and mitigated.

Achievement of recovery goals

As noted above, the consolidated figures at 31 December 2020 show deviations from the Original Consolidated Plan, 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 New Consolidated

Plan. To this end, Management has been assisted by leading industrial and financial advisors.

At the approval of the 2020 Financial Statements and of the Interim Financial Report at 30 June 2021, the Board of Directors assessed with particular attention the risks resulting from the possible failure to implement the plan and deviations from the same and, specifically, the risk that the New Consolidated Plan would not allow the Parent and the Group to achieve the recovery goals originally set and deemed surmountable (for details of the relevant considerations, reference should be made to the Directors' reports accompanying the 2020 financial statements and the interim financial report at 30 June 2021).

In order to update the assessment already carried out by the Board of Directors on this risk factor at the approval of the 2020 Financial Statements and of the Interim Financial Report at 30 June 2021, the Directors have herein made the following considerations:

- the deviations observed with respect to the Original Consolidated Plan are mainly attributable to the spread of the Covid-19 pandemic or related to additional one-off non-recurring events;
- the New Consolidated Plan seems to have been drawn up in accordance with reasonable and prudent criteria that include actions aimed at increasing volumes and improving profitability and shows the possibility of having, at the end of the plan, a balanced financial position and performance, and its feasibility is supported by the performance in the first quarter of 2022, whose results - that have not yet been subject to independent review - are in line with the relevant forecasts;
- the feasibility of the New Consolidated Plan is confirmed by figures at 31 December 2021 that are in line with the forecast of revenue and recurring EBIDTA for 2021 formulated at the approval of the interim financial report at 30 June 2021, orders acquired in 2021 amounting to approximately Euro 600 million increasing by 41% compared to the previous year and an order backlog of Euro 454.6 million that was up by 43% with respect to the previous year. This trend continued in the first quarter of 2022, with a decrease in the Net financial debt of Euro 17.6 million that fell from Euro 269.4 million at 31 December 2020 to Euro 251.8 million at 31 December 2021. With reference to considerations regarding potential impacts arising from the Russia-Ukraine conflict and the prolonged health emergency from Covid-19, reference should be made to the sections on "Impacts of the Russia-Ukraine Conflict", "COVID-19" and "Risk related to the trend in raw material prices" of this report, respectively;
- the IBR carried out by Alvarez & Marsal on the New Consolidated Plan and shared with the Lending Banks confirmed the reasonableness and feasibility of the same;
- the New Financial Manoeuvre currently under definition, whose content has been

subject to comments of both controlling shareholders (*i.e.*, CDPE and Polaris) and banks of the steering committee through consultants, would allow, with the capital strengthening transaction, to further strengthen the financial position and performance of the Group, also giving a boost to the business as well as to the achievement of the recovery goals in accordance with the New Consolidated Plan;

Furthermore, the reasonableness and feasibility of the New Consolidated Plan will be further supported by the fact that it is currently being certified by the appointed expert, Mario Ravaccia, who meets the requirements provided for by the Italian Bankruptcy Law and whose work is in progress, thus representing an additional form of protection for Directors and the other stakeholders involved. In this regard, on 17 May 2022 the expert issued a comfort letter confirming that, on the assumption that the circumstances herein described occur, the New Consolidated Plan can be deemed certifiable pursuant to Art. 67, paragraph 3, letter d) of the Italian Bankruptcy Law based on appropriate arrangements with the Lending Banks.

In conclusion, the Directors observed that, despite the encouraging signals given from the 2021 financial statements figures, the achievement of the objectives set in the New Consolidated Plan depends in any case on the completion of the New Agreement implementing the contents of the New Financial Manoeuvre.

Concluding remarks

In conclusion, as fully explained in the previous paragraphs and in the additional sections expressly referred to therein, there are some uncertainties arising from the Group’s exposure to risks which, as mentioned above, have different levels of magnitude and for which consequent measures are in place as form of protection. These risks, among which the successful conclusion of the negotiations with the Lending Banks for the completion of the New Agreement, examined in their entirety, indicate the existence of a 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, taking into account all of the circumstances outlined above and in light of the status of the discussions in progress with the Lending Banks and their advisors, deems it appropriate to prepare the separate financial statements of the Parent and the consolidated financial statements of the Trevi Group on a going concern basis.

Preparation of financial statements

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

The 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 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 prepared 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 2021.

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.

Amounts payable/receivable 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 of 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 2021 (foreign currency equal to 1 Euro, according to Bank of Italy data):

Currency		**Average exchange rate in 2021**	**Closing rate at 31/12/2021**	**Average exchange rate in 2020**	**Closing rate at 31/12/2020**
United Arab Emirates Dirham	AED	4.16	4.34	4.19	4.51
Argentine Peso	ARS	116.36	112.42	80.92	103.25
Australian Dollar	AUD	1.56	1.57	1.65	1.59
Brazilian Real	BRL	6.31	6.38	5.89	6.37
Swiss Franc	CHF	1.03	1.08	1.07	1.08
Chilean Peso	CLP	964.35	898.39	903.14	872.52
Chinese Renminbi	CNY	7.19	7.63	7.87	8.02
Colombian Peso	COP	4,598.7	4,429.5	4,217.1	4,202.3
Danish Krone	DKK	7.44	7.44	7.45	7.44
Algerian Dinar	DZD	157.41	159.65	144.85	162.11
Euro	EUR	1	1	1	1
Pound Sterling	GBP	0.84	0.86	0.89	0.90
Hong Kong Dollar	HKD	8.83	9.19	8.86	9.51
Indian Rupee	INR	84.23	87.44	84.64	89.66
Japanese Yen	JPY	130.38	129.88	121.85	126.49
Kuwait Dinar	KWD	0.34	0.36	0.35	0.37
Libyan Dinar	LYD	5.21	5.34	1.58	1.64
Mexican Peso	MXN	23.14	23.99	24.52	24.42
Mozambican Metical	MZN	72.50	77.54	79.28	91.70
Nigerian Naira	NGN	466.86	470.92	407.45	465.68
Norwegian Crown	NOK	9.99	10.16	10.72	10.47
Omani Rial	OMR	0.44	0.45	0.44	0.47
Philippine Peso	PHP	57.76	58.30	56.61	59.13
Qatari Riyal	QAR	4.12	4.31	4.16	4.47
Romanian Leu	RON	4.95	4.92	4.84	4.87
Russian Ruble	RUB	85.30	87.15	82.72	91.47
Saudi Riyal	SAR	4.25	4.44	4.28	4.60
Swedish Krona	SEK	10.25	10.15	10.48	10.03
Singapore Dollar	SGD	1.53	1.59	1.57	1.62
Thai Baht	THB	37.65	37.84	35.71	36.73
Turkish Lira	TRY	15.23	10.51	8.05	9.11
US dollar	USD	1.13	1.18	1.14	1.23
Uruguayan Peso	UYU	50.52	51.50	47.99	51.79

Scope of consolidation

Compared to 31 December 2020, the scope of consolidation was changed to exclude the companies Immobiliare Siab, sold in the second half of the year, and IDT Llc previously controlled by Soilmec S.p.A. and sold in the second half of the year. Furthermore, on 21 December 2021, 60% of Parcheggi S.p.A., previously a related company, was acquired by the subsidiary Trevi S.p.A..

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 (Annex 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 2021 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 over 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 of 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 2021	**6,592**	**1,036**	**9,781**	**17,409**
Increases for the year	2,207	1,753	1,459	5,420
Decreases for the year	0	0	(1,032)	(1,032)
Exchange difference and other changes	(629)	168	(539)	(1,000)
Depreciation costs for the year	(2,582)	(870)	(6,196)	(9,649)
At 31 December 2021	**5,588**	**2,087**	**3,473**	**11,148**

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

(in thousands of Euro)

	2021
At 1 January	**17,600**
Increases for the year	5,420
Decreases for the year	(1,032)
Interest	448

Payments	(10,497)
Exchange difference and other changes	(1,350)
At 31 December	**10,589**
Current	5,060
Non-current	5,529

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

(in thousands of Euro)

	2021
Cost for right-of-use assets depreciation	9,649
Financial expense on lease liabilities	448
Total amount recognised in profit/(loss) for the year	**10,096**

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 the 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 assets 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. 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 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 differences and impairment losses are 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 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 remeasured 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.

Warrants

A share capital increase through the exercise of warrants falls within the scope of IAS 32 "Financial Instruments".

Under 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, under 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 if 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 2021. 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. The fair value was updated at 31 December 2021, thus determining a carrying amount of approximately Euro 3.6 million and is remeasured 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 liability;
- this liability derives from an instrument that will provide the Parent with a capital increase at the time of its possible future exercise.

Management constantly monitor the existence of the conditions that led to the recognition of this liability.

In the financial statements at 31 December 2021, this liability has a balancing entry in profit or loss under financial income as shown in note (29).

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, deriving from past events, provided that a reliable estimate of the obligation can be made at the reporting date. 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 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 items 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 provisions 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 in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligation; (v) recognition of revenue when (or as) the individual performance obligation is satisfied.

Revenue from contracts 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 decide 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.

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 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 past 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;
- Loans and borrowings and bonds;
- 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.

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 since initial recognition, an allowance must be recognised to reflect the 12-month 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 since initial recognition, an allowance must be recognised that reflects 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 lifetime ECL, 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 lifetime expected credit losses.
- 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 also provides an illustrative list of variables that can be considered as drivers for the increase in credit risk and that can be divided into: macroeconomic data (changes in regulations, political instability), counterparty data (deterioration in financial results, credit rating downgrade), market data (CDS, credit spread, rating) and contract data (collateral impairment, unfavourable contract changes).

Consequently, the calculation of impairment on these items was carried out in accordance with the following rules:

- **Stage Allocation**: the stage allocation of the Parent's financial guarantees was driven by qualitative and quantitative drivers, by means of information provided by external sources (info providers), the change in the probability of default and covenants set in several agreements with the Lending Banks of the Group.
  On the basis of the parameters used for stage allocation purposes, the financial guarantees provided by Trevi Finanziaria S.p.A. to the companies belonging to the divisions of the Group, were classified within the cluster identifying an increase in credit risk from the initial recognition date such as to recognise an allowance

reflecting the lifetime ECL., i.e., the probability that default events will occur over the life of the instrument.

- **Calculation of the expected loss**: as described for the Group's trade receivables, the calculation of the Expected Credit Loss for the positions relating to the financial guarantees issued was carried out using the product of the three risk parameters:
  - **PD – Probability of Default** the division belonging to the company for which the guarantee was issued by the Parent 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 company being assessed was not present, an expressive PD of the market segment to which the division belongs was applied.
  - **LGD – *Loss Given Default***: the Group decided to adopt the standard parameter defined for banking regulations and equal to 45%., as the identified parameter of the expected loss in case of default.
  - **EAD – *Exposure at Default***: equal to the amount of the guarantee issued.

New accounting standards, amendments and interpretations endorsed by the European Union.

In preparing the Consolidated Financial Statements at 31 December 2021, the Group has not chosen the early application of standards, amendments or improvements issued for which application is not yet mandatory.

New standards, amendments and interpretations

Below is a list of the accounting standards, amendments and interpretations issued by IASB and endorsed by the European Union applied starting from 1 January 2021:

Standard/Interpretation	IASB effective date
Amendments to IFRS 4 (Insurance contracts) – deferral of IFRS 9 issued on 25 June 2020	1 January 2021
Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued on 27 August 2020	1 January 2021

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 reporting date of these Financial Statements:

Standard/Interpretation	IASB effective date
Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	1 April 2021
Amendments to IAS 1 (Presentation of financial statements) and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)	1 January 2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Disclosure of Accounting policies (issued on 12 February 2021)	1 January 2023
Amendments to: ▪ IFRS 3 Business combinations ▪ IAS 16 Property, plant and equipment ▪ IAS 37 Provisions, contingent liabilities and contingent assets ▪ 2018-2020 Annual Improvements issued on 14 May 2020	1 January 2022
IFRS 17 (Insurance contracts) issued on 18 May 2017, including the amendment to IFRS 17 issued on 25 June 2020	1 January 2023

RISK MANAGEMENT

Aims, management strategies and identification of financial risks

The Parent's Finance Department and the Finance Managers of the individual subsidiaries manage the finance risks to which the 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 covenants, it is 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 divisions, 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 31/12/2021
Trevi	Treviicos	USA	CRA - Bonding Company (Subject to Covenant)	*8.8*
Trevi	Trevi Foundations Nigeria Ltd	Nigeria	Currency Restrictions	*6.5*
Trevi	Foundation Construction Ltd	Nigeria	Currency Restrictions	*0.3*
Trevi	Swissboring Overseas Piling Corp. Ltd (Dubai)	Dubai	Cash collateral on a revolving line	*2.5*
Total				**18.1**

To date, most of the lines of credit with lending banks are governed by the Restructuring Agreement, which was finalised in the first half of 2020 with the capital increase and by converting the bank loans into capital.

The geographical distribution of the Group's cash and cash equivalents at 31 December 2021 is shown below:

Description	31/12/2021	31/12/2020	Change
Italy	14,031	14,430	(399)
Europe (excluding Italy)	8,630	14,388	(5,758)
United States and Canada	26,870	14,908	11,962
South America	4,378	4,959	(581)
Africa	14,922	7,956	6,966
Middle East and Asia	6,368	6,354	14
Far East and Rest of the World	2,448	6,815	(4,367)
Total	**77,647**	**69,810**	7,837

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

Short-term loans and borrowings	31/12/2021	31/12/2020	Change
Italy	188,052	180,506	7,546
Europe (excluding Italy)	0	0	0
United States and Canada	6,180	5,705	475
South America	547	533	14
Africa	113	113	0
Middle East and Asia	0	0	0
Far East	5,457	6,517	(1,060)
Rest of the world	786	803	(17)
Total	**201,135**	**194,177**	**6,958**

Medium/long-term loans and borrowings	31/12/2021	31/12/2020	Change
Italy	5,135	4,660	475
Europe (excluding Italy)	1,790	1,794	(4)
United States and Canada	0	0	0
South America	0	0	0
Africa	4,142	0	4,142
Middle East and Asia	0	0	0
Far East	1,630	1,779	(149)
Rest of the world	0	0	0
Total	**12,697**	**8,233**	**4,464**

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	31/12/2021	31/12/2020	Change
Italy	245,879	243,226	2,653
Europe (excluding Italy)	824	1,721	(897)
United States and Canada	6,611	6,766	(155)
South America	1,288	1,897	(609)
Africa	457	259	198
Middle East and Asia	1,071	882	189
Far East	7,911	10,031	(2,120)
Rest of the world	881	877	4
Total	**264,921**	**265,659**	**(738)**

Non-current financial liabilities	31/12/2021	31/12/2020	Change
Italy	74,385	77,790	(3,405)
Europe (excluding Italy)	2,662	2,881	(219)
United States and Canada	194	880	(686)
South America	132	17	115
Africa	4,756	427	4,329
Middle East and Asia	1,146	1,351	(205)
Far East	2,117	4,090	(1,973)
Rest of the world	3	34	(31)
Total	**85,396**	**87,470**	**(2,074)**

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.

At 31 December 2021, following the signing and execution of the Restructuring Agreement in 2020, the Group's loans are fixed-rate loans.

			31/12/2021
Description	**Fixed rate**	**Variable rate**	**Total**
Loans and Leases	300,316	0	300,316
Bond issue	50,000	0	50,000
Total financial liabilities	**350,316**	**0**	**350,316**

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. 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.

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 overseas operations

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 approximately 87% 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

In Algeria, the domestic political framework was characterised by the holding of legislative elections in June, which nevertheless recorded a negative turnout record. At economic level, the effects of the crisis triggered by the Covid-19 persist, which particularly penalised undiversified economic systems such as Algeria's, focused almost exclusively on the export of hydrocarbons. To these factors, the impact of an unprecedented climatic crisis must be added, characterised by record heat waves and a series of fires that devastated the north-eastern region of Tizi Ouzou in particular, causing over 90 deaths and hundreds of displaced persons. In terms of external transactions, diplomatic relations with Morocco were interrupted at the end of August following a series of frictions that had intensified in recent months.

In this context, elections were held in June - the first after resignation of Abdelaziz Bouteflika, the former president who dominated the political scene from 1999 to 2019 and recently passed away (17 September) at the age of 84 - to choose the representatives of the National Assembly, the lower house of parliament. According to the government and President Tebboune, the vote was supposed to represent "the second fundamental step towards change and the construction of a democratic Algeria closer to the citizens". However, with only 23% of the eligible voters - estimated at 24 million - going to the polls, the elections did not achieve the hoped-for result of rekindling public interest in politics and institutions, registering the lowest turnout in recent years and reconfirming a trend that had already emerged during last November's constitutional referendum, when 24% of voters voted. In part, this was the result of a boycott campaign led by the leaders of the protest movement, known as Hirak, and some opposition forces, including minority parties such as the Socialist Forces Front (Ffs).

The results saw the National Liberation Front (Fln), the nationalist party that has dominated the Algerian political scene since independence, receive the majority of votes.

To cope with the economic difficulties, the president and the new government have recently launched an action plan that aims to encourage investment, stimulate private sector growth and diversify the economy by making it less dependent on the hydrocarbon sector. Among the cornerstones of this plan, approved at the beginning of September by the Council of Ministers, is the modernisation of the banking and financial systems through digitisation and internationalisation of Algerian credit institutions, but also a review of monetary policy, including exchange rates, in order to encourage investors while safeguarding exports.

Argentina

Argentina, which is one of the most important economies in Latin America, seems to have reached economic collapse. The country had already been in economic recession for two years, with GDP falling between 2% and 3% in 2018 and 2019. Once again, Covid-19 has only exacerbated this precarious situation: Argentina, in fact, has suffered more than other countries in Latin America and the world from the crisis caused by the pandemic, with GDP falling by just over 10% and inflation rising by 36.1%. Such alarming figures have not been seen since the 2001-2002 *corralino* crisis, considered the worst in Argentine history, when GDP fell by 10.9%. In addition, the prices of basic necessities have now risen by 4%, the rate of people under the poverty line has reached 44%, and the value of the currency has halved, so much so that while in January 2020 the dollar was bought with 78 pesos, today it is bought with 160 pesos, and the financial market has fallen from USD 350 billion to USD 20 billion, indicating that many companies have lost value and others have left the country.

Risk related to the trend in raw material prices

Energies

The year 2021 was a very significant year for the oil market. Exactly one year ago, the price of a barrel of oil was around USD 50, and then over the course of the following months, the price rose higher and higher. The highest price level in 2021 was recorded at the end of October, when a barrel was trading at around USD 86, before falling back at the end of the year. In the last 12 months, the recorded price growth was over 25% thus far surpassing the 2020 crisis and exceeding pre-pandemic levels.

What drove the price of oil so high was the imbalance recorded between supply and demand. In 2021, global demand for oil increased as a result of the resumption of economic activities after the pandemic blockade, but also due to the resumption of previously banned movements as the spread of Covid-19 slowed down. A further contributing cause to the rise in oil prices was the increase in gas prices. Since the price of the latter reached all-time highs, oil was chosen as a substitute in energy production, as it was more cost-effective.
The major crude oil producers were surprised by the sudden rebound in demand, unable to keep up with the pace of growth due to several difficulties.

Firstly, due to continuous production disruptions caused by adverse weather conditions in the United States, which forced energy companies to draw the large quantities of crude oil needed from stocks. Secondly, due to persistent global underinvestment and maintenance delay caused by the pandemic, as in the case of Nigeria, Angola and Kazakhstan, some OpecPlus members had difficulties increasing production.

Regarding the potential impacts of the above-mentioned risks, reference should be made to the more detailed considerations in the following section commenting on commodity supply costs.

Ferrous and Non-Ferrous Metals, Organic Chemicals - Plastics

From the point of view of the prices of the various raw material families, there was a significant decrease in ferrous metals, which fell by more than 5%, and in organic chemicals - plastics in December. Conversely, non-ferrous metals (up by 2.5% in November), energy (up by 2.1%) and especially wood and paper (up by 6.5%) continued to register increases. An analysis of the dynamics throughout 2021 radically changes the hierarchy of the goods with the largest increases. In first position is energy, with an increase close to 100%, followed at a distance by ferrous (up by 57%) and wood and paper (up by 54%). The annual increases of all other raw material families are slightly below 50%, with foodstuffs coming in last in terms of growth rates. A separate case regards precious metals, which had also seen their prices rise during the initial phase of the pandemic, buoyed by their role as safe haven goods.

In this regard, in the context of the IBR, following an overall review of the contracts relating to existing contracts/orders, a specific analysis of the possible impacts on the variability of the purchase price/availability of raw materials was carried out, from which it emerged that:

- Trevi Division: given the nature and average duration of the related job orders, the value at risk is calculated in an economic dimension that is not particularly significant in the overall volume of business of the Division;
- Soilmec Division: it is believed that the sector to which it belongs has already seen the upward trends in the costs of some materials reversed on product prices.

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.

In this context, on 11 January 2022, the Trevi Group suffered a cyberattack that affected the data centres in Cesena (FC) and Asolo (TV), causing temporary inaccessibility to operational IT functions.

The functionality of the entire IT infrastructure was promptly restored and, in less than twenty-four hours, the main IT services were available again.

To date, there has been no loss of data and/or information and there are no consequences for the activities of the Group companies.

The prompt and effective response with which the Group managed the incident was made possible thanks to a specific Disaster Recovery and Business Continuity Plan and infrastructures with Hybrid Cloud technologies, which made it possible to safeguard services and backups.

The Group is also continuing to adopt specific training courses to suggest suitable behaviour to users in order to avoid involvement in “malicious” processes, as well as continuing to issue “information pills” to report concrete cases of computer fraud that users might come across if they do not follow the correct procedures and instructions. It is therefore considered that the measures adopted and the existing safeguards represent adequate elements to mitigate this risk, and that, therefore, no significant risk remains for the continuity of the company’s activities.

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	31/12/2021	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	11,735			
Total non-current financial assets			**11,735**			
Current financial assets						
Other current financial assets	AC		1,965			
Current derivatives	FVTPL		-			
Current financial assets	AC	11	8,882			
Cash and cash equivalents	AC	12	77,647			
Total current financial assets			**88,494**			
Total financial assets			**100,229**			
LIABILITIES						
Non-current financial liabilities						
Long-term loans and borrowings	AC	14	12,697			
Long-term loans and borrowings from other financial backers	AC	14	72,699			470
Non-current derivatives	FV		-			
Total non-current financial liabilities			**85,396**			
Current financial liabilities						
Short-term loans and borrowings	AC	20	201,135		9,496	9,278
Short-term loans and borrowings from other financial backers	AC	21	63,786			412
Current derivatives	FVTPL		-			
Total current financial liabilities			**264,921**			
Total financial liabilities			**350,317**			
Warrant	FVTPL		3,639			1,590

The measurement at fair value of the Warrant, resulted in a financial income for approximately Euro 1,590 thousand.

Impairment Test Analysis at 31 December 2021

The Group reviewed its impairment indicators at 31 December 2021. 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 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 (Trevi and Soilmec) was carried out, in continuity with the test of impairment carried out as at 31 December 2020, 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 2021) 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 the purposes of carrying out the impairment test, cash flow forecasts resulting from the Actual 2021 data and the 2022-2026 Plans drawn up by Trevi and Soilmec CGUs with the support of PricewaterhouseCoopers S.p.A. were used, as approved on 26 April 2022.

The planning flows considered exclude 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 2022-2026 Plans of each CGU and based on the Actual 2021 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 amortisation, depreciation and provisions, were added, establishing the Cash flow from continuing operations that can be interpreted as a "potential" cash flow. The amount of cash flows 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 2020, 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: the Foundations segment. The WACC was determined at 8.24%, and the individual variables were derived as follows:

- risk-free rate*:* 1.45%, 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 2021;
- beta levered*:* 0.96, 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;
- equity risk premium: a rate of 5.00% was used;
- country risk: 2.07%, 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 operate, weighted by the percentage of production of operating profit in these countries in 2026;
- inflation differential: 0.50%, this component was added to Ke in order to consider the effect of inflation and determine the real rate;
- prudence premium of execution: it was considered appropriate to increase the Ke by 1 percentage point;
- 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 lines of credit;
- financial structure: D/D+E= 19.94%; E/D+E= 80.06%, determined as the average of the comparables already considered for the definition of the beta.

For the years after 2026, 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 (2026), 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 actually produced by CGUs in those countries in 2026. In particular, the g growth rate identified is 2.70%. 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 10.24%). As a result, the discount rate adopted for the Terminal Value, resulting from the difference between the aforementioned WACC increased by 2 percentage points and the g growth rate was 7.54%.

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.

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 ancillary investments;
- (-) the carrying amount of non-operating funds similar 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 2021;
- (+) the net financial debt, recognised at the carrying amount at 31 December 2021.

This comparison shows a positive difference of Euro 46.1 million.

Management has also analysed the variability of the results of the second-level estimates, as the main input assumptions change, assuming alternatively: the increase in the discount rate (WACC) relevant for determining the Terminal Value and the variation of FCFO flows relevant for determining the 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 for TV of 1.33% for the Trevi and Soilmec CGUs (with WACC for TV of 11.57% against a WACC for TV of 10.24% adopted in the base case) would lead the recoverable amount to match the carrying amount of the Group's assets (with a first-level margin: for the Trevi CGU of Euro 47 million compared to Euro 76 million in the base case and for the Soilmec CGU of Euro 3 million compared to Euro 21 million in the base case).

A sensitivity analysis was then carried out on the change in FCFO flows relevant to the determination of the Terminal Value, keeping all the other estimation criteria and assumptions unchanged, to identify the percentage decrease in FCFO flows 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 15.03% (corresponding to a FCFO for TV equal to: Euro 18 million for the Trevi CGU against Euro 21 million of the base case and

Euro 11 million for the Soilmec CGU against Euro 13 million in the base case). In this case, a first-level margin of Euro 47 million would be generated for the Trevi CGU compared to Euro 76 million in the base case and of Euro 3 million for the Soilmec CGU compared to Euro 21 million in the base case.

In line with that carried out at 31 December 2020, 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 equal to 8.24%. 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 2021 totalled Euro 173.3 million, marking a decrease of Euro 17.8 million compared to 31 December 2020 (Euro 191.1 million).

Changes relating to 2021 are summarised in the table below:

(in thousands of Euro)

Description	Original cost at 31/12/2020	Accumulated depreciation on 31/12/2020	Carrying amount at 31/12/2020	Incr.	Decr.	Depr.	Use of Provision	Net (reversals of) impairment losses	Reclass. of changes in acc. depr.	Reclass. of changes in original cost	Exchange difference in historical cost	Exchange diff. in acc. depr.	Original cost at 31/12/2021	Accumulated depreciation on 31/12/2021	Carrying amount at 31/12/2021
Land	16,156	0	16,156	26	(237)	(91)	0	0	(184)	(2,490)	105	(1)	13,560	(276)	13,284
Buildings	68,699	(32,601)	36,098	3,088	(7,321)	(4,085)	3,531	(140)	(278)	2,440	1,925	(1,112)	68,691	(34,546)	34,145
Plant and machinery	281,646	(179,444)	102,202	6,080	(26,430)	(17,114)	21,145	(375)	(1,264)	6,849	5,727	(1,755)	273,497	(178,432)	95,065
Industrial and commercial equipment	71,837	(47,436)	24,401	2,410	(8,274)	(6,476)	10,354	595	2,360	(11,136)	199	(260)	55,631	(41,458)	14,173
Other assets	42,783	(32,454)	10,329	5,213	(7,085)	(4,171)	5,515	0	(1,707)	5,403	1,641	(1,112)	47,956	(33,929)	14,027
Assets under construction and payments on account	1,894	0	1,894	556	(22)	0	0	0	0	0	21	0	2,449	0	2,449
TOTAL	**483,016**	**(291,936)**	**191,080**	**17,373**	**(49,369)**	**(31,937)**	**40,541**	**80**	**(1,073)**	**1,066**	**9,618**	**(4,240)**	**461,784**	**(288,641)**	**173,143**

The gross increases for the year amounted to Euro 17.4 million while the decreases for the year amounted to Euro 49.4 million, net of the accumulated depreciation of Euro 40.5 million; the changes shown refer to normal plant and equipment replacement activities.

The exchange effect in 2021 amounted to Euro 5.4 million. Some assets were encumbered by mortgages against loans received, as described in the item Payables. During the year, net impairment losses were recognised for a total of Euro 0.08 million, aligning the carrying amounts to the estimated realisable value.

The carrying amount of Property, Plant and Equipment held under lease at 31 December 2021 with right-of-use is equal to Euro 30.4 million (Euro 40.8 million at 31 December 2020). The decrease of Euro 10.4 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	31/12/2021	31/12/2020	Change
Land and buildings	15,789	18,539	(2,750)
Plant and machinery	9,955	15,680	(5,725)

Industrial and commercial equipment	1,870	4,684	(2,814)
Other assets	2,782	1,944	838
Total	**30,396**	**40,847**	**(10,451)**

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

(2) Intangible assets

Intangible assets at 31 December 2021 amounted to Euro 15.9 million, an increase of Euro 5.1 million compared to the amount at 31 December 2020 (Euro 10.8 million).

Changes relating to 2021 are summarised in the table below:

(in thousands of Euro)

Description	Original cost at 31/12/2020	Accumulated amortisation on 31/12/2020	Carrying amount at 31/12/2020	Incr.	Decr.	Amort.	Use of Provision	Net reversal of impairment losses	Reclass. of changes in acc. amort.	Reclass. of changes in original cost	Exchange differences in historical cost	Exchange diff. in acc. amort.	Original cost at 31/12/2021	Accumulated amortisation on 31/12/2021	Carrying amount at 31/12/2021
Goodwill	459	(459)	0	0	0	0	0	0	0	0	25	(19)	484	(478)	6
Development costs	15,935	(9,289)	6,646	2,646	0	(1,487)	0	(352)	0	0	26,596	(26,597)	44,825	(37,373)	7,452
Industrial patents and intellectual property rights	3,969	(3,787)	182	489	0	(140)	0	0	0	0	(763)	763	3,695	(3,164)	531
Concessions, licences, trademarks and similar rights	2,811	(2,634)	177	3	(505)	(61)	504	0	9	(9)	3,274	(3,205)	5,592	(5,405)	187
Assets under development and payments on account	3,392	0	3,392	4,041	0	0	0	0	0	0	0	0	7,433	0	7,433
Other intangible assets	2,539	(2,089)	450	154	(751)	(312)	725	0	55	(42)	2,164	(2,053)	4,161	(3,771)	390
TOTAL	**29,105**	**(18,258)**	**10,847**	**7,333**	**(1,256)**	**(2,000)**	**1,229**	**(352)**	**64**	**(51)**	**31,296**	**(31,111)**	**66,190**	**(50,191)**	**15,999**

The item Increases, amounting to Euro 7.3 million, mainly refers to capitalised costs for the development of technologies and equipment used by the Parent and its subsidiaries; 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 2021 amounted to Euro 7.4 million (Euro 6.6 million at 31 December 2020), with a gross increase for the year of Euro 2.6 million.

The carrying amount of Assets under development and payments on account amounted to Euro 7.4 million at 31 December 2021 (Euro 3.4 million at 31 December 2020) with a gross increase of Euro 4 million, thanks to the capitalisation of costs for implementing a new ERP software of the Parent.

Regarding the item Industrial patents and intellectual property rights, amounting to

Euro 0.5 million at 31 December 2021, the gross increase of Euro 0.4 million is mainly due to the capitalisation of licences for the use of programmes.

Other intangible assets amounted to Euro 0.3 million at 31 December 2021, down by Euro 0.06 million compared to the previous year.

(3) Investment property

There were no investments in non-operating property.

(4) Equity investments

Equity investments amounted to Euro 647 thousand marking a decrease compared to Euro 3.6 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 31/12/2020	Increases	Decreases	Impairment gains	Impairment losses	Other changes	Balance at 31/12/2021
Equity-accounted associates	2,995	0	(3,876)	414	(4)	551	80
Other companies	633	0	0	0	0	(66)	567
TOTAL	**3,628**	**0**	**(3,876)**	**414**	**(4)**	**485**	**647**

The change in the year refers 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	31/12/2021	31/12/2020	Change
Deferred tax assets	28,455	29,465	(1,010)
TOTAL	**28,455**	**29,465**	**(1,010)**
Deferred tax liabilities	(26,209)	(20,748)	(5,461)
TOTAL	**(26,209)**	**(20,748)**	**(5,461)**
Net deferred tax assets at the end of the year	**2,246**	**8,717**	**(6,471)**

The item Net deferred tax assets at the end of the year amounted to Euro 2.2 million.

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 2021, deferred tax assets amounted to Euro 28.4 million, down by Euro 1 million compared to 31 December 2020. Deferred tax assets are considered recoverable in part through the offsetting against deferred tax liabilities that will be concurrently reversed in the future.

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 2021, deferred tax liabilities amounted to Euro 26.2 million, down by Euro 5.5 million compared to 31 December 2020.

Below the table showing the changes in question:

(in thousands of Euro)

Description	Balance at 31/12/2020	Accruals	Decreases	Other Changes	Balance at 31/12/2021
Deferred tax assets	29,465	1,443	(2,366)	(87)	28,455
Deferred tax liabilities	(20,748)	(6,091)	511	119	(26,209)

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)

Description	Elimination Intragroup profits	Application of IFRS	Development costs	Group Rates Adjustment	Financial Statements and Other	Total
Balance at 01/01/2020	**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 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**	**8,716**
Effect on profit or loss	374	(770)	70	78	(4,330)	(4,578)
Effect on equity						
Exchange differences	13	10		(64)	135	94
Reclassifications and other changes	0	61	56	(126)	(1,977)	(1,986)
Balance at 31/12/2021	**5,667**	**(2,435)**	**(318)**	**(875)**	**206**	**2,246**

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 0.2 million at 31 December 2021.

Losses carried forward at 31 December 2021 relating to the Italian companies participating in the tax consolidation, on which deferred tax assets were recorded for Euro 3.6 million, totalled approximately Euro 177 million. These were calculated considering the estimates of future taxable amounts consistently with the profitability forecasts of the Group for the explicit period of the New Consolidated Plan.

(6) Other non-current financial assets

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Due from associates	0	0	0
Guarantee deposits	1,718	854	864
Other	10,017	10,198	(181)
TOTAL	**11,735**	**11,052**	**683**

Other non-current financial assets at 31 December 2021 amounted to Euro 11.7 million and referred to a loan of Euro 10 million 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	31/12/2021	31/12/2020	Change
Trade receivables	2,137	1,591	546
Prepayments and accrued income	(411)	(572)	161
Other non-current assets	2	(9)	11
TOTAL	**1,728**	**1,010**	**718**

Trade receivables refer to receivables from third parties due beyond one year, for Euro 2.1 million from the subsidiary Swissboring Overseas Piling Corporation. Prepayments are mainly attributable to the subsidiary Trevi Nigeria for Euro 0.4 million.

CURRENT ASSETS

(8) Inventories

Total inventories at 31 December 2021 amounted to Euro 114.6 million and were made up as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Raw materials, consumables and supplies	78,756	80,173	(1,417)
Work in progress and semi-finished products	14,154	13,856	298
Finished goods	20,590	28,597	(8,007)
Payments on account	1,109	86	1,023
TOTAL INVENTORIES	**114,609**	**122,712**	**(8,103)**

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 25.6 million (Euro 24.5 million at 31 December 2020).

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 25.6 million. Changes relating to this allowance were as follows:

(in thousands of Euro)

Description	31/12/2020	Increases	Uses	Other and Reclassifica tions	31/12/2021
Raw materials, consumables and supplies	22,728	2,039	(421)	(187)	24,159
Work in progress and semi-finished products	173	(59)	0	(114)	0
Contract work in progress	0	0	0	0	0
Finished goods	1,560	(187)	0	52	1,425
Payments on account	0	0	0	0	0
TOTAL ALLOWANCE FOR INVENTORY WRITE-DOWN	**24,461**	**1,793**	**(421)**	**(249)**	**25,584**

The item Uses refers entirely to the subsidiaries of the Soilmec Division, specifically to the company PSM. Increases amounted to Euro 1.8 million and are mainly attributable to the Middle East subsidiaries of the Trevi Division for a total of Euro 1.2 million and to Trevi Foundation Nigeria for Euro 0.6 million. The item Other and reclassifications mainly includes exchange differences.

(9) Trade receivables and other current assets

The total amount at 31 December 2021 was Euro 272.7 million. This item includes:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Trade receivables	213,672	184,907	28,765
Due from customers	30,110	15,007	15,103
Sub Total: Trade receivables	**243,782**	**199,914**	**43,868**
Due from associates	7,084	10,888	(3,804)
VAT assets	8,066	12,723	(4,657)
Due from others	10,129	13,205	(3,076)
Prepayments and accrued income	3,540	3,964	(424)
Total Trade Receivables and Other current assets	**272,601**	**240,694**	**31,907**

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

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change

Current assets			
Contract work in progress	30,207	16,019	14,188
Allowance for contract losses to complete	0	0	0
Total contract work in progress	***30,207***	***16,019***	***14,188***
Payments on account from customers	(97)	(1,012)	915
Total Due from customers	**30,110**	**15,007**	**15,103**
Current liabilities:			
Contract work in progress	(4,942)	(349)	(4,592)
Due to customers	0	0	0
Payments on account from customers	(2,306)	(5,718)	3,412
Total Due to customers	**(7,248)**	**(6,068)**	**(1,180)**

The loss allowance amounted to Euro 61.9 million. Changes relating to this allowance were as follows:

(in thousands of Euro)

Description	Balance at 31/12/2020	Accruals	Decreases	Releases	Other changes	Balance at 31/12/2021
Loss allowance	62,452	2,151	(5,872)	(133)	3,337	61,935
TOTAL	**62,452**	**2,151**	**(5,872)**	**(133)**	**3,337**	**61,935**

The item Other changes includes exchange differences amounting to Euro 3.3 million.

Prepayments and accrued income

This item is mainly composed of prepayments detailed as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Accrued income	612	351	261
Prepayments	2,263	3,058	(795)
Sabatini law interest	665	555	110
TOTAL	**3,540**	**3,964**	**(424)**

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 2021 is as follows:

(in thousands of Euro)

31/12/2021	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	31,342	22,008	24,397	6,953	60,608	61,783	35,075	1,615	**243,782**
Due from associates	3,841	2,552	0	0	528	0	163	0	**7,084**
Tax and VAT assets	5,696	217	0	132	456	166	1,339	60	**8,066**
Due from others	1,619	731	394	1,082	1,438	3,576	841	449	**10,129**
Prepayments and accrued income	1,483	111	39	716	561	598	0	32	**3,540**
TOTAL	**43,980**	**25,619**	**24,831**	**8,882**	**63,591**	**66,123**	**37,418**	**2,157**	**272,601**

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**

Amounts due from associates at 31 December 2021 amounted to Euro 7.1 million; details are provided in Note (34) – Related party transactions.

The breakdown of Trade receivables by currency is as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
EURO	100,215	74,255	25,960
USD	29,179	32,915	(3,736)
AED	10,978	13,089	(2,111)
NGN	15,853	2,443	13,410
GBP	1,145	547	599
OTHERS	86,412	76,665	9,747
Total	**243,782**	**199,914**	**43,869**

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

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Not past due	97,860	82,341	15,519
Past due for 1 to 3 months	61,114	46,623	14,491
Past due for 3 to 6 months	12,721	9,444	3,277
Past due for more than 6 months	72,087	61,506	10,581
Total	**243,782**	**199,914**	**43,868**

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:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Standard monitoring	237,990	187,731	50,259
Special monitoring	1,979	2,221	(242)
Monitoring for possible legal proceedings	101	1,264	(1,163)
Out-of-court monitoring in progress	2,154	6,797	(4,643)
Monitoring for ongoing legal proceedings	1,558	1,901	(343)
Total	**243,782**	**199,914**	**43,868**

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

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Due from employees	722	584	138
Advances to suppliers	4,459	2,914	1,545
Other	4,947	9,707	(4,760)
TOTAL	**10,128**	**13,205**	**(3,077)**

(10) Current tax assets

Tax assets are mostly represented by direct taxes and tax payments on account.

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Direct taxes	5,637	6,700	(1,063)
TOTAL	**5,637**	**6,700**	**(1,063)**

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.

At 31 December 2021, the balance was 0.

(11) Current financial assets

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Current financial assets	10,847	3,675	7,172
TOTAL	**10,847**	**3,675**	**7,172**

The item Current financial assets amounted to Euro 10.8 million at 31 December 2021 and includes Euro 9.5 million of bank deposits related to the Middle East subsidiary Swissboring and Euro 1.3 million of financial assets from unconsolidated associates.

The amount deposited in the Escrow Account related to the sale of the Oil & Gas Division, amounting to Euro 9.2 million at 31 December 2021, was net of the loss allowance and was equal to zero.

(12) Cash and cash equivalents:

This item includes:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Bank and post office accounts	76,708	69,292	7,416
Cash-in-hand and cash equivalents	939	518	421
TOTAL	**77,647**	**69,810**	**7,837**

For the analysis of the net financial debt and cash and cash equivalents of the Trevi Group, reference should be made to the Directors' Report and the Statement of Cash Flows.

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 6.8 million).

EQUITY AND LIABILITIES

(13) Equity

Group statement of changes in equity:

(in thousands of Euro)

Description	Share capital	Share premium reserve	Legal Reserve	Other reserves	Translation Reserve	Retained earnings/(Losses carried forward)	Profit/(Loss) for the year attributable to the owners of the parent	Total equity attributable to the owners of the parent
Balance at 01/01/2020	**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**
Acquisition/(disposals) of non-controlling interests				(5,251)	(17,714)	(4,518)		**(27,483)**
Hedging Reserve								
Repurchase/(sale) of treasury shares								
Reclassification								
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**
Allocation of 2020 profit		(239,077)	11,122	(10,964)		480,387	(241,468)	
Capital increase								
Distribution of dividends						279		**279**
Translation difference					23,288			**23,288**
Actuarial gains/(losses) and stock grant				(31)				**(31)**
Acquisitions/(disposals) and other changes					(14)	(2,347)		**(2,361)**
Hedging Reserve								
Repurchase/(sale) of treasury shares								
Reclassification		1,895		767		(2,662)		
Loss for the year attributable to the Owners of the Parent							(52,977)	**(52,977)**
Balance at 31/12/2021	**97,374**	**13,053**	**19,475**	**524**	**1,908**	**12,200**	**(52,977)**	**91,557**

– *Share capital*

The Parent issued 150,855,693 shares, of which 20 are held as treasury shares. At 31 December 2021, the Parent's fully subscribed and paid-up share capital amounted to Euro 97,476 thousand, unchanged compared to 31 December 2020.

The current breakdown of the share capital is shown below, net of treasury shares held, which at 31 December 2021 amounted to Euro 97,373,554:

	Number of shares	Share capital	Reserve for Treasury Shares
Balance at 31/12/19	**1,645,793**	**82,289,633**	**(736,078)**
Repurchase and sale of treasury shares	-	-	-
Balance at 31/12/20	**150,855,693**	**97,373,554**	**(736,078)**
Repurchase and sale of treasury shares	-	-	-

Balance at 31/12/21	**150,855,693**	**97,373,554**	**(736,078)**

– *Share premium reserve:*

At 31 December 2021 this item totalled Euro 13,053 thousand (Euro 250,235 thousand at 31 December 2020). The change in this reserve resulted from a reallocation of reserves carried out in compliance with the resolution for the allocation of the Parent’s loss.

– *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 2021 this reserve was Euro 19,475 thousand (Euro 8,353 thousand at 31 December 2020). The change in this reserve resulted from a reallocation of reserves carried out in compliance with the resolution for the allocation of the Parent’s loss.

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 2021 was entirely used to cover accumulated past losses.

– *IFRS transition reserve:*

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 2021, the reserve for treasury shares amounted to Euro 736 thousand, unchanged compared to 31 December 2020.

– *Translation reserve:*

This reserve, equal to a negative amount of Euro 1,908 thousand at 31 December 2021, concerns the exchange differences from the translation into Euro of financial statements expressed in currencies other than the Euro; exchange rate fluctuations mainly occurred between the Euro and the US Dollar and between the Euro and the currencies of countries in the Middle East and Africa.

– *Retained earnings/(Losses carried forward):*

The item includes the profit or loss of previous years, for the part not distributed as dividends to Shareholders.

NON-CURRENT LIABILITIES

14) Bank loans and borrowings, loans and borrowings from other financial backers and derivatives

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Bank loans and borrowings	12,697	8,234	4,463
Lease liabilities	13,956	19,741	(5,785)
Loans and borrowings from other financial backers	58,743	59,495	(752)
Derivatives	0	0	0
TOTAL	**85,396**	**87,470**	**(2,074)**

The breakdown of bank loans and borrowings and loans and borrowings from other financial backers by maturity can be summarised as follows:

(in thousands of Euro)

Description	From 1 to 5 years	After 5 years	Total
Bank loans and borrowings	12,697		**12,697**
Lease liabilities	13,157	800	**13,956**
Loans and borrowings from other financial backers	58,743		**58,743**
TOTAL	**84,597**	**800**	**85,396**

Regardless of that indicated below in relation to the failure to comply with financial covenants at 31 December 2020, following the effectiveness of the Restructuring Agreement on 29 April 2020, bank loans and borrowings were rescheduled at 31 December 2024. The amount of Euro 12.7 million refers to the debt pertaining to the side agreements of the Restructuring Agreement.

Lease liabilities amounted to Euro 13.9 million, mainly relating to the debt arising from the application of 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.

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, these have been presented in the financial statements with a short-term maturity, although the original maturity date of 2024 remains unchanged.

At 31 December 2021, the financial covenants provided for in the "Trevi Finanziaria Industriale 2014-2024" Bond Issue regulations were met.

The terms and conditions of bank loans and borrowings of the Parent were as follows:

					31/12/2021	
In thousands of Euro	**Currency**	**Spread**	**Indexing**	**Year due**	**Nominal Value**	**Carrying amount**
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**

(15) Deferred tax liabilities and non-current provisions

Deferred tax liabilities totalled Euro 26.2 million, up by Euro 5.4 million compared to 31 December 2020, when they amounted to Euro 20.7 million.

Changes in deferred tax liabilities are as follows:

(in thousands of Euro)

Description	**Balance at 31/12/2020**	**Accruals**	**Uses**	**Releases**	**Other Changes**	**Balance at 31/12/2021**
Deferred tax liabilities	20,748	6,543	(59)	(452)	(571)	26,209
TOTAL	**20,748**	**6,543**	**(59)**	**(452)**	**(571)**	**26,209**

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 0.5 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 18.3 million, an increase of Euro 2.7 million compared to 31 December 2020, equal to Euro 15.6 million. This balance was the result of changes in 2021 as shown below:

(in thousands of Euro)

Description	Balance at 31/12/2020	Accruals	Uses	Other Changes	Balance at 31/12/2021
Non-current provisions for risks and charges	15,633	15,078	(1,776)	(2,198)	26,737

The item Other changes refers to exchange rate effects and to 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	31/12/2021	31/12/2020	Change
Contractual risks	7,957	7,487	470
Work carried out under warranty	869	828	41
Loss allowance for investees	920	46	874
Dispute risks	106	235	(129)
Other non-current provisions for risks and charges	16,885	7,037	9,848
TOTAL Non-current provisions for risks and charges	**26,737**	**15,633**	**11,104**
Other current provisions for risks and charges	4,989	4,518	471
TOTAL Current provisions for risks and charges	**4,989**	**4,518**	**471**
TOTAL	**31,726**	**20,151**	**11,575**

The balance of the provision for contractual risks amounted to approximately Euro 7.9 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 0.9 million refers to minor investments of Trevi S.p.A.
The provision for Dispute risks equal to Euro 0.1 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 includes provisions for risks amounting to approximately Euro 8,839 thousand linked to the risk that the Parent will be required to settle a liability for the enforcement of guarantees, as further explained below. The item also includes bonuses to employees for Euro 3.2 million and debt assumption for a total amount of approximately Euro 3.9 million, mainly attributable to the Parent for Euro 2.8 million and Trevi S.p.A. for Euro 0.8 million.
The item Other current provisions for risks and charges, amounting to Euro 4.9 million at 31 December 2021, mainly includes provisions for risks attributable to the subsidiary Trevi France for approximately Euro 2.5 million, relating to contract work in progress, and additional provisions 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 2021, 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.

In the second half of 2021, an enforcement of guarantees relating to supply contracts signed between Drillmec S.p.A. and Iraqi Drilling Company occurred, resulting in the following actions:

On 11 August 2021, the Parent filed an appeal with the Court of Milan pursuant to Art. 700 of the Italian Code of Civil Procedure instituting the proceeding against Iraqi Drilling Company ("**IDC**"), Trade Bank of Iraqi ("**TBI**"), Intesa Sanpaolo S.p.A., UniCredit S.p.A., Deutsche Bank S.p.A. and Drillmec S.p.A. ("**Drillmec**").

The Parent applied for an injunction against the payment of nine first demand guarantees of a total of Euro 8,964,757.79, granted by TBI and the related nine counter-guarantees granted by Deutsche Bank S.p.A., UniCredit S.p.A. and Intesa Sanpaolo S.p.A.

These guarantees and counter-guarantees were originally issued by the banks at the request of Drillmec - at the time part of the Oil & Gas Division of the Parent's group of companies, which was sold to the Indian MEIL group on 31 March 2020 - in connection with nine contracts with IDC, a subsidiary of the Iraqi Ministry of Oil, for the supply of soil drilling equipment and related spare parts.

On 9 and 10 August 2021, the banks gave notice to the Parent of demand for enforcement of first demand guarantees by IDC and the related counter-guarantees by TBI, making claims for recourse also against the Parent. For this reason, as part of the proceedings under Art. 700 of the Italian Code of Civil Procedure, the Parent asked the Court to inhibit any recourse of the banks against the Parent.

By decree of 13 August 2021, issued without hearing the other side, the Court of Milan temporarily suspended the enforcement of the guarantees and counter-guarantees concerned. Subsequently, by order dated 22 October 2021, the Judge revoked their inaudita altera parte decree and dismissed the Parent's appeal.

Against this order, the Parent filed a complaint under Article 669-*terdecies* of the Italian Code of Civil Procedure on 28 October 2021, which was subsequently rejected by order on 28 January 2022.

Following the filing of the complaint, Deutsche Bank S.p.A., UniCredit S.p.A. and Intesa Sanpaolo S.p.A. paid TBI the amounts covered by the counter-guarantees.

As far as is known, Intesa Sanpaolo S.p.A., which had issued a counter-guarantee for USD 144,800.00, exercised a right of recourse against Drillmec.

Also in relation to the facts described above, MEIL (to which the Trevi Group sold all the investments held in Drillmec in March 2020) claimed to be entitled to receive from the Parent the amount of the guarantees enforced by TBI, totalling approximately Euro 9 million. However, MEIL's claims have been disputed by the Parent.

Notwithstanding the fact that the aforementioned dispute is at an early stage, the Parent believes that the matter originates from a clear fraudulent enforcement by IDC, from which, therefore, there are no compensation obligations of the Parent since they are deemed unfounded by the same.
Nonetheless, in the context of the discussions that the Parent is carrying out with Unicredit S.p.A. and Deutsche Bank S.p.A. concerning the New Financial Manoeuvre, in light of the requests made for the setting up of said manoeuvre in consideration of the risk that the Parent will be asked to settle the liabilities that could arise from these enforcements given its potential role as counter-guarantor, the Parent prudently set aside Euro 8,838,603.41 to the risk provision.

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:

<u>Italian subsidiaries</u>

The following three tax disputes are reported with reference to Italian companies:

- Following a tax audit by the Treviso Tax Authorities relating to an Italian subsidiary of Soilmec S.p.A., on 2 August 2018 an inspection report was issued concerning disputes regarding Ires, Irap and VAT amounting to approximately Euro 4.9 million referring to the tax years 2014-2015. The risk linked to the pending dispute, based on an analysis shared with the legal counsel, was quantified and set aside for a total of Euro 640,000. On 4 November 2019, the Tax Authorities issued a notice of assessment for the tax periods 2014-2015. The Parent, by entering into a mutually-agreed assessment settlement procedure with reference to the 2014 tax period on 29 May 2020 and with reference to the 2015 tax period on 2 October 2020, reached an agreement with the Tax Authorities to settle the dispute by paying the amounts due in instalments.

Similarly, in order to avoid tax disputes on the 2016 tax period, where the same disputed cases of previous years were present, the Parent signed a mutually-agreed assessment settlement procedure for IRES purposes on 22 February 2022 and for VAT and IRAP purposes on 7 March 2022, paying the first scheduled instalment as per the payment plan.

In total, the charges borne by the Parent for the amicable settlement of the tax dispute related to the 3 tax periods 2014-2015-2016, amounted to approximately Euro 460,000, thus less than the amount set aside.

As a result of signing the above agreements and payments, the Parent to date has no outstanding tax disputes.

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 400,000 and set aside a specific provision. For the sake of completeness, in the meantime, the collection agent also notified two tax bills on the same case, covering the years 2001-2002, concerning the amounts indicated above. The Parent filed a further dispute on the tax bills, 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.
The settlement of tax disputes related to the two tax bills is expected on 17 May 2022.

- 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, and the amount of Euro 4.8 million plus interest and penalties for the year 2014. On 14 December 2017, the Provincial Tax Commission issued a ruling in favour of the Parent. 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.
  On 24 March 2022, an agreement was reached to settle the dispute with the Forlì Tax Authorities, relating to the 2013-2014 tax periods, with payment of an amount of Euro 417,018.00 as a penalty, made on 8 April 2022, through offsetting the VAT assets for the year 2021. To date, the Parent has no outstanding tax disputes.

<u>Foreign subsidiaries</u>

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 4.3 million regarding the 2014 tax period.
  Based on a tax opinion rendered by a leading Dutch tax advisor, no provision was set aside in this regard, although the Parent believes that a partial unfavourable outcome of the case, which cannot be quantified to date, is possible.
  Following the sale of the Oil & Gas Division to the Indian group Meil in March 2020, the Dutch company is no longer an integral part of the Trevi Group, but under the agreements with the transferee, the tax dispute described above remains the responsibility of the Trevi Group, as it relates to a tax period prior to the sale.
  Although the Parent has the possibility to appeal (there are still two levels of

judgement), it is trying to reach an agreement with the Dutch authority and has submitted additional briefs and documents to the tax authorities and is awaiting feedback on a possible settlement.

A meeting is planned with the Dutch tax authorities in the first half of 2022 to define a possible agreement.

- The Tax Authority of the Dominican Republic, where the foreign company of the Trevi Division has a branch, notified, on 19 January 2018, a dispute concerning the recovery of higher corporate income tax, plus penalties and interest, amounting to approximately Euro 2.3 million with reference to the tax periods 2012/13/14/15/16.
  The Parent recognised accruals of about Euro 1.3 million and filed a dispute.
  The amount accrued is lower than the amount disputed since the disputed amount does not take into account a previous payment of tax payables made through the assignment to the tax authorities of receivables due from the public entity receiving the services rendered in the Dominican Republic.
  The branch was subsequently subjected 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 through the use of receivables due from the public entity.
  On 15 July 2020, the approval by the competent Court of the closure of the insolvency proceedings relating to the branch of Trevi Galante was notified, with the consequent closure of the dispute with the tax authorities through the modalities proposed by the Official Receiver described above. In the course of 2022, the formal procedure of the insolvency proceedings will be completed with the consequent cancellation of the branch from the local Register of Companies.

(17) Post-employment benefits

The post-employment benefits and the provision for pensions are defined benefit plans and amounted to Euro 11.1 million at 31 December 2021 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 31/12/2020**	**Accruals**	**Benefits and advances paid**	**Other changes**	**Balance at 31/12/2021**
Post-employment benefits	5,404	1,046	(1,602)	100	4,948
Provisions for pensions and similar obligations	6,104	985	(1,179)	251	6,161
TOTAL	**11,508**	**2,031**	**(2,781)**	**375**	**11,109**

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	**31/12/2021**	**31/12/2020**
Opening balance	**5,404**	**6,143**
Service costs	0	235
Interest expense	17	43
Benefits paid	(472)	(837)
Other changes	(2)	(179)
Closing balance	**4,948**	**5,405**

The main actuarial assumptions were:

Description	**31/12/2021**	**31/12/2020**
Annual technical discount rate	0.98%	0.34%
Annual rate of inflation	1.70%	1.00%
Annual rate of increase in total salaries	2.50%	2.50%
Annual rate of increase in post-employment benefits	2.78%	2.25%

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 at 31 December 2021.

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 2021 are shown below:

(in thousands of Euro)

Trevi Group Past Service Liability Annual discount rate		
	0.50%	**-0.50%**
Trevi S.p.A.	1,803	1,932
Trevi Finanziaria Industriale S.p.A.	621	651
Soilmec S.p.A.	1612	1787
PSM S.r.l.	578	638
Total	**4,615**	**5,008**

(in thousands of Euro)

Past Service Liability Inflation rate		
	0.25%	**-0.25%**
Trevi S.p.A.	1,884	1,847
Trevi Finanziaria Industriale S.p.A.	640	632
Soilmec S.p.A.	1,723	1,671
PSM S.r.l.	616	598
Total	**4,862**	**4,749**

(in thousands of Euro)

Past Service Liability Annual turnover rate		
	2.00%	**-2.00%**
Trevi S.p.A.	1,850	1,882
Trevi Finanziaria Industriale S.p.A.	633	640
Soilmec S.p.A.	1,669	1,729
PSM S.r.l.	597	620
Total	**4,749**	**4,870**

(17.1) Other non-current liabilities

The item mainly includes the measurement at fair value of the loyalty warrant at 31 December 2021, issued in the context of capital increase for Euro 3,639 thousand and for Euro 2,400 thousand, the compensation granted to Davide and Gianluigi Trevisani, former Directors of the Parent, under the agreements reached with the former ultimate parent THSE, for a gross amount of about Euro 3 million.

CURRENT LIABILITIES

This item amounted to Euro 466.7 million at 31 December 2021, an increase of Euro 36.3 million over the previous year.

A breakdown of changes of the various items is provided below:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Short-term loans (bank loans and borrowings)	195,015	157,568	37,447
Bank overdrafts	3,177	6,081	(2,904)
Trade advances	2,943	30,527	(27,584)
Sub-total of short-term loans and borrowings	**201,135**	**194,176**	**6,959**
Lease liabilities	9,659	16,711	(7,052)
Loans and borrowings from other financial backers	54,127	54,772	(645)
Sub-total of loans and borrowings from other financial backers	**63,786**	**71,483**	**(7,697)**
Current derivatives	0	0	0
Sub-total of current derivatives	**0**	**0**	0
Trade payables	114,615	99,549	15,066
Payments on account	28,998	9,896	19,102
Due to customers	7,248	6,068	1,180
Due to associates	1,115	878	237
Due to social security institutions	3,654	3,776	(122)
Accrued expenses and deferred income	1,938	2,469	(531)
Other amounts due	19,678	16,878	2,800
VAT liabilities	9,691	8,992	699
Current provisions	4,989	4,518	471
Sub-total of other current liabilities	**191,926**	**153,024**	**38,902**
Current tax liabilities	9,863	11,677	(1,814)
Sub-total current tax-liabilities	**9,863**	**11,677**	(1,814)
TOTAL	**466,711**	**430,360**	**36,351**

Concerning past due trade payables, loans and borrowings, tax liabilities and amounts due to employees at 31 December 2021, overdue trade payables were totalling approximately Euro 36.8 million, overdue loans and borrowings totalled Euro 20.4 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 an increase in trade payables at 31 December 2021 (equal to approximately Euro 15 million) compared to the corresponding balance at 31 December 2020 (Euro 99.5 million).

The breakdown by geographical segment of current trade payables and payments on account is the following:

(in thousands of Euro)

31/12/2021	Italy	Europe (excluding Italy)	United States and Canada	Latin America	Africa	Middle East and Asia	Far East	Rest of the world	Total
Suppliers	59,941	4,893	8,362	3,765	13,800	12,021	11,499	335	114,615
Payments on account from customers	(1,782)	1,604	3,165	5,645	13,972	1,994	3,574	826	28,998
Due to customers	2,222	0	4,938	0	0	0	87	0	7,248
Due to associates	930	0	0	9	2	0	173	0	1,115
TOTAL	**61,312**	**6,497**	**16,466**	**9,419**	**27,775**	**14,015**	**15,332**	**1,160**	**151,976**

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**

The breakdown of trade payables by currency was as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
EURO	65,691	59,257	6,434
USD	9,259	9,267	(8)
AED	2,867	2,344	523
NGN	10,326	1,577	8,749
GBP	121	142	(21)
DKK	2	948	(946)
OTHERS	26,348	26,013	336
Total	**114,615**	**99,548**	**15,067**

Trade payables and other current liabilities:

Due to customers:

This item, for an amount of Euro 7.2 million, shows contract work in progress net of the related payments on account.

Due to associates:

This item totalling Euro 1.1 million refers almost entirely to trade payables of the subsidiary Trevi S.p.A. to consortia and of the subsidiary Parcheggi S.p.A. to one of its associates. See Note (34) – Related party transactions for details of these amounts.

VAT liabilities:

VAT liabilities increased compared to the balance at 31 December 2020 (Euro 8.9 million) by approximately Euro 0.6 million and amounted to Euro 9.7 million at 31 December 2021.

Accrued expenses and deferred income:

Accrued expenses and deferred income amounted to Euro 1.9 million at 31 December 2021. This item is composed as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Accrued expenses	1,436	1,335	101
Deferred income	452	984	(532)
Sabatini and Ossola law deferred interest income	50	150	(100)
TOTAL	**1,938**	**2,469**	**(531)**

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	31/12/2021	31/12/2020	Change
Due to employees	10,720	9,230	1,490
Other	8,958	7,648	1,310
TOTAL	**19,678**	**16,878**	**2,800**

Amounts due to employees relate to wages and salaries for December 2021 and holidays accrued but not used.

(19) Current tax liabilities

Tax liabilities at 31 December 2021 amounted to Euro 9.8 million and are broken down as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Direct taxes	0	0	0
IRES taxes	1,447	504	943
IRAP taxes	477	1,664	(1,187)
Other	7,939	9,509	(1,570)
TOTAL	**9,863**	**11,677**	**(1,814)**

(20) Short-term loans and borrowings

Short-term loans and borrowings amounted to Euro 201.1 million at 31 December 2021 and are broken down as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Bank overdrafts	3,177	6,081	(2,904)
Trade advances	2,943	30,527	(27,584)
Bank loans and borrowings	190,793	155,206	35,587
Share of mortgages and loans expiring within twelve months	4,222	2,362	1,860
TOTAL Short-term loans and borrowings	**201,135**	**194,176**	**6,959**

Short-term loans and borrowings are made up of bank loans and borrowings and of short-term residual instalments for long-term mortgages.

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, although operating under a "de facto" standstill regime, 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

Lease liabilities and loans and borrowings from other financial backers at 31 December 2021 amounted to Euro 63.8 million and can be broken down as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Lease liabilities	9,659	16,711	(7,052)
Loans and borrowings from other financial backers	54,127	54,772	(645)
TOTAL Loans and borrowings from other financial backers	**63,786**	**71,483**	**(7,697)**

Lease liabilities mainly refer to the principal portions of instalments due within 12 months and include the amounts referring to the application of IFRS16.

The item Loans and borrowings from other financial backers at 31 December 2021 mainly includes amounts due to non-banking institutions.

(22) Current derivatives

At 31 December 2021, there were no current derivatives.

(23) Current provisions

Provisions classified as current at 31 December 2021 amounted to Euro 4.9 million (Euro 4.5 million at 31 December 2020). The most significant amount of this balance is attributable to Trevi France.

Changes during the year are shown below:

(in thousands of Euro)

Description	Balance at 31/12/2020	Accruals	Uses	Releases	Other Changes	Balance at 31/12/2021
Other current provisions	4,518	640	(152)	(137)	120	4,989

The item Other changes was almost entirely attributable to exchange differences.

Net financial debt

Below are financial disclosures prepared in accordance with CONSOB communication No. DEM/6064293 of 28 July 2006, updated with the provisions of ESMA guideline 32-382-1138 of 4 March 2021 as implemented by CONSOB warning notice No. 5/21 of 29 April 2021. This statement shows a representation of the Group, based on the current guidelines and interpretations available.

(in thousands of Euro)

	Description	31/12/2021	31/12/2020	Change
A	Cash and cash equivalents	**77,647**	**69,810**	**7,837**
B	Other cash equivalents	8,845	2,312	6,533
C	Other current financial assets	2,002	1,363	639
D	**Cash and cash equivalents (A+B+C)**	**88,494**	**73,485**	**15,009**
E	Current financial liabilities (including debt instruments)	249,533	245,744	3,789
F	Current portion of non-current debt	15,388	19,915	(4,527)
G	**Net financial debt (E+F)**	**264,921**	**265,659**	**(738)**
H	**Net current financial debt (G-D)**	**176,427**	**192,174**	**(15,747)**
I	Non-current financial liabilities	35,396	37,471	(2,075)
J	Debt instruments	50,000	50,000	0
K	Trade payables and other non-current liabilities			0
L	**Non-current financial debt (I+ J+ K)**	**85,396**	**87,471**	**(2,075)**
M	**Total financial debt (H+L)** **(as provided for by Consob warning notice No. 5/21 of 29 April 2021)**	**261,823**	**279,645**	**(17,822)**

Following the agreements reached with the MEIL Group for the sale of the Oil & Gas Division completed on 31 March 2020, the Trevi Group provided an interest-bearing loan of Euro 10 million to MEIL Global Holdings BV, with three-year bullet repayment. Starting from 1 April 2022, this loan will be recognised in current financial assets. Below is the reconciliation with the debt table shown in the Directors' Report.

Total financial debt (H+L) **(as provided for by Consob warning notice No. 5/21 of 29 April 2021)**	**261,823**	**279,645**	**(17,822)**
Other non-current financial assets	10,017	10,198	(181)
Total Net Financial Debt (M-O)	**251,806**	**269,447**	**(17,641)**

Based on the already mentioned considerations, the table shown may undergo changes resulting from additional interpretative clarifications by regulators. 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, these have been presented in the financial statements with a short-term maturity, although the original maturity date of 2024 remains unchanged.

The warrant 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 the Warrants;
- no interest of any kind accrues on this type of liability;
- this liability derives from an instrument that will provide the Parent with a capital increase at the time of its possible future exercise.

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 332,934,751.64 and refer to the issuance of sureties for VAT reimbursements of the Parent and the main Italian subsidiaries and to guarantees given in favour of leading US insurance companies, in the interest of the sub-subsidiary Trevi Icos Corporation, for the execution of its projects; these guarantees shall be reduced in proportion to the remainder of the work still to be performed at the end of each year. This category also includes guarantees agreed with local insurance companies agreed by the subsidiaries Trevi Foundations Philippines Inc. and Trevigalante SA.
- Guarantees given to third parties: these amount to Euro 310,797,849.07 and refer in particular to:
    - Bank guarantees for Euro 197,718,853.48 to guarantee cash and unsecured lines of credit 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 107,173,622.49;
    - Financial guarantees of Euro 5,905,373.10 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 2021. For a more detailed analysis of the performance for the year, reference should be made to the comments in the Directors' Report.

REVENUE

(24) Revenue from sales and services and other operating revenue

These items amounted to Euro 494.6 million compared to Euro 491.3 million in 2020, an increase of Euro 3.3 million.

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:

(in thousands of Euro)

Geographical segment	31/12/2021	%	31/12/2020	%	Change	%
Italy	65,311	13%	48,676	10%	16,635	34%
Europe	84,055	17%	115,810	24%	(31,756)	-27%
U.S.A. and Canada	114,136	23%	109,542	22%	4,595	4%
Latin America	16,258	3%	31,371	6%	(15,114)	-48%
Africa	69,781	14%	36,710	7%	33,071	90%
Middle East and Asia	59,999	12%	53,816	11%	6,184	11%
Far East and Rest of the World	85,076	17%	95,390	19%	(10,314)	-11%
Total revenue	**494,616**	**100%**	**491,315**	**100%**	**3,301**	**1%**

In Italy, the increase in revenue was mainly attributable to the Trevi Division, particularly the subsidiary Trevi S.p.A. In the United States, Canada and the Middle East in 2021, there was a slight increase in revenue for both the Trevi Division and the Soilmec Division, while in Africa the increase in revenue was attributable to foundation works for a Nigerian subsidiary.

The decrease of sales in Latin America and in the rest of Europe was mainly attributable to the Trevi Division while in the Far East the worsening was mainly due to the sales activities of the Soilmec Division.

The breakdown of revenue between the Foundations segment, made up of the Trevi and Soilmec Divisions, and the Parent is shown below:

(in thousands of Euro)

Activity	31/12/2021	31/12/2020	Change
Special foundation works	358,778	377,627	(18,849)
Manufacturing of special machinery for foundations	141,050	118,458	22,592
Intradivisional eliminations and adjustments	(5,235)	(6,446)	1,211
Sub-Total of Foundations Segment (Core Business)	**494,593**	**489,639**	**4,954**
Parent	12,624	15,601	(2,977)
Intradivisional and Parent eliminations	(12,602)	(13,925)	1,324
TREVI GROUP	**494,616**	**491,315**	**3,301**

Other operating revenue

The item Other operating revenue amounted to Euro 14.7 million in 2021, down by approximately Euro 19.9 million compared to the previous year. This item includes:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Grants related to income	258	452	(194)
Recovery of expenses and recharges to Consortia	5,588	4,830	758
Sales of spare parts and raw materials	1,380	2,859	(1,479)
Gains on sale of capital goods	1,802	3,488	(1,685)
Compensation for damage	60	1,544	(1,484)
Lease income	374	620	(246)
Prior year income	1,084	9,523	(8,439)
Other	4,201	11,338	(7,136)
Total	**14,747**	**34,654**	**(19,907)**

In 2021, the item Recovery of expenses and recharges to Consortia amounted to Euro 5.6 million, up by Euro 0.7 million compared to the previous year. This item includes consortia activities of the subsidiary Trevi S.p.A. The item Sales of spare parts amounted to Euro 1.4 million, down by Euro 1.5 million over the previous year; the item Gains on sale of capital goods amounted to Euro 1.8 million compared with Euro 3.5 million in the previous year; the item Compensation for damage amounted to Euro 0.06 million, down by Euro 1.5 million compared to 2020, the item Prior year income amounted to Euro 1.1 million, down by Euro 8.4 million compared to the previous year while the item Other totalled Euro 4.2 million in 2021 with a decrease of Euro 7.1 million year over year.

(25) Internal work capitalised

The item Internal work capitalised amounted to Euro 12.8 million in 2021, marking a decrease of Euro 0.6 million compared to 2020.

PRODUCTION COST

Production cost totalled Euro 491.4 million in 2021 compared to Euro 490.7 million in the previous year, an increase of Euro 0.7 million; the main items are analysed below.

(26) Personnel expense

Personnel expense amounted to Euro 127.8 million in 2021, a decrease of Euro 10.7 million over the previous year.

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Wages and salaries	98,649	105,840	(7,191)
Social security charges	23,537	23,277	260
Post-employment benefits	1,046	1,300	(254)
Pension fund	985	2,167	(1,182)
Other costs	3,601	5,992	(2,390)
Total	**127,818**	**138,576**	**(10,758)**

The breakdown of personnel and changes compared to the previous year is as follows:

(in units)

Description	31/12/2021	31/12/2020	Change	Average
Executives	77	108	(31)	93
White-collar workers and Managers	1,222	1,499	(277)	1,361
Blue-collar workers	1,919	2,097	(178)	2,008
Total workforce	**3,218**	**3,704**	**(486)**	**3,461**

(in units)

	Workforce	
Geographical segment	**31/12/2021**	**31/12/2020**
Italy	862	869
Europe (excluding Italy)	82	171
United States and Canada	103	151
South America	269	376
Africa	493	577
Middle East and Asia	585	702
Far East	824	858
Rest of the World	0	0
Total	**3,218**	**3,704**

The reductions in personnel expense were mainly due to the reduction in the Group's workforce, which went from 3,704 units in 2020 to 3,218 units in 2021 and to cost containment actions. The Italian companies of the Group benefited from the legal instruments for the reduction of personnel expense as described in the paragraph "COVID-19" included in the Directors' Report.

(27) Other operating expenses

This item amounted to Euro 150.5 million in 2021, a decrease of Euro 17.6 million compared with the previous year, details of which are mentioned below.

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Services	116,186	130,289	(14,103)
Use of third-party assets	20,994	25,890	(4,896)
Other operating costs	13,355	12,005	1,351
Total	**150,535**	**168,184**	**(17,649)**

Services:

This item amounted to Euro 116.2 million in 2021 against Euro 130.3 million in 2020. This item mainly includes:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Sub-contracts	34,075	34,742	(667)
Technical, legal, tax consultancy services	17,199	13,928	3,271
Other expenses for the provision of services	13,234	7,267	5,967
Food, accommodation and travel expenses	7,883	8,652	(768)
Insurance companies	6,384	7,734	(1,350)
Shipping, customs and transport costs	12,184	11,435	749
Maintenance and repairs	5,215	8,538	(3,323)
Bank services	1,680	2,696	(1,015)
Expenses for energy, telephone, gas, water and post	2,748	3,866	(1,118)
Outsourcing	8,317	17,304	(8,986)
Technical assistance	2,366	6,062	(3,696)
Advertising and promotions	701	806	(105)
Administrative services	359	740	(381)
Driving force	1,147	4,689	(3,542)
Commissions and ancillary charges	2,450	1,622	828
Entertainment expenses	244	221	23
Consortium cost share	0	(13)	13
Total	**116,186**	**130,289**	**(14,103)**

The item Services decreased by 10.8% compared to the previous year, down by Euro 14.1 million.

Use of third-party assets:

This item amounted to Euro 20.9 million in 2021, a decrease of Euro 4.9 million over the previous year.

The item mainly refers to:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Equipment leases	13,853	16,740	(2,886)
Lease expense	7,141	9,150	(2,009)
Total	**20,994**	**25,890**	**(4,896)**

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 costs:

This item amounted to Euro 13.3 million in 2021, a decrease of Euro 1.3 million over 2020. Its composition is as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Indirect duties and fees	2,851	2,530	321
Prior year expense	3,289	3,984	(695)
Other sundry expenses	4,710	2,970	1,740
Ordinary losses on the sale of assets	2,506	2,521	(15)
Total	**13,356**	**12,005**	**1,351**

The item Other sundry expenses was mainly attributable to the Parent for approximately Euro 3 million. This item is attributable to the compensation granted to Davide and Gianluigi Trevisani, former Directors of the Parent, under the agreements reached with the former ultimate parent THSE. The compensation was paid when the conditions precedent were met in the fourth quarter of 2021.

(28) Provisions and impairment losses

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Provisions for risks	12,093	5,672	6,422

Accruals to loss allowances	1,812	834	977
Net (reversals of) impairment losses on assets	273	(2,891)	3,164
Total	**14,178**	**3,614**	**10,564**

Provisions for risks:
This item amounted to Euro 12.1 million and mainly refers to the amount related to a provision for risks of approximately Euro 8,839 thousand due to the risk that the Parent will be asked to settle a liability from the enforcement of guarantees, and the remaining part to accruals to provisions for bonuses to employees and contractual risks.

Accruals to loss allowances:
The amount of Euro 1.8 million refers almost exclusively to the loss allowances for trade receivables of the individual subsidiaries, mostly belonging to the Trevi Division.

Net (reversals of) impairment losses on assets:
Net impairment losses on assets amounted to Euro 0.3 million.

(29) Financial income

Financial income amounted to Euro 3.4 million in 2021, down by Euro 289.9 million compared to the previous year.
This item is broken down as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Bank interest income	226	156	70
Interest income on trade receivables	1,402	537	865
Financial income from amortised cost measurement	0	44,313	(44,313)
Financial income from financial manoeuvre	0	247,632	(247,632)
Other financial income	1,801	664	1,137
Total	**3,429**	**293,301**	**(289,873)**

There was a significant decrease in financial income compared to 2020 concerning the following items:

- Financial income from amortised cost measurement, which includes the adjustment of non-current financial liabilities, following the rescheduling of liabilities at 31 December 2024, which took place when the Restructuring Agreement became effective;
- Financial income from financial manoeuvre, which mainly includes the

financial income from the conversion of part of the bank loans into capital by the 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.

The item Other financial income includes financial income deriving from the fair value measurement of the Warrant.

(30) Financial expense

Financial expense amounted to Euro 22.8 million in 2021, down by Euro 11.1 million compared to the previous year.

This item is broken down as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Interest expense on bank borrowings	6,326	16,505	(10,179)
Financial expense from fair value and amortised cost recognition	9,496	6,330	3,166
Bank fees and commissions	2,940	2,227	713
Interest expense on loans	11	39	(28)
Interest expense on right-of-use assets	882	1,233	(351)
Expense deriving from the recognition of Warrants	0	5,229	(5,229)
Other financial expense	3,155	2,396	759
Total	**22,811**	**33,960**	**(11,149)**

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 Parent and the heads of the divisions.

The item Financial expense from fair value and amortised cost recognition refers to 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.

(31) Exchange gains/(losses)

In 2021, net exchange losses amounted to Euro 8.3 million, mainly due to the fluctuation between the Euro and US Dollar and between the Euro and the currencies of the countries in the Middle East and Africa.

The composition of this item is shown below:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Realised exchange gains	5,373	7,673	(2,301)

Realised exchange losses	(5,658)	(9,339)	3,681
Net realised exchange losses	**(285)**	**(1,666)**	**1,381**
Unrealised exchange gains	16,744	19,164	(2,421)
Unrealised exchange losses	(24,740)	(14,658)	(10,082)
Net unrealised exchange gains/(losses)	**(7,996)**	**4,506**	**(12,502)**
Net Exchange Gains/(Losses)	**(8,282)**	**2,840**	**(11,121)**

(32) Income taxes

Net taxes for the year increased by roughly Euro 2.9 million in 2021 compared with the previous year and are broken down as follows:

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Current taxes:			
- Regional Business Tax (IRAP)	0	1,664	(1,664)
- Income taxes	12,900	6,968	5,932
Deferred tax expense	6,365	1,094	5,271
Deferred tax income	(1,725)	2,739	(4,464)
Total Income Taxes	**17,541**	**12,465**	**5,075**

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.

(in thousands of Euro)

Description	31/12/2021	31/12/2020	Change
Profit/(Loss) for the year before taxes and non-controlling interests	**(33,755)**	**249,200**	**(282,955)**
IRES - Italian companies	0	0	0
Deferred taxes of Italian companies and consolidation entries	(247)	4,152	(4,398)
Current and deferred total income taxes on foreign companies	14,662	4,857	9,804
Regional Business Tax (IRAP)	477	1,664	(1,187)
Taxes paid abroad	4,056	1,721	2,335
IRES tax differences from previous years	(1,408)	72	(1,479)
Income taxes shown in the statement of profit or loss	**17,540**	**12,465**	**5,074**
Tax rate	**n.a.**	**5%**	

(33) Earnings/(losses) per share

The calculation of basic and diluted earnings/(losses) per share was as follows:

Description	31/12/2021 Profit/(loss) from continuing operations	31/12/2021 Profit/(loss) from assets held for sale	31/12/2020 Profit/(loss) from continuing operations	31/12/2020 Profit/(loss) from assets held for sale
Profit/(loss) for the year (thousands of Euro)	(52,977)	0	254,308	(12,840)

Weighted average number of ordinary shares for the determination of basic earnings per share	150,855,693	150,855,693	88,624,205	88,624,205
Basic earnings/(losses) per share: (A*1000) / B	(0.35)	0.00	2.87	(0.14)
Profit/(loss) adjusted for the dilution analysis (thousands of Euro)	(52,977)	0	254,308	(12,840)
Weighted average number of ordinary shares for calculating basic earnings per share (B)	168,176,323	168,176,323	99,414,606	99,414,606
Diluted earnings/(losses) per share: (D*1000) / E	(0.32)	0.000	2.56	(0.13)

RELATED PARTY TRANSACTIONS

Directors' remuneration

For the year 2021, the amount of remuneration due to the Directors of the Parent for the performance of these duties also in other companies included in the scope of consolidation is provided below:

(in thousands of Euro)

Name	Company	Office	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		531.2
	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	40		150
	Trevi S.p.A.	Non-executive Board Director		0	
	Soilmec S.p.A.	Non-executive Board Director		0	
Luca Caviglia- until 2 March 2021	Trevi - Fin. Ind. S.p.A.	Non-executive Board director	6.7		
	Trevi - Fin. Ind. S.p.A.	Member of Control, Risks and Sustainability Committee	3.7		
	Soilmec S.p.A.	Non-executive Board Director		2.1	
Tommaso Sabato – as of 2 March 2021	Trevi - Fin. Ind. S.p.A.	Non-executive Board director	33.3		
	Trevi - Fin. Ind. S.p.A.	Member of Control, Risks and Sustainability Committee	18.6		
	Soilmec S.p.A.	Non-executive Board Director		10.4	
Marta Dassù	Trevi - Fin. Ind. S.p.A.	Non-executive and independent Board Director	40		
	Trevi - Fin. Ind. S.p.A.	Chairperson of Related Party Committee	14.4		
Cristina Finocchi Mahne	Trevi - Fin. Ind. S.p.A.	Non-executive and independent Board Director	40		
	Trevi - Fin. Ind. S.p.A.	Member of Appointments and Remuneration Committee	13.3		
	Trevi - Fin. Ind. S.p.A.	Member of Control, Risks and Sustainability Committee	22.3		
Elisabetta Oliveri	Trevi - Fin. Ind. S.p.A.	Non-executive and independent Board Director	40		
	Trevi - Fin. Ind. S.p.A.	Chairperson of Appointments and Remuneration Committee	19		
	Trevi - Fin. Ind. S.p.A.	Member of Related Party Committee	11.3		
Alessandro Piccioni	Trevi - Fin. Ind. S.p.A.	Non-executive and independent Board Director	40		
	Trevi - Fin. Ind. S.p.A.	Member of Appointments and Remuneration Committee	13.3		
	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		

	Trevi - Fin. Ind. S.p.A.	Chairperson of Control, Risks and Sustainability Committee	28.3	
	Trevi - Fin. Ind. S.p.A.	Member of Related Party Committee	11.3	
Cinzia Farisè	Trevi - Fin. Ind. S.p.A.	Non-executive and independent Board Director	40	0

(34) 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 2021 and 31 December 2020 are shown below:

(In thousands of Euro)

Financial assets	31/12/2021	31/12/2020	Change
Porto Messina S.c.a.r.l.	716	721	(5)
Pescara Park S.r.l.	602	576	26
Total	**1,319**	**1,297**	**21**

The most significant amounts of current trade receivables at 31 December 2021 and 31 December 2020 included under the item Trade receivables and other current assets are shown below:

(In thousands of Euro)

Trade receivables and other current assets	31/12/2021	31/12/2020	Change
Parcheggi S.p.A.	(0)	86	(86)
Roma Park S.r.l.	0	0	0
IFIT Srl	0	1	(1)
Sofitre S.r.l.	2	620	(618)
Other	0	0	0
Sub-total	**2**	**708**	**(705)**
Porto Messina S.C.A.R.L.	810	810	0
Nuova Darsena S.C.A.R.L.	1,651	1,658	(7)
Trevi SGF INC S.C.A.R.L.	1,861	1,861	0
Treviicos-Nicholson JV (USA)	0	1,434	(1,434)
SEP SEFI (France)	2,552	4,161	(1,609)
Gemac S.r.l.	3	1	2
Filippella S.C.A.R.L.	47	47	(0)
Other	157	208	(51)
Sub-total	**7,081**	**10,180**	**(3,099)**
Total	**7,084**	**10,888**	**(3,804)**
% of total consolidated trade receivables	2.8%	5.1%	

Group revenue generated with these companies are shown in the following table:

(In thousands of Euro)

Revenue from sales and services	31/12/2021	31/12/2020	Change
Roma Park S.r.l.	0	0	0
Parcheggi S.p.A.*	120	159	(39)
Sofitre S.r.l.	0	0	0
Sub-total	**120**	**159**	**(39)**
Nuova Darsena	3	0	3
Sep Trevi Sefi	0	537	(537)
Treviicos-Nicholson JV (USA)	2,250	4,177	(1,927)
Other	410	385	25
Sub-total	**2,664**	**5,099**	**(2,435)**

Total	**2,783**	**5,258**	**(2,475)**
% of total revenue	0.6%	1%	

(*) Parcheggi S.p.A. was acquired on 21 December 2021 and was included in the scope of consolidation at the end of the year, therefore the revenue and cost transactions up to that date are considered to be with related parties.

(In thousands of Euro)

Financial income	**31/12/2021**	**31/12/2020**	**Change**
Hercule Foundation AB	0	0	0
Other	18	0	18
Total	**18**	**0**	**18**

The most significant amounts due to related companies at 31 December 2021 and 31 December 2020 included under the item Trade payables and other current liabilities are shown below:

(In thousands of Euro)

Trade payables and other current liabilities	**31/12/2021**	**31/12/2020**	**Change**
IFC Ltd	173	156	17
Sofitre S.r.l.	340	0	340
Sub-total	**512**	**156**	**357**
Filippella S.C.A.R.L.	3	6	(3)
Trevi Adanti	0	0	0
Nuova Darsena	120	147	(26)
Porto Messina S.c.a.r.l.	234	236	(2)
Trevi SGF INC S.C.A.R.L.	90	44	45
SEP SEFI (France)	0	0	0
Other	155	290	(135)
Sub-total	**602**	**723**	**(120)**
Total	**1,115**	**878**	**237**
% of consolidated trade payables	1.0%	1.0%	

Expenses incurred by the Group with these companies were as follows:

(In thousands of Euro)

Consumption of raw materials and external services	**31/12/2021**	**31/12/2020**	**Change**
Sofitre S.r.l.	0	0	0
Parcheggi S.p.a.	0	0	0
Sub-total	**0**	**0**	**0**
Porto Messina S.c.a.r.l.	7	(167)	174
Trevi SGF INC S.C.A.R.L.	0	2	(2)
Filippella S.c.a.r.l.	3	4	(1)
Nuova Darsena S.c.a.r.l.	120	147	(27)
Treviicos-Nicholson JV (USA)	52	0	52
SEP SEFI (France)	0	0	0
Gemac S.r.l.	0	0	0
Other	9	1	8
Sub-total	**191**	**(13)**	**204**
Total	**191**	**(13)**	**204**
% of consolidated consumption of raw materials and external services	0.0%	0.0%	

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 2021 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 as at and for the year ended 31 December 2021 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)

Description		31/12/2021	31/12/2020	Change
A)	**Non-current assets**	**119,865**	**134,153**	**(14,288)**
B)	**Net working capital**			
	- Inventories	63,958	53,909	10,050
	- Trade receivables	173,505	157,730	15,775
	- Trade payables (-)	(104,112)	(107,656)	3,544
	- Payments on account (-)	(26,708)	(13,880)	(12,829)
	- Other liabilities	(29,017)	(17,644)	(11,373)
		77,626	**72,458**	**5,167**
C)	**Assets held for sale and liabilities associated with assets held for sale**			
D)	**Invested capital less liabilities (A + B)**	**197,491**	**206,612**	**(9,120)**
E)	**Post-employment benefits (-)**	**(7,801)**	**(7,958)**	**157**
F)	**NET INVESTED CAPITAL (C+D)**	**189,690**	**198,653**	**(8,963)**

TREVI DIVISION
Statement of Profit or Loss summary

(In thousands of Euro)

Description	31/12/2021	31/12/2020	Change
TOTAL REVENUE	**358,778**	**377,627**	**(18,849)**
Change in inventories of work in progress, semi-finished products and finished goods	(0)	(0)	0
Internal work capitalised	1,209	640	569
Other operating revenue			0
PRODUCTION REVENUE	**359,987**	**378,267**	**(18,280)**
Consumption of raw materials and external services	(212,013)	(225,185)	13,172
Other operating costs	(7,971)	(9,137)	1,167
VALUE ADDED	**140,003**	**143,944**	**(3,941)**
% of Total Revenue	39.02%	38.12%	
Personnel expense	(93,386)	(102,871)	9,485
GROSS OPERATING PROFIT	**46,617**	**41,073**	**5,544**
% of Total Revenue	12.99%	10.88%	
Depreciation and amortisation	(26,729)	(32,694)	5,965
Provisions and impairment losses	(1,963)	(6,388)	4,425
OPERATING PROFIT	**17,925**	**1,991**	**15,934**
% of Total Revenue	5.00%	0.53%	

SOILMEC DIVISION
Statement of Financial Position summary

(In thousands of Euro)

Description		31/12/2021	31/12/2020	Change
A)	**Non-current assets**	**49,355**	**51,667**	**(2,312)**
B)	**Net working capital**			
	- Inventories	77,487	86,872	(9,385)
	- Trade receivables	64,493	64,191	302
	- Trade payables (-)	(53,625)	(53,374)	(251)
	- Payments on account (-)	(4,765)	(2,786)	(1,980)
	- Other assets/(liabilities)	(2,639)	1,702	(4,342)
		80,951	**96,605**	**(15,655)**
C)	**Assets held for sale and liabilities associated with assets held for sale**			
D)	**Invested capital less liabilities (A + B)**	**130,306**	**148,272**	**(17,966)**
E)	**Post-employment benefits (-)**	**(2,538)**	**(2,855)**	**317**
F)	**NET INVESTED CAPITAL (C+D)**	**127,768**	**145,418**	**(17,650)**

SOILMEC DIVISION
Statement of Profit or Loss summary

(In thousands of Euro)

Description	31/12/2021	31/12/2020	Change
TOTAL REVENUE	**141,050**	**118,458**	**22,592**
Change in inventories of work in progress, semi-finished products and finished goods	(6,887)	5,751	(12,637)
Internal work capitalised	11,612	11,365	247
Other operating revenue			0
PRODUCTION REVENUE	**145,775**	**135,574**	**10,201**
Consumption of raw materials and external services	(109,407)	(98,965)	(10,442)
Other operating costs	(2,010)	(1,572)	(438)
VALUE ADDED	**34,358**	**35,037**	**(679)**
% of Total Revenue	24.36%	29.58%	
Personnel expense	(28,469)	(30,125)	1,656
GROSS OPERATING PROFIT	**5,889**	**4,912**	**977**
% of Total Revenue	4.17%	4.15%	
Depreciation and amortisation	(6,014)	(6,951)	937
Provisions and impairment losses	(2,025)	4,149	(6,174)
OPERATING PROFIT/(LOSS)	**(2,150)**	**2,110**	**(4,260)**
% of Total Revenue	-1.52%	1.78%	

RECONCILIATION STATEMENT AT 31 December 2021

Statement of Financial Position summary

(In thousands of Euro)

	Description	Trevi Division	Soilmec Division	Trevi Finanziaria	Adjustments	Trevi Group
A)	**Non-current assets**	**119,865**	**49,355**	**220,865**	**(200,295)**	**189,790**
B)	**Net working capital**					
	- Inventories	63,958	77,487	0	(1,571)	139,875
	- Trade receivables	173,505	64,493	40,928	(56,858)	222,068
	- Trade payables (-)	(104,112)	(53,625)	(15,857)	57,938	(115,655)
	- Payments on account (-)	(26,708)	(4,765)	(1,047)	1,082	(31,439)
	- Other assets/(liabilities)	(29,017)	(2,639)	(23,824)	3,680	(51,800)
		77,626	**80,951**	**201**	**4,271**	**163,049**
C)	**Assets held for sale and liabilities associated with assets held for sale**					
D)	**Invested capital less liabilities (A + B)**	**197,491**	**130,306**	**221,066**	**(196,024)**	**352,839**
E)	**Post-employment benefits (-)**	**(7,801)**	**(2,538)**	**(636)**	**(134)**	**(11,109)**
F)	**NET INVESTED CAPITAL (C+D)**	**189,690**	**127,768**	**220,430**	**(196,158)**	**341,730**

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.

RECONCILIATION STATEMENT AT 31 December 2021

Statement of Profit or Loss summary

(In thousands of Euro)

Description	Trevi Division	Soilmec Division	Trevi Finanziaria	Adjustments	Trevi Group
TOTAL REVENUE	**358,778**	**141,050**	**12,624**	**(17,836)**	**494,616**
Change in inventories of work in progress, semi-finished products and finished goods	(0)	(6,887)	0	362	(6,525)
Internal work capitalised	1,209	11,612	0	30	12,850
Other operating revenue	0	0	0	0	0
PRODUCTION REVENUE	**359,987**	**145,775**	**12,624**	**(17,445)**	**500,941**
Consumption of raw materials and external services	(212,013)	(109,407)	(11,153)	15,290	(317,283)
Other operating costs	(7,971)	(2,010)	(3,351)	(24)	(13,355)
VALUE ADDED	**140,003**	**34,358**	**(1,880)**	**(2,179)**	**170,303**
% of Total Revenue	39.02%	24.36%	-14.89%		34.43%
Personnel expense	(93,386)	(28,469)	(6,197)	234	(127,818)
GROSS OPERATING PROFIT/(LOSS)	**46,617**	**5,889**	**(8,077)**	**(1,945)**	**42,484**
% of Total Revenue	12.99%	4.17%	-63.98%		8.59%
Depreciation and amortisation	(26,729)	(6,014)	(2,430)	1,237	(33,937)
Provisions and impairment losses	(1,963)	(2,025)	(9,211)	(979)	(14,178)
OPERATING PROFIT/(LOSS)	**17,925**	**(2,150)**	**(19,718)**	**(1,687)**	**(5,631)**
% of Total Revenue	5.00%	-1.52%	-156.20%		-1.14%

Significant events after the reporting period

During the first three months of the year, the Group acquired orders for approximately Euro 237 million, compared to Euro 110.7 million acquired in the same period of 2021. The Trevi Division, in particular, acquired orders for Euro 180.4 million (Euro 74.7 million in the same period of 2021), while the Soilmec Division acquired orders for Euro 61.1 million (Euro 37.7 million in the first quarter of 2021). The Group's order backlog at 31 March 2022 amounted to Euro 585 million, a significant increase compared to Euro 329 million at 31 March 2021 (Euro 317 million at 31 December 2020 and Euro 455 million at 31 December 2021).

The Trevi Group's performance trend in the first few months of the year in terms of order intake, production revenue and *backlog* was substantially in line with the forecasts for the first year of the New Consolidated Plan, which was updated considering the period 2022-2026 as the timeframe, as well as with the incorporation of the accounting figures at 31 December 2021 and certain prudential elements in the plan years.

The Group's net financial debt at 31 March 2022 was approximately Euro 266 million, an increase compared to Euro 251.8 million recognised at the end of 2021 due both to the seasonality of the Group's performance and to certain delays in the granting of guarantees by banks, which led to delays in collections from customers.

During the first quarter, discussions continued with the Lending Banks that are parties to the Restructuring Agreement that began in February 2021 following the failure, due to the impact of Covid-19, to meet the financial covenants at 31 December 2020 established in the Restructuring Agreement. Following the presentation to the Lending Banks, on 22 December 2021, of the guidelines of a possible New Financial Manoeuvre and the simultaneous request to extend to 30 April 2022 the duration of the Standstill Agreement, said Agreement expired on 31 December 2021 and was not formally renewed. However, the parties have continued the relevant negotiations in relation to the New Financial Manoeuvre, and are operating under a "*de facto*" standstill regime, as evidenced by the fact that the Lending Banks not only have not exercised (nor expressed their intention to exercise) the remedies provided for in the Restructuring Agreement to date, but in addition to pursuing the aforementioned negotiations on the new manoeuvre hypothesis, they continued to support the Group by not reducing the utilisation of the self-liquidating lines and by allowing the issuance of certain guarantees identified as urgent by the Parent in the context of the projects to which the Group companies are party, and by continuing to make cash lines of credit available.

The above-mentioned discussions are aimed at defining the New Financial Manoeuvre with the Lending Banks, as well as finalising the New Agreement that will implement its contents. In addition, on 26 April 2022, the Parent's Board of Directors approved an updated version of the guidelines of the New Financial Manoeuvre, which differs from the one presented last December mainly in the following aspects: (**i**) the reduction of the amount of bank debt subject to conversion from Euro 60 million to a minimum of Euro 20 million; and (**ii**) the subordination and deferment of a portion of the bank debt up to a maximum of Euro 40 million, leaving the Lending Banks the choice between conversion and subordination of the related loans.

After having installed the new SAP information system at Trevi Finanziaria Industriale S.p.A., Trevi S.p.A. and Soilmec S.p.A., in the first quarter of the year work continued to extend the new information system to 7 other companies and permanent establishments abroad.

Furthermore, on 11 January 2022, the Trevi Group suffered a cyberattack that affected the data centres in Cesena (FC) and Asolo (TV), causing temporary inaccessibility to operational IT functions.

The functionality of the entire IT infrastructure was promptly restored and, in less than twenty-four hours, the main IT services were available again.

To date, there has been no loss of data and/or information and there are no consequences for the activities of the Group companies.

The prompt and effective response with which the Group managed the incident was made possible through the adoption of a specific Disaster Recovery and Business Continuity Plan and infrastructures with Hybrid Cloud technologies, which made it possible to safeguard services and backups.

Significant non-recurring events and transactions

There were no significant non-recurring events and transactions.

Positions or transactions deriving from atypical and/or unusual operations

The Trevi Group did not record positions or transactions deriving from atypical and/or unusual operations.

Statutory auditors' remuneration

For the year 2021, 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	Office	Term of office (in months)	Remuneration from the Parent	Other remuneration	Total
M. Vicini	PCS	12	50	0	50
R. Ferrara	S	12	40	0	40
M. Pierini	S	12	40	0	40
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	Overall
Trevi Finanziaria Industriale S.p.A.				
KPMG S.p.A.	230,289	35,939	0	266,228
KPMG network	0	0	0	0
	230,289	**35,939**	**0**	**266,228**
Subsidiaries				
KPMG S.p.A.	69,200	8,000	0	77,200
KPMG network	123,203	0	0	123,203
	192,403	**8,000**	**0**	**200,403**
Total	**422,692**	**43,939**	**0**	**466,631**

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 Parent and the Group's net financial position, with separate disclosure of the short-term position and the medium/long-term position;
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 Parent and the Group's main variations in the transactions with related parties compared to the last approved annual or interim financial report pursuant to Art.154-*ter* of the Consolidated Finance Act;

Concerning the situation at 31 December 2021, 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/en/press_releases.

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 2021 on a line-by-line basis.

1a Companies consolidated in the Consolidated Financial Statements at 31 December 2021 using the equity method.

1b Companies and consortia consolidated in the Consolidated Financial Statements at 31 December 2021 with the cost method.

2 Organisational chart of the Group

Annex 1
COMPANIES CONSOLIDATED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2021 ON A LINE-BY-LINE BASIS

COMPANY NAME	COUNTRY	CURRENCY	SHARE/QUOTA CAPITAL	% HELD BY THE GROUP
TREVI – Finanziaria Industriale S.p.A.	Italy	Euro	97,373,554	Parent
6V Srl	Italy	Euro	154,700	50.89%
Arabian Soil Contractors Ltd	Saudi Arabia	Saudi Riyal	1,000,000	99.78%
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 Fzc	United Arab Emirates	United Arab Emirates Dirham	6,000,000	94.82%
Parcheggi S.p.A.	Italy	Euro	307,536	60.00%
Pilotes Trevi Sacims	Argentina	Argentine Peso	328,251,067	99.76%
Pilotes Trevi Sacims - Paraguay	Paraguay	Guarani		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 Singapore Pte Ltd	Singapore	Singapore Dollar	100,109	99.92%
Soilmec S.p.A.	Italy	Euro	25,155,000	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%
Swissboring Overseas Piling Corporation	Switzerland	Swiss Franc	100,000	99.78%
Swissboring Qatar WLL	Qatar	Qatari Riyal	250,000	99.78%
Trevi Algerie EURL	Algeria	Algerian Dinar	53,000,000	99.78%
Trevi Arabco JV	Egypt	US Dollar		99.78%
Trevi Australia Pty Ltd	Australia	Australian Dollar	10	99.78%
Trevi Chile S.p.A.	Chile	Chilean Peso	10,510,930	99.76%
Trevi Cimentaciones CA	Venezuela	Euro	46,008,719	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	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	500,000,000	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	1	99.78%
Trevi Insaat Ve Muhendislik AS	Turkey	Turkish Lira	9,660,600	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%
Trevi-Trevi Fin.-Sembenelli UTE (Bordeseco)	Venezuela	US Dollar		94.89%
Wagner Constructions LLC	U.S.A.	US Dollar	5,200,000	99.78%

(*) 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 70% 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.

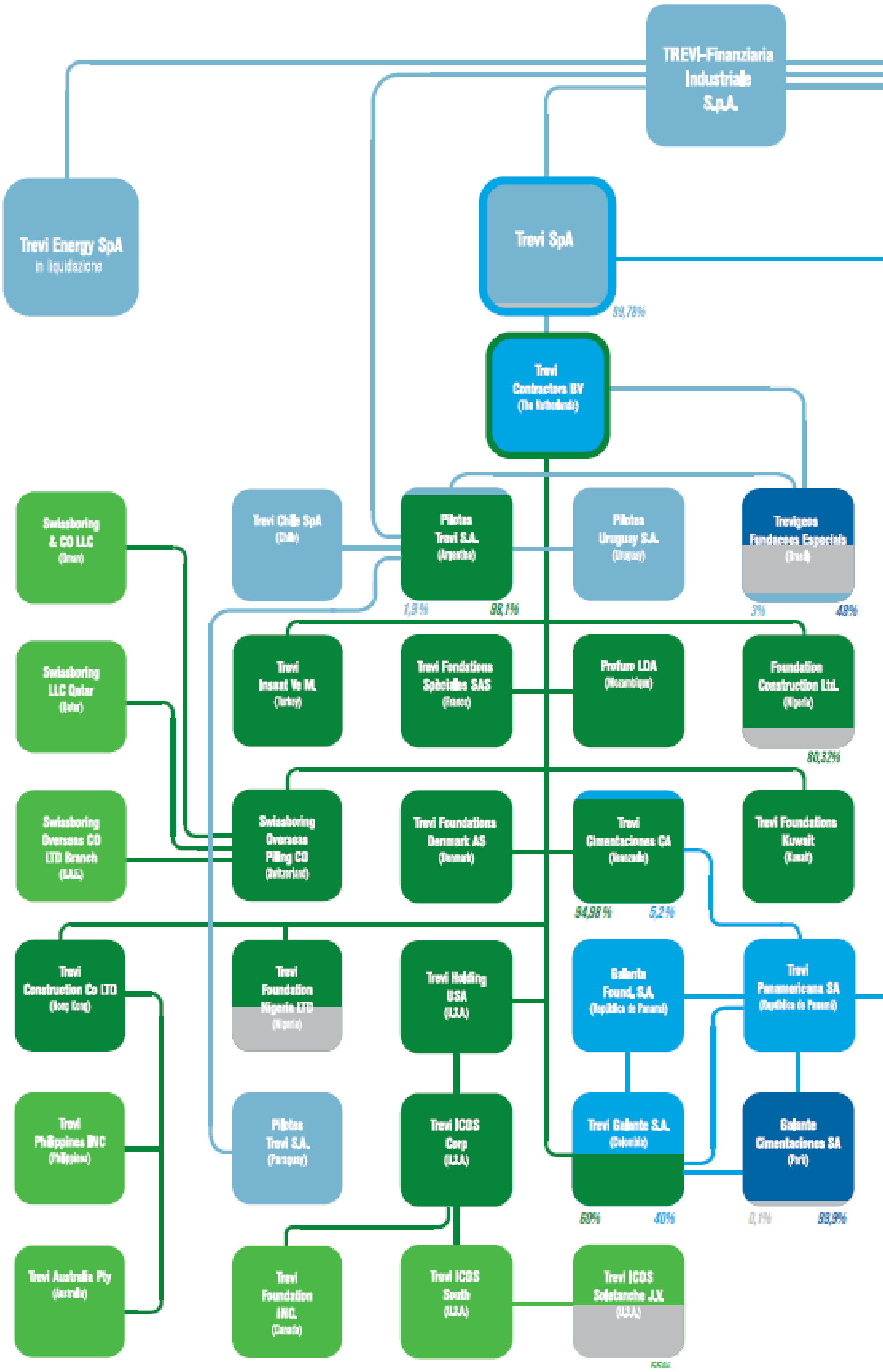
Annex 1a
COMPANIES CONSOLIDATED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2021 USING THE EQUITY METHOD.

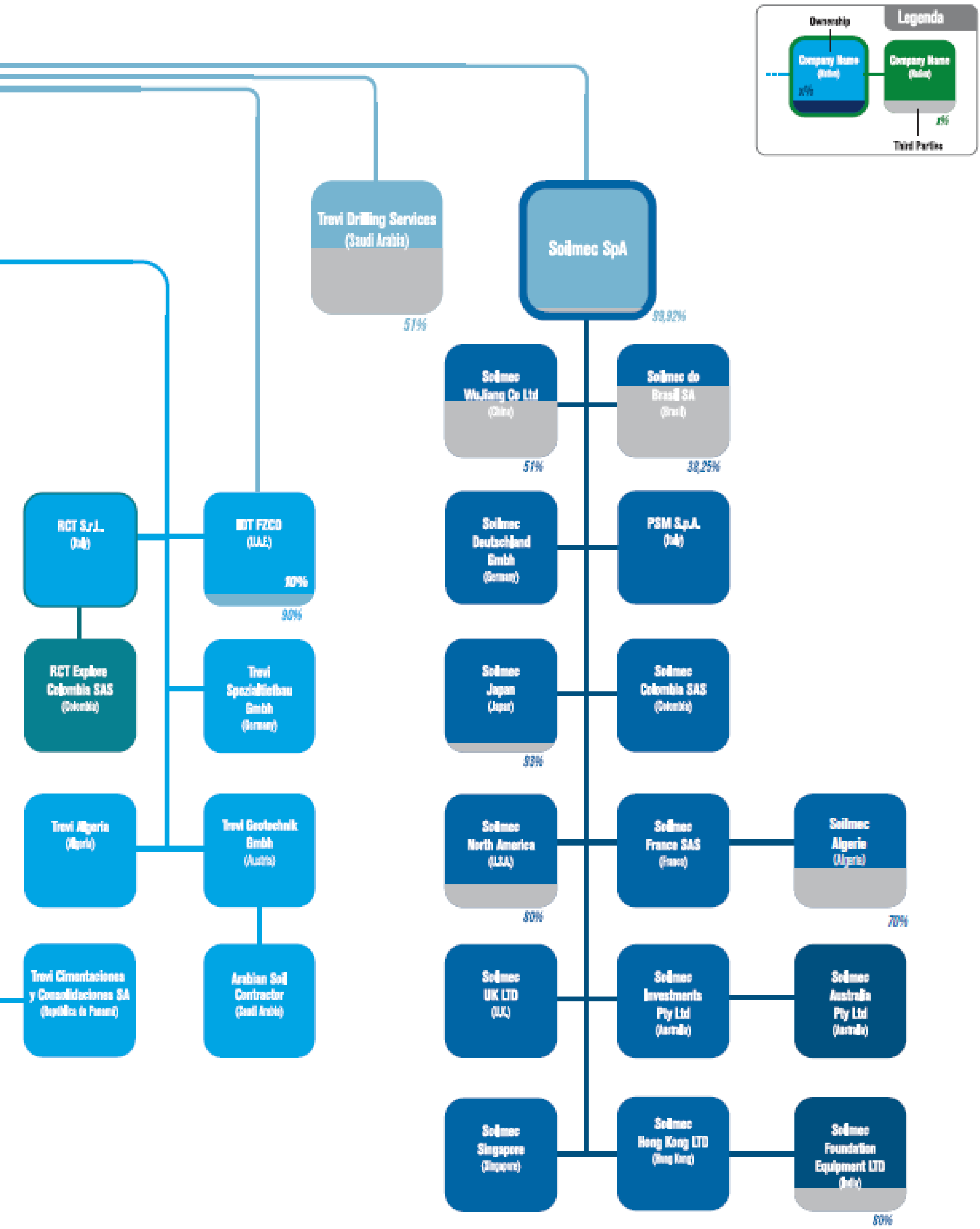
COMPANY NAME	COUNTRY	CURRENCY	SHARE/QUOTA CAPITAL	% HELD BY THE GROUP	CARRYING AMOUNT (Euro/000)
J.V. Rodio-Trevi-Arab Contractor	Egypt	US Dollar	100,000	17.46%	0
Trevi Icos-Nicholson JV	United States	US Dollar		49.50%	80
TOTAL					**80**

Annex 1b
COMPANIES AND CONSORTIA CONSOLIDATED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2021 WITH THE COST METHOD.

COMPANY NAME	COUNTRY	CURRENCY	SHARE/ QUOTA CAPITAL	% HELD BY THE GROUP	CARRYING AMOUNT (Euro/000)
CONSORTIUM COMPANIES AND CONSORTIA					
Consorzio Romagna Iniziative	Italy	Euro	41,317	12.00%	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	100.00%	8
Porto di Messina S.c.a.r.l.	Italy	Euro	10,200	100.00%	0
Consorzio Water Alliance	Italy	Euro	60,000	100.00%	0
Compagnia del Sacro Cuore S.r.l.	Italy	Euro			0
Centuria S.c.a.r.l.	Italy	Euro	308,000	1.58%	5
Soilmec Arabia	Saudi Arabia	Saudi Riyal		24.25%	1
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%	0
Italthai Trevi	Thailand	Baht	80,000,000	2.19%	134
Hercules Trevi Foundation A.B.	Sweden	Crown	100,000	49.50%	103
Japan Foundations	Japan	Japanese Yen	5,907,978,000	0.00%	128
Bologna Park S.r.l.	Italy	Euro	50,000	56.13%	0
Pescara Park S.r.l.	Italy	Euro	10,000	34.92%	0
I.F.C	Hong Kong	US Dollar	18,933	0.10%	0
OOO Trevi Story	Russia	Russian Ruble	5,000,000	100.00%	0
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		50.00%	0
TOTAL					**567**

Annex 2
ORGANISATIONAL CHART OF THE GROUP




Legenda
Ownership
Company Name
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%
RCT S.r.l.
(Italy)
IDT FZCO
(U.A.E.)
10%
90%
Soilmec
Deutschland
Gmbh
(Germany)
PSM S.p.A.
(Italy)
RCT Explore
Colombia SAS
(Colombia)
Trevi
Spezialtiefbau
Gmbh
(Germany)
Soilmec
Japan
(Japan)
93%
Soilmec
Colombia SAS
(Colombia)
Trevi Algeria
(Algeria)
Trevi Geotechnik
Gmbh
(Austria)
Soilmec
North America
(U.S.A.)
80%
Soilmec
France SAS
(France)
Soilmec
Algerie
(Algerie)
70%
Trevi Cimentaciones
y Consolidaciones SA
(República de Panamá)
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-*bis* of Italian Legislative Decree No. 58/98

1. The undersigned Giuseppe Caselli, Chief Executive Officer, and Massimo Sala, Director of Administration, Finance and Control as Manager in charge of financial reporting of the Trevi Group, hereby state, also taking into account the provisions of Art. 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 OF 24 February 1998:

- 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 2021 financial year.

2. It is also stated that:

2.1 The Consolidated Financial Statements at and for the year ended 31 December 2021:

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 scope of 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, 29 June 2022

[signed on the original]	[signed on the original]
- - - - - - - - - - - - - - -	- - - - - - - - - - - - - -
Giuseppe Caselli	Massimo Sala
Chief Executive Officer	*Manager in charge of financial reporting*

KPMG S.p.A.
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PEC kpmgspa@pec.kpmg.it

(The accompanying translated consolidated financial statements of the Trevi Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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 2021, the statements of profit or loss, comprehensive income, cash flows and changes in equity 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 2021 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.

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Material uncertainty about going concern

We draw attention to that disclosed by the directors in the “Main risks and uncertainties to which the Trevi Group is exposed and assessment of the going concern” section of the notes to the consolidated financial statements about events and circumstances that indicate that there is a material uncertainty which would cast significant doubts about the parent’s and group’s ability to continue as a going concern.

Obtaining sufficient audit evidence supporting the parent’s directors’ use of the going concern basis of accounting was a key audit matter.

Our audit procedures included:

- analysing the process applied by the directors to assess the parent’s and group’s ability to continue as a going concern;
- understanding and assessing the reasonableness of the main assumptions underlying the business plan updated to cover the 2022-2026 period (the “new consolidated plan”);
- comparing the above main assumptions to the parent’s and group’s historical data and external information, where available;
- checking the directors’ assessments of the new consolidated plan’s adequacy to enable the parent’s and the group’s financial rebalancing;
- obtaining and understanding the directors’ analyses of the estimated impact of the current international geopolitical tensions and the evolution of the public health emergency on the new consolidated plan and, therefore, on the going concern assumption;
- analysing the guidelines of the financial manoeuvre sent to the banks on 9 June 2022 (the “new financial manoeuvre”) and their consistency with the new consolidated plan;
- analysing the correspondence with the lending banks about the agreement on the new financial manoeuvre;
- 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.

In addition to that described in the "Material uncertainty about going concern" section, we have identified the following key audit matters to report herein:

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 2021"

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. The directors determined the recoverable amount 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 new consolidated plan. 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. Impairment testing requires a high level of judgement, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector and the actual cash flows generated by the CGUs in recent years; — the financial parameters to be used to discount the above cash flows. For the above reasons, we believe that the recoverability of the net assets allocated to the CGUs mentioned above is a key audit matter.	Our audit procedures, which also involved our own specialists, included: — understanding the process adopted to prepare the impairment test; — understanding the process adopted to prepare the new consolidated plan which includes the expected cash flows used for impairment testing; — analysing the reasonableness of the assumptions used by the directors to prepare the new consolidated plan; — comparing the cash flows used for impairment testing to the cash flows forecast in the new consolidated plan; — assessing the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — checking any discrepancies between the most recent actual figures and the new consolidated plan forecasts and understanding the underlying reasons; — checking the accuracy of the CGUs' scope; — assessing the appropriateness of the disclosures provided in the notes about net assets and the related impairment test.

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.

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The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 15 May 2017, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

KPMG

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 2021 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 2021 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 2021 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, 20 July 2022

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

SEPARATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

STATEMENT OF FINANCIAL POSITION

amounts expressed in Euros

ASSETS	*Notes*	31/12/2021	31/12/2020
Non-current assets			
Property, plant and equipment			
Land and buildings		6,392,853	6,496,405
Plant, machinery and industrial and commercial equipment		13,320,574	15,540,247
Other assets		507,750	62,527
Total property, plant and equipment	**(1)**	**20,221,176**	**22,099,179**
Intangible assets			
Concessions, licences and trademarks		45,830	72,400
Assets under development and payments on account		7,432,440	3,391,625
Total intangible assets	**(2)**	**7,478,271**	**3,464,025**
Equity investments in other companies	**(3)**	175,594	175,594
Equity investments in subsidiaries	**(3)**	192,989,567	193,588,542
Deferred tax assets	**(4)**	-	-
Other non-current financial assets		27,570	21,959
Other non-current financial assets from subsidiaries and other companies	**(5)**	9,850,455	10,000,000
- of which from related parties		-	-
Trade receivables and other non-current assets			
Total Financial Assets		**203,043,185**	**203,786,095**
Total non-current assets		**230,742,632**	**229,349,299**
Current assets			
Trade receivables and other current assets	**(6)**	4,788,830	7,325,211
- of which from related parties		-	*49,975*
Trade receivables and other current assets from subsidiaries	**(7)**	49,877,510	54,145,863
- of which from related parties		*49,877,510*	*54,145,863*
Current tax assets	**(8)**	265,235	1,498,779
Current financial assets	**(9)**	57,785,660	57,620,969
Cash and cash equivalents	**(10)**	1,551,657	2,813,477
Total current assets		**114,268,892**	**123,404,299**
TOTAL ASSETS		**345,011,524**	**352,753,599**

In the photo on the previous page: Trevi Spa- Metro Rome, C Line - Italy

EQUITY	*Notes*	*31/12/2021*	*31/12/2020*
Share capital and reserves			
Share capital		97,373,554	97,373,554
Other reserves		31,126,859	270,076,969
Losses carried forward including loss for the year		(23,293,569)	(238,918,800)
Total Equity	**(11)**	**105,206,844**	**128,531,723**
LIABILITIES			
Non-current liabilities			
Long-term bank loans and borrowings	**(12)**	4,634,431	4,660,235
Long-term loans and borrowings from other financial backers	**(13)**	61,218,743	63,717,581
Non-current derivatives	**(14)**	-	-
Deferred tax liabilities	**(15)**	649,624	980,710
Post-employment benefits	**(16)**	635,652	695,344
Provisions for risks and charges	**(17)**	14,575,582	10,963,781
Other non-current liabilities	**(17.1)**	6,038,963	5,229,370
Total non-current liabilities		**87,752,995**	**86,247,021**
Current liabilities			
Trade payables and other current liabilities	**(18)**	11,518,310	7,860,993
Trade payables and other current liabilities to subsidiaries	**(19)**	21,607,964	19,083,957
- of which to related parties		*21,607,964*	*19,083,957*
Current tax liabilities	**(20)**	367,808	1,533,664
Short-term bank loans and borrowings	**(21)**	73,040,878	64,513,548
Short-term loans and borrowings from other financial backers	**(22)**	45,516,725	44,982,693
- of which from related parties		*4,242,379*	*3,911,662*
Current derivatives	**(23)**	-	-
Total current liabilities		**152,051,685**	**137,974,855**
TOTAL LIABILITIES		**239,804,680**	**224,221,876**
TOTAL EQUITY AND LIABILITIES		**345,011,524**	**352,753,599**

STATEMENT OF PROFIT OR LOSS
amounts expressed in Euros

	Notes	31/12/2021	31/12/2020
Revenue from sales and services	**(24)**	11,266,767	13,906,209
- of which from related parties		*11,111,831*	*13,256,967*
Other operating revenue	**(25)**	1,357,110	1,694,623
- of which from related parties		*7,434*	*819,635*
Raw materials and consumables	**(26)**	(79,825)	(73,838)
- of which with related parties			-
Personnel expense	**(27)**	(6,196,710)	(5,578,978)
Other operating expenses	**(28)**	(14,424,048)	(11,140,205)
- of which to related parties		*(513,081)*	*(673,868)*
Depreciation and amortisation	**(29)**	(2,430,275)	(2,735,164)
Provisions and impairment losses	**(29.1)**	(9,211,130)	1,793,626
Internal work capitalised		-	1,490,971
Operating loss		**(19,718,111)**	**(642,756)**
Financial income	**(30)**	4,339,499	281,994,460
- of which from related parties		*1,341,877*	*2,439,154*
Financial expense	**(31)**	(13,490,229)	(25,979,932)
Net exchange gains/(losses)	**(32)**	(555,818)	735,451
Net financial income/(expense)		**(9,706,548)**	**256,749,979**
Adjustments to financial assets	**(33)**	**5,421,818**	**(2,538,133)**
- of which with related parties		*5,421,818*	*(2,538,133)*
Profit/(loss) before taxes		**(24,002,841)**	**253,569,091**
Income tax (benefit)/expense	**(34)**	709,272	(4,311,307)
Profit/(loss) from continuing operations	**(34.1)**	**(23,293,569)**	**249,257,784**
Loss from assets held for sale		-	**(3,221,817)**
Profit/(Loss) for the year	**(35)**	**(23,293,569)**	**246,035,967**

STATEMENT OF COMPREHENSIVE INCOME

	31/12/2021	31/12/2020
Profit/(loss) for the year	**(23,293,569)**	**246,035,967**
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)	(31,311)	14,220
Income taxes		
Items that will not be reclassified to profit or loss for the year net of taxes	**(31,311)**	**14,220**
Comprehensive income/(expense) net of taxes	**(23,324,880)**	**246,050,187**

STATEMENT OF CHANGES IN EQUITY

amounts expressed in Euros

DESCRIPTION	Share capital	Other reserves	Losses carried forward	Profit/(Loss) for the year	Total Equity/(Deficit)
Balance at 31/12/19	**82,289,633**	**134,032,585**	**(437,123,296)**	**(47,831,469)**	**(268,632,547)**
Loss allocation			(47,831,469)	47,831,469	-
Distribution of dividends					-
Capital increase	15,083,921	134,701,926			149,785,848
Other changes		1,328,236			1,328,236
Comprehensive income		14,220		246,035,967	246,050,187
Balance at 31/12/20	**97,373,554**	**270,076,968**	**(484,954,765)**	**246,035,967**	**128,531,723**
Profit allocation		(238,918,798)	484,954,765	(246,035,967)	-
Distribution of dividends					-
Capital increase	-				-
Other changes					-
Comprehensive expense		(31,311)		(23,293,569)	(23,324,880)
Balance at 31/12/2021	**97,373,554**	**31,126,859**	**-**	**(23,293,569)**	**105,206,844**

STATEMENT OF CASH FLOWS -

amounts expressed in Euros

	Notes	31/12/2021	31/12/2020
Profit/(loss) for the year	(35)	(23,293,569)	246,035,967
Income tax (benefit)/expense	(34)	(709,272)	4,311,307
Profit/(loss) before taxes		**(24,002,841)**	**250,347,274**
Depreciation and amortisation	(29)	2,430,275	2,735,164
Capital (gains)/losses from disposal of assets	(1) - (2)	(80,826)	582,000
Financial (income)/expense	(30) - (31) - (32)	9,150,730	(256,014,528)
Adjustments to financial assets	(33)	(5,421,818)	2,538,133
Provisions for risks and post-employment benefits	(16)	281,742	278,978
Use of the provisions for risks and post-employment benefits	(16)	(310,122)	(407,463)
Provisions for risks and charges	(22)	9,623,932	(2,375,626)
Use of provisions for risks and charges	(17)	-	-
(A) Cash flows used in operating activities before changes in Working Capital		**(8,328,928)**	**(2,316,070)**
(Increase)/Decrease in trade receivables	(6)	5,325,651	(9,753,476)
Decrease in other assets	(7) - (8) - (4)	2,168,867	5,304,761
Increase/(Decrease) in trade payables	(18)	4,332,109	(13,351,899)
Increase/(Decrease) in other liabilities	(15) - (19) - (20)	704,862	(19,660,707)
(B) Changes in working capital		**12,531,490**	**(37,461,321)**
(C) Financial expense	(30) - (31) - (32)	(3,548,946)	(5,271,218)
(D) Direct taxes (paid)/collected	(8)	741,665	-
(E) Cash flows from/(used in) operating activities (A+B+C+D)		**1,395,281**	**(45,048,609)**
(Investments) net of property, plant and equipment	(1) - (29)	106,729	87,456
(Investments) net of intangible assets	(2) - (29)	(2,201,775)	(3,177,925)
Net change in financial assets	(3) - (5)	280,000	(24,389)
(F) Cash flows used in investing activities		**(1,815,046)**	**(3,114,859)**
Increase/(Decrease) in share capital and reserves for the repurchase of treasury shares	(11)	-	15,083,921
Other changes	(11)	-	72,618,052
Decrease in loans and borrowings from other financial backers	(9)-(12) - (13) -(14) - (21) -(22)- (23)	(842,055)	(122,867,260)
(G) Cash flows used in financing activities		**(842,055)**	**(35,165,286)**
(H) Change in cash flows for assets held for sale		**-**	**85,996,000**
(H) Increase/(Decrease) in cash and cash equivalents (E+F+G)		**(1,261,820)**	**2,667,246**
Opening cash and cash equivalents		**2,813,477**	**146,231**
Closing cash and cash equivalents		**1,551,657**	**2,813,477**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 December 2021

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") mainly carry out their activities in the industry 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.

Furthermore, following the acquisition of 60% of the share capital of Parcheggi S.p.A. by the subsidiary Trevi S.p.A. in December 2021, the Group is marginally active in the management of automated car parks.

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 29 June 2022. However, the Shareholders are 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 2021.

The Company's Separate Financial Statements at 31 December 2021 present the balances as at and for the year ended 31 December 2020, 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 changes in equity 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, with the exception of those items that, pursuant to IFRS, are measured at fair value, as indicated below under the Basis of preparation section, and on a going concern basis.

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 2021 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 2021 financial statements (separate and consolidated) 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.

At the approval of the Separate and Consolidated Financial Statements at 31 December 2020 and of the Interim Consolidated Financial Statements at 30 June 2021, some going concern risk factors were identified by Management, specifically: **(a)** the risk linked to the failure to comply with the covenants 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 reporting date of these financial statements; and **(c)** the risk arising from any failure to achieve the recovery goals, as set out in the New Consolidated Plan (as defined below).

In this regard, as widely shown in the notes to these financial statements to which reference should be made, in the context of the Directors' Reports accompanying the 2020 financial statements (separate and consolidated) and the Interim Financial Report at 30 June 2021, the Board of Directors after having carefully and exhaustively assessed the risks to which the going concern was exposed, as summarised above, had deemed it appropriate to adopt the going concern basis, although it pointed out that the residual significant uncertainty was the positive conclusion of the negotiations with the Lending Banks in relation to the proposed amendments to the Restructuring Agreement put forward at the time by the Company (reference should be made to the accompanying Directors' Reports). For the purposes of this report, the going concern is assessed based on the above-mentioned circumstances and information available about their development after the date of approval of the Interim Financial Report, to be taken into account up to the date of preparation of these financial statements.

Group recapitalisation and debt restructuring project completed in 2020

- 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 debt that resulted on 5 August 2019 in the subscription of a restructuring agreement pursuant to Art. 182-*bis* of the Italian Bankruptcy Law signed, *inter alios*, by the Company, Trevi and Soilmec, on the one hand, and by the Lending Banks of the Group (the "**Lending Banks**") on the other, which was subsequently approved by the Court of Appeal of Bologna on 10 January 2020 (the "**Restructuring Agreement**").

- This Restructuring Agreement and the related financial manoeuvre were based on a business and financial plan relating to the Trevi Group for the period 2018-2022 (the "**Original Consolidated Plan**") - drawn up during 2018 and 2019 - which was approved, in its final version, by the Company's Board of Directors on 2 August 2019.
- After the approval of the Restructuring Agreement, the Group fully implemented all the main statutory/non-recurring transactions set out therein, such as, *inter alia*:

  i) a capital increase of Euro 150.8 million (the "**Capital Increase**"), of which, **(i)** a tranche offered with right of first refusal to shareholders was fully subscribed for Euro 130 million, of which Euro 87.7 million through cash payment (approximately Euro 77.4 million attributable to CDPE Investimenti S.p.A. and Polaris Capital Management LLC) and Euro 42.3 million through conversion of bank loans by the main Lending Banks, at a conversion ratio of 4.5:1; and **(ii)** a tranche reserved to the Lending Banks, with the exclusion of the right of first refusal, was subscribed for Euro 20.8 million by converting bank loans, at the same conversion ratio of 4.5:1;

  ii) the divestment occurred on 31 March 2020 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 in favour of the Indian group headed by Megha Engineering & Infrastructures Ltd., a leading Indian operator in the infrastructure segment ("**MEIL**"), among the leaders of the industry. The proceeds of this divestment have been used to repay part of the indebtedness of the companies in the Oil & Gas Division, while the remaining part of this indebtedness has been taken over by Trevifin and rescheduled consistently with the debt subject to the restructuring;

  iii) the disbursement by some Lending Banks of a new loan for a total of Euro 12,878,866.00, of which Euro 12,000,000.00 paid before the approval, by virtue of application of the authorisation of the Court of Forlì pursuant to Article 182-*quinquies* of the Italian Bankruptcy Law, and Euro 878,866.00 paid after the approval, pursuant to Article 182-*quater* of the Italian Bankruptcy Law;

  iv) the consolidation and rescheduling of most of the bank debt to 31 December 2024 and the reduction of the related interest rate;

  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 of approximately Euro 200 million, a part of which - corresponding to Euro 14.7 million - disbursed also during the period prior the approval date of the Restructuring Agreement pursuant to the Article 182-*quinquies* of the Italian Bankruptcy Law; and

  vi) 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. 2014 – 2019*" issued by Trevifin in 2014 for Euro 50 million (the "**Bond Issue**").

Events subsequent to the restructuring transaction

Following the completion of the transactions provided for in the Restructuring Agreement, summarised in the previous paragraph, the following main events occurred:

- 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 covenants set out in the Restructuring Agreement, namely the ratio of consolidated net financial debt to 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 covenants set out in the Restructuring Agreement, at the approval of the 2020 Consolidated Financial Statements. The Company also communicated that, based on the preliminary information available at that date relating to the performance for 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 covenants originally set in the Restructuring Agreement, as well as the recalculation of some due dates scheduled for the current year relating to some exposures, based on a new business plan considering the current situation, to be incorporated into a new agreement with the Lending Banks.

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 on the going concern assumption at the approval of the most recent separate and interim financial statements, with specific reference to some risk areas.

For the purposes of approving the draft separate financial statements at 31 December 2020 and the interim financial report at 30 June 2021, the Board of Directors carried out all the necessary assessments relating to the going concern assumption 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 also with regard to these financial statements, the Directors took into account all the available information about the future, relating at least - without limitation - to 12 months following the reporting date of the consolidated financial statements at 31 December 2021. 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. In particular, the Board of Directors took into consideration the assessments that had been carried out when approving the most recent financial statements and interim financial report, paying particular attention to the circumstances that had been identified as possible risk factors at that time, in order to verify their status. In line with what observed at the approval of the 2020 financial statements and of the interim financial report at 30 June 2021, the risk indicators to be assessed with particular attention in the case of Trevifin and the Trevi Group are those falling within the financial area as stated in the introduction of this paragraph and, especially, those related to the possible consequences deriving from the failure to comply with some Restructuring Agreement covenants (and the plan underlying it) and to the transactions with Lending Banks.

In order to clear up any misunderstandings, as stated in the previous section and in the Directors' Reports accompanying the 2020 financial statements and the interim financial report at 30 June 2021 and the related notes, the transactions 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 covenants 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 in 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, starting from the second half of 2020, leading to a worsening of all the main indicators (turnover, gross operating profit and Net Financial Debt) 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 covenants 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. This new plan was subsequently updated, at first, in order to incorporate the accounting figures as at 30 June 2021 and, subsequently, in order to extend the relevant time frame to the period 2022-2026 as well as in order to take into account certain aspects, including the performance recorded during the year 2021 and certain prudential elements in the plan years (the "**New Consolidated Plan**").

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 consistently higher Net Financial Debt.

The New Consolidated Plan considers the 2022-2026 period as its time frame while the Original Consolidated Plan considered the 2019-2022 period (assuming that, at the end of that period, the Group final recovery objectives would have been achieved). Therefore, the New Consolidated Plan time frame exceeds that of the Original Consolidated Plan. 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 2022, should be assessed over a longer time frame in the context of the New Consolidated Plan.

More specifically, the deviations observed with respect to the Original Consolidated Plan, and the consequent need to prepare and approve the New Consolidated Plan have the following consequences:

(i) the non-compliance with certain obligations of the Restructuring Agreement and the need to request the Lending Banks to subscribe a new agreement taking into account the covenants of the New Consolidated Plan. On this point, further details are provided in the following paragraph;

(ii) a lower cash generation than that of the Original Consolidated Plan and the consequent need to assess if this circumstance could give rise to cash flow issues in the time frame considered that would make it impossible for the Group to operate normally, and
(iii) the deviations from the Original Consolidated Plan, which led to the need to approve the New Consolidated Plan and the consequent need to assess the Group's continuing ability to rebalance its financial position and financial performance.

These uncertainties can all be traced back to an overall category of "financial risk", which consists of the Company's ability, given the circumstances described above, to meet its financial commitments as well as to generate and/or raise sufficient resources to meet its financial requirements to support the business, the investment programme and the objectives of the New Consolidated Plan. The reasonable overcoming of these uncertainties, as explained in the following paragraphs, shall be evaluated in light of the actions undertaken by Management and depends on reaching a new agreement with the Lending Banks regarding a financial manoeuvre to support the Company's recovery goals.
The following paragraphs set forth the considerations made to determine the correct application of the going concern basis to the draft of the financial statements at 31 December 2021.

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 covenants at 31 December 2020: based on the results for 2020, as reflected in the relevant consolidated financial statements, the Trevi Group was unable to meet the financial covenants 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 covenants:

- 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 covenants were not met and, specifically: **(a)** the Leverage Ratio was 5.37x; and **(b)** the Debt/Equity Ratio was 2.15x. 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 lines of credit in the form of cash and guarantee facilities provided for in the Restructuring Agreement, thereby terminating the necessary financial support to the Group. 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, as well as the commitment of the same Lending Banks to allow using short-term lines of credit, both in the form of cash and guarantee facilities to support the business of the Group, as described in detail below.

B. Need to update the financial covenants for the subsequent verification dates: the forecasts of the New Consolidated Plan indicate that, in all likelihood, the Proposing Companies will not be able to comply with the financial covenants provided for in the Restructuring Agreement at the subsequent verification dates either. The financial covenants 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 covenants 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 covenants that are revised and aligned with respect to the provisions of the New Consolidated Plan and, to this end, it was 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 deviations from the Original Consolidated Plan requiring the preparation and approval of the New Consolidated Plan; and **(b)** providing for new financial covenants, modified in order to make them consistent with the New Consolidated Plan;

C. Need to reschedule certain financial due dates: as mentioned, the deviations from the Original Consolidated Plan, 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. Specifically, the Restructuring Agreement envisages that most of the financial indebtedness towards the Lending Banks is to be repaid via bullet payments at 31 December 2024 and, furthermore, there are a number of financial due dates over the next 12 months that are not consistent with the Group cash-flow generation as envisaged by the New Consolidated Plan. Obviously, 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 made it necessary to ask the Lending Banks, on the one hand, to suspend the aforementioned repayment obligations and, on the other hand, to reschedule them to a date that is consistent with the cash flows provided for in the New Consolidated Plan.

More generally, the circumstances described above required Management to make efforts to prepare and agree with the Lending Banks on a new financial manoeuvre, corrective of the one that had been placed at the basis of the Restructuring Agreement, in order to make the Group's capital and financial structure consistent with the new situation.

As to the circumstances described above, the actions taken in this regard by Management and the status of the same, reference should be made to the considerations made in the following paragraphs, and in particular to what reported with regard to the Standstill Agreement (as defined below) and the subsequent discussions, still in progress, with the Lending Banks aimed at the signing of the New Agreement (as defined below).

Risks relating to liquidity trends over the next 12 months

Consistently with assessments made at the approval of the 2020 financial statements and the interim financial report at 30 June 2021, an element that has been assessed with particular attention, in light of the lower cash generation foreseen in the New 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, at least in the short time, new cash lines of credit not provided for in the Original Consolidated Plan. The Group will therefore have 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 Standstill Agreement and the following New Agreement. Obviously, this aspect is central to the evaluation of the going concern assumption, and made it necessary at the approval of the 2020 financial statements and the interim financial report at 30 June 2021 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 were reasonably suitable to support the Group's financial needs as they arise without recourse to new lines of credit, and without causing foreseeable situations of cash flow tension. This verification yielded positive results at the time of the approval of the 2020 financial statements and the interim financial report at 30 June 2021 and was repeated for the approval of the 2021 financial statements. To this end, as will be discussed in more detail below, Management updated the cash flow forecasts that had been made at the time of approval of the interim financial report on the basis of actual data and extended these forecasts until 31 December 2022. The reasonable expectation of a positive cash flow position for the Group emerges from that year, or at least until then, based on the assumption that an agreement will be reached with Lending Banks allowing the implementation of the New Financial Manoeuvre (as defined below) and the use of unsecured lines of credit, necessary for the job orders in which the Group Companies take part.

Risks raised by deviations from the Original Consolidated Plan and by the possible failure to achieve the objectives of financial rebalancing

Consistently with assessments made at the approval of the 2020 financial statements and the interim financial report at 30 June 2021, one of the elements taken into account in order to evaluate the uncertainties regarding the going concern is whether the forecasts of the New Consolidated Plan, also in light of the latest results regarding the Group's performance, appear anyhow suitable to allow, within the related time frame of reference, a financial rebalancing to be achieved; the possibility of reaching an agreement with the Lending Banks on the financial manoeuvre also depends on this element.

Based on the figures at 31 December 2021, the Group's performance during the year in terms of main indicators (Revenue, recurring Gross Operating Profit and Net Financial Debt) was substantially in line with the forecasts of the New Consolidated Plan. In this regard, during the year the Group generated cash flows of about Euro 17.6 million, going from a Net Financial Debt of Euro 269.4 million at 31 December 2020 to Euro 251.8 million at 31 December 2021. Furthermore, the backlog growth trend was confirmed during the year thanks to the new orders acquired (already reported at the approval of the interim financial report at 30 June 2021). The consolidated figures of the financial statements at 31 December 2021 confirm the recovery trends of the business that emerged at the approval of the interim financial report at 30 June 2021, which are reflected in the New Consolidated Plan whose implementation constitutes a key element for the achievement of the objectives of financial rebalancing.

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, at the approval of the 2020 financial statements and of the interim financial report at 30 June 2021, 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 represented elements that could constitute significant uncertainties with respect to the going concern assumption and whether such uncertainties could reasonably be overcome. On that occasion, the directors decided to approve the financial statements on a going concern basis, although they pointed out a significant residual uncertainty relating to the risk of failure to reach an agreement with the Lending Banks. The Board of Directors therefore deemed it appropriate to request and obtain an update of the information on the circumstances described above in order

to assess whether it was correct to apply the going concern assumption also with reference to the approval of financial statements at 31 December 2021.
In this regard, the following should be considered.

The Standstill Agreement, the following discussions with the Lending Banks and the New Agreement

As already illustrated in the Directors' Reports accompanying the 2020 financial statements and the interim financial report at 30 June 2021, with reference to the circumstances described above, relating to the failure to comply with certain provisions of the Restructuring Agreement, discussions were promptly initiated, starting in February 2021, with the Lending Banks (many of which became shareholders of the Company in accordance with the Restructuring Agreement), with the involvement of their respective legal and financial advisors. To date, also due to the large number of parties involved and to the not entirely homogeneous positions of the banks, the aforementioned discussions have not yet been completed with the signing of a new agreement, but are at an advanced stage as will be better described below.
Within the framework of said discussions, the Lending Banks required further information and details from the Company and its advisors, also in order to complete their own preliminary investigation processes and, subsequently, to initiate their own decision-making processes. Specifically, the Company and the Lending Banks agreed to what follows as a form of protection for themselves and all the stakeholders: **(i)** submit the New Consolidated Plan to an independent business review ("**IBR**") to verify the reasonable validity of the business and market assumptions underlying the New Consolidated Plan; **(ii)** promptly define a comprehensive financial (and, if appropriate, equity) manoeuvre proposal to support the New Consolidated Plan, which includes the above-mentioned requests by the Company, to be submitted to the Lending Banks for the purposes of signing a new agreement with them (the "**New Agreement**"); and **(iii)** place the new financial manoeuvre and the New Agreement within the framework of one of the instruments provided for by the Italian Bankruptcy Law for the reorganisation of companies in crisis, and therefore to submit the New Consolidated Plan, the new financial manoeuvre and the New Agreement to the examination of an independent expert in order to issue the certifications required by law.
Also in the context of discussions with the Lending Banks, in order to manage the current phase and to allow, in the interests of all parties involved and in general of the stakeholders of the Trevi Group, the continued management of the business while the banks' investigation and decision-making processes are pending, a moratorium and standstill agreement (the "**Standstill Agreement**") was signed on 5 August 2021 between the Company, the Italian subsidiaries Trevi, Soilmec and PSM and the Lending Banks. The Standstill Agreement provided for: **(i)** a general suspension of obligations relating to compliance with financial covenants; **(ii)** the suspension of the obligations to pay the amounts due during 2021; **(iii)** the maintenance of 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.

In line with the foregoing, on 22 December 2021, within the context of the discussions above, the guidelines of a possible new financial manoeuvre were presented to the Lending Banks (on which reference should be made to the press release of 22 December 2021, available on the Company's website) providing for, amongst other things (**i**) a capital strengthening through a cash capital increase of Euro 20 million and a capital increase by converting Euro 60 million of bank loans, (**ii**) the rescheduling of the repayment of medium/long-term lines of credit until 2026, with changes to the relevant financial covenants, (**iii**) the extension to 2026 of the maturity date of the Bond Issue; (iv) the confirmation of the unsecured lines of credit granted to the Group, to the extent of 80% of the total ceiling amount granted pursuant to the Restructuring Agreement. Along with the hypothetical manoeuvre, a request was submitted to the Lending Banks to extend the term of the Standstill Agreement from 31 December 2021 to 30 April 2022.

Nevertheless, the Lending Banks made the extension of the Standstill Agreement duration conditional on reaching an agreement in principle on the guidelines of the new financial manoeuvre. As a result, on 31 December 2021, the Standstill Agreement expired and was not formally renewed. However, the parties have continued the relevant negotiations in relation to the new financial manoeuvre, and are operating under a "de facto" standstill regime, as evidenced by the fact that the Lending Banks not only have not exercised (nor expressed their intention to exercise) the remedies provided for in the Restructuring Agreement to date, but in addition to pursuing the aforementioned negotiations on the new manoeuvre hypothesis, they continued to support the Group by not reducing the utilisation of the self-liquidating lines and by allowing the issuance of certain guarantees identified as urgent by the Company in the context of the projects to which the Group companies are party, and by continuing to make cash lines of credit available.

Concurrently, with the support of advisors, Management continued negotiations both with the Lending Banks and controlling shareholders aimed at defining the new financial manoeuvre. In this regard, on 26 April 2022, the Board of Directors approved a proposal of financial manoeuvre, partially different from the one approved last December, notice of which was given to the market (reference should made to the press release of 26 April 2022 available on the Company website). This proposed manoeuvre was later further modified in order to take into account the ongoing discussions with the Lending Banks. The latest version of the financial manoeuvre is the one sent to the Lending Banks on 9 June 2022 (the "**New Financial Manoeuvre**"), which provides, in a nutshell:

(a) its implementation in accordance with an agreement based on a certified recovery plan pursuant to Article 67, paragraph III, lett.(d) of the Italian Bankruptcy Law.

(b) a cash capital increase with right of first refusal to be offered to shareholders for a total of Euro 25 million (but in no case exceeding the amount of debt subject to conversion), fully guaranteed pro rata by CDPE Investimenti S.p.A. ("**CDPE**") and Polaris Capital Management LLC ("**Polaris**" and, together with CDPE the "**Institutional Shareholders**");

(c) a capital increase reserved to the Lending Banks, to be subscribed by converting bank loans into ordinary shares of the Company, for a minimum equivalent amount of loans of Euro 20 million, with the option for the Lending Banks to convert an amount higher than this minimum amount;
(d) the subordination and deferment of a portion of the bank debt up to a maximum of Euro 40 million, leaving the Lending Banks the choice between conversion and subordination of the related loans;
(e) the extension of the final maturity date of the medium/long-term debt to 31 December 2026, with the introduction of a repayment plan starting from 2023;
(f) the granting/confirmation of unsecured lines of credit for the execution of the New Consolidated Plan;
(g) the extension of the maturity date of the Bond Issue to 2026.

With regard to the ongoing discussions with the Lending Banks and controlling shareholders, the Company received on 10 May and 17 May 2022, respectively, letters from CDPE and Polaris confirming their commitment, subject to final approval by the relevant decision-making bodies and to certain additional conditions, including reaching an agreement with the Lending Banks, to subscribe pro-rata the above-mentioned capital increase with right of first refusal, and to guarantee, again pro-rata, the subscription of any unexercised rights, up to Euro 20 million. Based on the discussions subsequently carried out by the Company with the Institutional Shareholders, the latter have confirmed their commitment up to Euro 25 million, it being understood that the same may not exceed the final amount of the capital increase by conversion subscribed by the Lending Banks. Furthermore, on 17 June 2022, the Company also received a comfort letter from the advisors of the Lending Banks in which they confirmed - on behalf of the Lending Banks that jointly own a percentage equal to about 75% of all the bank loans in the form of cash and guarantee facilities due from the group companies concerned and that are members of the steering committee[3] - their interest to assess the Group's restructuring transaction and that, subject *inter alia* to the positive outcome of the ongoing analysis of the documentation provided by the Company and the reaching of an agreement between the Lending Banks and the Company on the final content of the New Financial Manoeuvre, they intend to submit to their decision-making bodies said manoeuvre and the New Agreement.

Although this comfort letter was sent on behalf of only some of the Lending Banks, as mentioned above they jointly own a very significant percentage of the amounts due to the banks from the group companies and are also members of the steering committee. Furthermore, discussions with the Lending Banks are still in progress and will continue in the coming weeks, in order to define the more detailed information of the New Financial Manoeuvre (including the agreement between the banks on the allocation of unsecured lines of credit and the order of priority of payments to be made over the period of the plan), and in order to take into account the positions of financial lenders different from the Lending Banks on whose behalf the comfort letter was delivered. In light of these elements, although non-aligned positions among the Lending Banks cannot be ruled out, the directors believe that conditions exist to reach a satisfactory meeting point for all parties in the coming weeks.

[3] This is a select committee of Lending Banks that was formed at the time of the Standstill Agreement, on the basis of an interbank agreement, with functions of coordinating them, in order to facilitate and streamline the activities of analysis and verification of the transaction, and to simplify negotiations, it being understood that each of the Lending Banks retains full discretion as to whether or not to adhere to the possible new agreement.

Also in compliance with what provided for by the Standstill Agreement, the Company also took and is still taking all the necessary steps get the New Agreement, which implements the content of the New Financial Manoeuvre, signed, specifically it:

(i) appointed Alvarez & Marsal, a leading consulting firm, to carry out an IBR on the New Consolidated Plan, which has been completed and submitted to the Lending Banks;
(ii) is defining the terms of the New Financial Manoeuvre with the Lending Banks and the controlling shareholders; and
(iii) appointed Mario Ravaccia, of Studio Spada & Partners, as expert in charge of drawing up the statements necessary for the New Consolidated Plan and the New Financial Manoeuvre, which is currently being finalised.

Obviously, neither the receipt of the above-mentioned comfort letter from the advisors of the Lending Banks and controlling shareholders nor the completion of the activities above allow considering the uncertainty deriving from the Significant Events occurred under the Restructuring Agreement and, in general, from the need to enter into a New Agreement with the Lending Banks aimed at incorporating the contents of the New Financial Manoeuvre to be overcome. Said uncertainty can be definitively deemed to be overcome only after the completion of the activity certifying the New Consolidated Plan and the positive assessment, by the competent bodies of all the Lending Banks, of the New Financial Manoeuvre and the signing and effectiveness of the New Agreement. Nevertheless, the advanced stage of discussions with Lending Banks on the Financial Manoeuvre along with the comfort letter received from their advisors and from controlling shareholders, although not binding, together with the support that the Lending Banks are willing to continue to provide - albeit with some difficulties - to the Group by allowing the Company to issue urgent guarantees, are a sign that discussions with Banks are significantly progressing, thus making it possible to expect the successful conclusion of negotiations.

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 reflected in the forecasts of the New 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 flows, also at the level of the individual Trevi and Soilmec Divisions. In particular, Management prepares a treasury plan until the end of the year on a weekly basis for the first three months and on a monthly basis for the following months, 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 short-term cash flows 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 22 April 2022, 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, in accordance with the Standstill Agreement, the Company keeps providing the Lending Banks with an updated treasury plan, verified by PricewaterhouseCoopers, relating to cash flow forecasts for the following 6 months, based on weekly forecasts for the first 3 months and monthly forecasts for the following 3 months. The latest updated treasury plan was provided to the Lending Banks on 03 May 2022, and based on these forecasts, no critical issues arose in relation to the cash position of the Group and/or the individual divisions in the relevant period. In such respect, these forecasts lay on the assumption that the Lending Banks will continue to support the Group in order to acquire and execute job orders for the entire period subject to analysis, by issuing the guarantees requested.

Management also carried out in-depth analyses on the expected liquidity trend in the 12 months following the reporting date of 31 December 2021, which were drawn up by collecting all the necessary information from all the legal entities of the Group and examines the expected liquidity trend at 31 December 2022. These analyses confirmed that there were no critical cash flow situations that could compromise the Group's ordinary operations.

The Board of Directors, for the purposes of approving the draft financial statements, examined the update of the liquidity analysis at 31 December 2022. Therefore, on the basis of these projections, it is reasonable to expect that the Group's minimum cash will remain at a level 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 for the situation and the results of the analysis carried out do not currently show situations of cash tensions and/or shortfalls until December 2022. Cash forecasts appear to have been drawn up in a prudent manner.

In conclusion, given that (**i**) cash-flow forecasts are prepared with methods consolidated over the years, (**ii**) these forecasts are subject to verification by a third-party and are shared on a periodical basis with the Lending Banks, and (**iii**) at 31 March the Trevi Division acquired orders equal to approximately 92% of the revenue expected to be generated in 2022 and the Soilmec Division acquired orders equal to approximately 69% of the revenue expected to be generated in 2022, without prejudice to the possible consequences, as illustrated above, arising from the failure to meet the covenants set out in the Restructuring Agreement, at present, it is believed that the risk related to cash-flow forecasts is adequately monitored and mitigated.

Achievement of recovery goals

As noted above, the consolidated figures at 31 December 2020 show deviations from the Original Consolidated Plan, 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 New Consolidated Plan. To this end, Management has been assisted by leading industrial and financial advisors.

At the approval of the 2020 Financial Statements and of the Interim Financial Report at 30 June 2021, the Board of Directors assessed with particular attention the risks resulting from the possible failure to implement the plan and deviations from the same and, specifically, the risk that the New Consolidated Plan would not allow the Company and the Group to achieve the recovery goals originally set and deemed surmountable (for details of the relevant considerations, reference should be made to the Directors' reports accompanying the 2020 financial statements and the interim financial report at 30 June 2021).
In order to update the assessment already carried out by the Board of Directors on this risk factor at the approval of the 2020 Financial Statements and of the Interim Financial Report at 30 June 2021, the Directors have herein made the following considerations:

- the deviations observed with respect to the Original Consolidated Plan are mainly attributable to the spread of the Covid-19 pandemic or related to additional one-off non-recurring events;
- the New Consolidated Plan seems to have been drawn up in accordance with reasonable and prudent criteria that include actions aimed at increasing volumes and improving profitability and shows the possibility of having, at the end of the plan, a balanced financial position and performance, and its feasibility is supported by the performance in the first quarter of 2022, whose results - that have not yet been subject to independent review - are in line with the relevant forecasts;
- the feasibility of the New Consolidated Plan is confirmed by figures at 31 December 2021 that are in line with the forecast of revenue and recurring EBIDTA for 2021 formulated at the approval of the interim financial report at 30 June 2021, orders acquired in 2021 amounting to approximately Euro 600 million increasing by 41% compared to the previous year and an order backlog of Euro 454.6 million that was up by 43% with respect to the previous year. This trend continued in the first quarter of 2022, with a decrease in the Net financial debt of Euro 17.6 million that fell from Euro 269.4 million at 31 December 2020 to Euro 251.8 million at 31 December 2021. With reference to considerations regarding potential impacts arising from the Russia-Ukraine conflict and the prolonged health emergency from Covid-19, reference should be made to the sections on "Impacts of the Russia-Ukraine Conflict", "COVID-19" and "Risk related to the trend in raw material prices" of this report, respectively;
- the IBR carried out by Alvarez & Marsal on the New Consolidated Plan and shared with the Lending Banks confirmed the reasonableness and feasibility of the same;
- the New Financial Manoeuvre currently under definition, whose content has been subject to comments of both controlling shareholders (*i.e.*, CDPE and Polaris) and banks of the steering committee through consultants, would allow, with the capital strengthening transaction, to further strengthen the financial position and performance of the Group, also giving a boost to the business as well as to the achievement of the recovery goals in accordance with the New Consolidated Plan;

Furthermore, the reasonableness and feasibility of the New Consolidated Plan will be further supported by the fact that it is currently being certified by the appointed expert, Mario Ravaccia, who meets the requirements provided for by the Italian Bankruptcy Law and whose work is in progress, thus representing an additional

form of protection for Directors and the other stakeholders involved. In this regard, on 17 May 2022 the expert issued a comfort letter confirming that, on the assumption that the circumstances herein described occur, the New Consolidated Plan can be deemed certifiable pursuant to Art. 67, paragraph 3, letter d) of the Italian Bankruptcy Law based on appropriate arrangements with the Lending Banks.
In conclusion, the Directors observed that, despite the encouraging signals given from the 2021 financial statements figures, the achievement of the objectives set in the New Consolidated Plan depends in any case on the completion of the New Agreement implementing the contents of the New Financial Manoeuvre.

Concluding remarks

In conclusion, as fully explained in the previous paragraphs and in the additional sections expressly referred to therein, there are some uncertainties arising from the Group's exposure to risks which, as mentioned above, have different levels of magnitude and for which consequent measures are in place as form of protection. These risks, among which the successful conclusion of the negotiations with the Lending Banks for the completion of the New Agreement, examined in their entirety, indicate the existence of a 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, taking into account all of the circumstances outlined above and in light of the status of the discussions in progress with the Lending Banks and their advisors, deems it appropriate to prepare the separate financial statements of the Company and the consolidated financial statements of the Trevi Group on a going concern basis.

COVID-19

In 2021, the Trevi Group, in order to guarantee the safety of employees and the going concern, continued adopting measures to combat the COVID-19 pandemic in relation to the provisions in force nationally and in the countries where it operates.
To do this, a Team dedicated to managing the COVID-19 emergency was kept operational, consisting of senior management figures, the HSE (Health, Safety and Environment) Function, the Company Doctor and the union representatives, who ensured a rapid decision-making process aimed at defining and implementing specific actions.
These actions, which can be summarised in the following list, have made it possible to obtain significant results in terms of prevention and protection, despite the surrounding difficulties and risk situations. The following have been carried out:

- body temperature measurement when entering the workplace;
- cleaning and sanitising of work environments;
- information and training of staff on measures to prevent contagion;

- provision of personal protective equipment such as masks and filtering facepieces;
- numbered quotas for access to the canteen and changing rooms;
- promotion of the work-from-home scheme and the use of web platforms to limit face-to-face meetings;
- additional rapid swabs on top of to those recommended by the relevant authorities, limited to particular risk situations, in order to prevent the onset of outbreaks within the workplace and cascade infections;
- promotion of covid vaccination measures through:
    - raising awareness of vaccines among company staff;
    - participation in vaccination hubs for companies promoted by regional associations (e.g., Confindustria Romagna) to facilitate the vaccination process for the Italian office staff;
    - assistance to expatriate and construction site staff, to facilitate their vaccination process in the workplace.

Furthermore, the management of the COVID-19 risk has effectively become a process fully incorporated into the ISO45001 Health and Safety Management System implemented by the Trevi Group.

During 2021 the number of cases reported that affected the Trevi Group staff was in line with the trend for the period observed in Italy and abroad, none of which was critical to the health of the people concerned.

In 2022, the corporate COVID-19 Plans will continue to be managed and revised in relation to the new applicable provisions and any changes to the risk level relating to the geographical segments in which the Group operates.

With regard to the use of regulatory measures to deal with the negative impact of the COVID-19 pandemic, during 2021, Trevi S.p.A. and Soilmec S.p.A. used the tax credit generated by the conversion of deferred tax assets (DTAs) relating to tax losses, following the disposal of non-performing loans granted against consideration by 31 December 2020. This remedy was provided for by Italian Law No. 126 of 13 October 2020, that converted with amendments Italian Law Decree No. 104 of 14 August 2020 (“August Decree”) and that covers the conversion of deferred tax assets (DTAs) in case of disposal of non-performing loans granted against consideration by 31 December 2020. Specifically, Trevi S.p.A. could benefit from a tax credit of Euro 173,627 having disposed of non-performing loans on 22 December 2020, used for offsetting Euro 111,288.00 on 18 January 2021. Furthermore, Soilmec S.p.A. could benefit from a tax credit of Euro 179,146.00 after disposing of non-performing loans on 22 December 2020, used in full for offsetting purposes on 16 January 2021.

As Italian Legislative Decree No. 73/2021, the so-called “Support Decree-bis”, re-proposed the “sanitisation/purchase of PPE bonus” for the expenses incurred for the sanitisation of workplaces and the purchase of PPE and other protective devices for the health of workers and users, Trevi S.p.A. and Soilmec

S.p.A. took advantage of this tax credit equal to 30% of the eligible expenses incurred, for an amount of Euro 3,165.00 and Euro 6,831.00, respectively.
During the first half of 2021, the Group companies operating in Italy (Trevifin, Trevi S.p.A., Soilmec S.p.A. and PSM S.p.A.) made use of the Cassa Integrazione Guadagni Ordinaria [Italian furlough scheme] to reduce personnel expense by approximately Euro 2 million.

Key financial indicators of the Company

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

(in Units of Euro)	**31/12/2021**	**31/12/2020**	**Delta**
Revenue from sales and services	11,266,767	13,906,209	(2,639,442)
Other operating revenue	1,357,110	1,694,623	(337,513)
Total revenue	**12,623,877**	**15,600,832**	**(2,976,955)**
Value added	(1,879,996)	4,386,789	(6,266,785)
% of Total Revenue	*(14.89)%*	*28.12%*	*(43.01)%*
Gross Operating Profit/(Loss)	**(8,076,706)**	**298,782**	**(8,375,488)**
% of Total Revenue	*(63.98)%*	*1.92%*	*N/A*
Operating Loss	**(19,718,111)**	**(642,756)**	**(19,075,355)**
% of Total Revenue	*(156.20)%*	*(4.12)%*	*(152.08)%*
Profit/(loss) from continuing operations	**(23,293,569)**	**249,257,784**	**(272,551,353)**
% of Total Revenue	*(184.52)%*	*1597.72%*	*N/A*
Net investments	3,648,630	3,181,254	467,376
Net invested capital	220,429,851	235,971,334	(15,541,484)
Net financial debt	**115,223,005**	**107,439,611**	**7,783,394**
Equity	105,206,844	128,531,723	(23,324,879)
Operating loss / Net invested capital (ROI)	*(8.95)%*	*(0.27)%*	*(8.67)%*
Profit/(loss) from continuing operations / Equity (R.O.E.)	*(22.14)%*	*193.93%*	*N/A*
Operating loss / Total Revenue (R.O.S.)	*(156.20)%*	*(4.12)%*	*(152.08)%*
Net financial debt / Equity	*109.52%*	*83.59%*	*25.93%*

<u>Basis of preparation</u>

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 of the asset itself.

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

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; 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:

(iv) 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 assets included in other current and non-current financial assets.

(v) 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.

(vi) 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 differences and impairment losses are 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 the 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 the 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 repurchase, 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.

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.

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 a 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.

Warrants

A share capital increase through the exercise of warrants falls within the scope of IAS 32 "Financial Instruments".

Under 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, under 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, which 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 if 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 2021. 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. The fair value was updated at 31 December 2021, thus determining a carrying amount of approximately Euro 3.6 million and is remeasured 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 liability;
- this liability derives from an instrument that will provide the Company with a capital increase at the time of its possible future exercise.

Management constantly monitors the existence of the conditions that led to the recognition of this liability.
In the financial statements at 31 December 2021, this liability has a balancing entry in profit or loss under financial income.

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 in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price 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 2006 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;
- Loans and borrowings and bonds;
- 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 since initial recognition, an allowance must be recognised to reflect the 12-month 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 since initial recognition, an allowance must be recognised that reflects 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 lifetime ECL, 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 lifetime expected credit losses.
- 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.

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

Simplified Approach

The simplified approach was adopted by the Group with regard to:

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

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

- **EAD - Exposure at Default***:* accounting exposure at the measurement date;
- **PD - Probability of Default***:* the probability that the exposure may go into default and

therefore not be repaid. The counterparty-specific probability of default was taken into account as the driver for determining the probability of default of the exposure. In particular, the PD was determined using external sources (info-providers) and where the specific data of the counterparty being assessed was not present, an expressive PD of the market segment to which the counterparty belongs or, in the case of an unrepresentative sample, the average PD representative of the loan portfolio was applied as the last alternative. For exposures to government counterparties, the PD used is that relating to the reference country of the counterparty;

- **LGD - Loss Given Default:** expected percentage of loss in case of creditor default. The IFRS 9 impairment model provides for the possibility to calculate internally the identified parameter of the expected loss in case of default. As an alternative to the latter, given the impossibility of reconstructing a historical database adequate for the calculation of LGD, the Group decided to adopt the standard parameter defined for banking regulations and equal to 45%.

For financial assets falling under the simplified approach, the default period was identified on the basis of the collection statistics for the assets falling under the scope. Therefore:

- for "performing" positions, i.e., those not past due, with exclusive reference to trade receivables and invoices to be issued, the PD is defined over a reference time horizon of 60 days, consistent with the average payment term horizon agreed by the Group on the basis of:
  - the different geographical areas in which the individual legal entities of each division operate whose average payment terms differ but deviate from an average Group horizon of 2 months;
  - the characteristics of the business in which the Company operates and the characteristics of the trade receivables which, for the majority of the receivables issued, require a delay of payment in the short term;
- for positions past due within the default period (set at a threshold of 360 days from the due date of the receivable), the PD is expressed with a time horizon of 1 year. The Group agreed to apply a default threshold different from that defined by IFRS 9 (i.e., 90 days past due), rejecting this presumption (see IFRS 9, paragraph B5.5.37) on the basis of:
  - the obvious delays in payments by its customers, which very often occur more than 90 days after the expiry of the document;
  - any delays in payments due to the characteristics of the business in which the

Company operates and, more specifically, from potential delays in the supply of goods and services that the Group offers its customers, generating a balance from customers only at the conclusion of a service, rather than the physical delivery of a good. Specifically:

- temporary payment difficulties of public administrations;
- a slowdown in sales of goods under construction;
- objective difficulties in collecting payments from customers in certain countries dictated by contingent situations of a legislative or currency nature;
- temporary impediments due to the relationship between customer and supplier that develops during a job order;
- a due date that is not easy to determine in the case of payments of retentions or sums previously subject to litigation.

With regard to the individual divisions of the group: for the Soilmec division, sales are mainly made through dealers/agents with whom there is a "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 Company 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 also provides an illustrative list of variables that can be considered as drivers for the increase in credit risk and that can be divided into: macroeconomic data (changes in regulations, political instability), counterparty data (deterioration in financial results, credit rating downgrade), market data (CDS, credit spread, rating) and contract data (collateral impairment, unfavourable contract changes).

Consequently, the calculation of impairment on these items was carried out in accordance with the following rules:

- **Stage Allocation**: the stage allocation of the Company's financial guarantees was driven by qualitative and quantitative drivers, by means of information provided by external sources (info providers), the change in the probability of default and covenants set in several agreements with the Lending Banks of the Group.
  On the basis of the parameters used for stage allocation purposes, the financial guarantees provided by Trevi Finanziaria S.p.A. to the companies belonging to the divisions of the Group, were classified within the cluster identifying an increase in credit risk from the initial recognition date such as to recognise an allowance reflecting the lifetime ECL., i.e., the probability that default events will occur over the life of the instrument.

- **Calculation of the expected loss**: as described for the Group's trade receivables, the calculation of the Expected Credit Loss for the positions relating to the financial guarantees issued was carried out using the product of the three risk parameters:
  - **PD –** ***Probability of Default*** the division belonging to the company for which the guarantee was issued by the Company 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 company being assessed was not present, an expressive PD of the market segment to which the division belongs was applied.

- **LGD – *Loss Given Default***: the Group decided to adopt the standard parameter defined for banking regulations and equal to 45%., as the identified parameter of the expected loss in case of default.
- **EAD – *Exposure at Default***: equal to the amount of the guarantee issued.

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 in 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 price: 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 price to the 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 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 at 31 December 2021.

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 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 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).

Short-term leases or leases of low-value assets

The Company applies the exemption for the recognition of short-term leases (i.e., leases that have a duration of 12 months or less from the inception date and do not contain a purchase option). The Company also applied the exemption for leases relating to low-value assets with reference to leases of equipment whose value is considered low. Short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Changes in accounting 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.

Accounting standards

New accounting standards, amendments and interpretations

Below is a list of the accounting standards, amendments and interpretations issued by IASB and endorsed by the European Union applied starting from 1 January 2021:

Standard/Interpretation	**IASB effective date**
Amendments to IFRS 4 (Insurance contracts) – deferral of IFRS 9 issued on 25 June 2020	1 January 2021
Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued on 27 August 2020	1 January 2021

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 beyond 30 June 2021 (issued on 31 March 2021)	1 April 2021
Amendments to IAS 1 (Presentation of financial statements) and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)	1 January 2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	1 January 2023

Amendments to: ▪ IFRS 3 Business combinations ▪ IAS 16 Property, plant and equipment ▪ IAS 37 Provisions, contingent liabilities and contingent assets ▪ 2018-2020 Annual Improvements issued on 14 May 2020	1 January 2022
IFRS 17 (Insurance contracts) issued on 18 May 2017, including the amendment to IFRS 17 issued on 25 June 2020	1 January 2023

Management and coordination of the Company

At the date of preparation of these Separate Financial Statements, TREVI - Finanziaria Industriale S.p.A. is the Parent of the 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 liquidation, 100% directly held by a sole shareholder;
- PSM S.p.A., 99.92% indirectly held (100% owned by Soilmec S.p.A.);
- Parcheggi S.p.A., 59.87% indirectly held (60% owned by TREVI S.p.A.).

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 commission of predicate offences and 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 and send information flows to the Supervisory Body, guaranteeing confidentiality and protection of the informant against any form of retaliation. With reference to whistleblowing, the Company implemented a portal dedicated to reports and compliant with the applicable regulatory provisions.
The system adopted complies with the provisions of Italian Law No. 179/2017.
During 2021, the Company started the update of Model 231/01 in order to make it compliant with the latest regulatory changes (tax and customs offences). In addition, the Company has already approved the new Code of Ethics, in which innovations have been made in the areas of sustainability, safety, privacy and whistleblowing.

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 in Italy it 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);
- training;
- definition and dissemination of information for employees, visitors, customers and suppliers, pursuant to articles 12, 13 and 14 of the GDPR;
- Definition and implementation of appointments pursuant to Art. 29 of EU Regulation 2016/679 and to Art. 2-*quaterdecies* of Legislative Decree 196/2003 to all employees;
- 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/procedure in the event of hiring, absences, change of duties and resignation of employees;
- operational instructions on CVs management;
- 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.

<u>Risk management</u>

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 development activities.

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 current Restructuring Agreement, it is 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.

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 and cash equivalents, 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			
	31/12/2021	**31/12/2020**	**Change**
Total	73,040,878	64,513,548	8,527,330

Medium/long-term bank loans and borrowings			
	31/12/2021	**31/12/2020**	**Change**
Total	4,634,431	4,660,235	(25,804)

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			
	31/12/2021	**31/12/2020**	**Change**
Total	118,557,602	109,496,241	9,061,361

Non-current financial liabilities			
	31/12/2021	**31/12/2020**	**Change**
Total	65,853,174	68,377,816	(2,524,642)

Interest rate risk

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 were recalculated at 2% starting from 2 May 2019, 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.

31/12/2021			
	Fixed rate	**Variable rate**	**Total**
Loans and leases	130,168	0	**130,168**
Bonds	50,000	0	**50,000**
Total financial liabilities	**180,168**	**0**	**180,168**
%	100%	0%	100%

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, i.e., derived from changes in the exchange rate between the date on which a financial commitment between counterparties becomes highly probable and/or certain, and 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 the same currency but of the opposite 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 currency risk. 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 transactions that the Company carries out.

In particular, the greatest risk is determined by transactions 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.

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 due 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 2021 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	31/12/2021	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	9,878,024	9,878,024		2,656,436
Total non-current financial assets			**10,053,619**	**9,878,024**	**175,594**	**2,656,436**
Current financial assets	AC	9	57,785,660	57,785,660		
Cash and cash equivalents	AC	10	1,551,657	1,551,657		92,629
Total current financial assets			**59,337,317**	**59,337,317**	**-**	**92,629**
TOTAL FINANCIAL ASSETS			**69,390,936**	**69,215,342**	**175,594**	**2,749,066**
Long-term bank loans and borrowings	AC	12	4,634,431	4,634,431		205,364
Long-term loans and borrowings from other financial backers	AC	13	61,218,743	61,218,743		110,588
Non-current derivatives	FV	14	-			-
Total non-current financial liabilities			**65,853,174**	**65,853,174**	**-**	**315,952**
Short-term loans and borrowings	AC	21	73,040,878	73,040,878		3,236,629
Short-term loans and borrowings from other financial backers	AC	22	45,516,725	45,516,725		82,224
Current derivatives	FV	23	-			
Total current financial liabilities			**118,557,602**	**118,557,602**	**-**	**3,318,852**
TOTAL FINANCIAL LIABILITIES			**184,410,777**	**184,410,777**	**-**	**3,634,804**
Warrant	FV		**3,638,963**			**1,590,407**
TOTAL			**188,049,740**	**184,410,777**	**-**	**704,669**

Impairment test on controlling equity investments and measurement of financial assets

With reference to the Separate Financial Statements of Trevi Finanziaria Industriale S.p.A. at 31 December 2021, in line with 31 December 2020, 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%).

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 the 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 amount, 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 2021) 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 the purposes of carrying out the impairment test, cash flow forecasts resulting from the Actual 2021 data and the 2022-2026 Plans of the Legal Entities drawn up with the support of PricewaterhouseCoopers S.p.A. were used, as approved on 26 April 2022.

The planning flows considered exclude 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 amortisation, 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 flows 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 of Legal Entities, a weighted average cost of capital "WACC" was calculated, determined according to the economic model of the CAPM (Capital Asset Pricing Model), equal to 8.24%, and the individual variables were derived as follows:

- *risk-free rate:* 1.45%, 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 2021;
- *beta levered:* 0.96, 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: a rate of 5.00% was used;
- country risk: 2.07%, 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 operate, weighted by the percentage of production of operating profit in these countries in 2026;
- inflation differential: 0.50%, this component was added to Ke in order to consider the effect of inflation and determine the real rate;

- prudence premium of execution: it was considered appropriate to increase the Ke by 1 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 lines of credit;
- financial structure: D/D+E= 19.94%; E/D+E= 80.06%, determined as the average of the comparables already considered for the definition of the beta.

For the years after 2026, cash flows of the 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 (2026), 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 actually produced by these Legal Entities in those countries in 2026. In particular, the g growth rate identified is 2.70%. 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 10.24%).

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 Debt at 31 December 2021.

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 investments held by Trevi Finanziaria Industriale in Trevi S.p.A. and 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 comprehensive 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	**31/12/2021**	**31/12/2020**	**Change**
Not past due	4,516,771	8,235,921	(3,719,150)
Past due for 1 to 3 months	8,613,118	3,574,198	5,038,920
Past due for 3 to 6 months	1,172,433	2,082,744	(910,311)
Past due for more than 6 months	26,539,428	32,599,361	(6,059,933)
Total	**40,841,750**	**46,492,223**	**(5,650,473)**

These mainly refer to trade receivables from subsidiaries for commercial activities and services performed under normal market conditions for approximately Euro 38,927 thousand and for the remaining part to receivables from third parties. Additionally, the Company had VAT assets of Euro 1,754 thousand (Euro 4,085 thousand at the previous year end).

The abovementioned total does not include tax consolidation assets of Euro 10,950 thousand and prepayments of Euro 1,006 thousand, and is shown gross of the loss allowance.

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	31/12/2021	31/12/2020	Change
Standard monitoring	40,841,750	46,492,223	(5,650,473)
Total	**40,841,750**	**46,492,223**	**(5,650,473)**

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 20,221 thousand at 31 December 2021, marking a decrease of Euro 1,878 thousand compared to the previous financial year end.

Changes relating to 2021 are summarised in the table below:

Description	Original cost at 31/12/2020	Accumulated depreciation at 31/12/2020	Carrying amount at 31/12/2020	Incr.	Decr.	Deprec.	Use of provision	Releases	Other changes in original cost	Other changes in accumulated depreciation	Original cost at 31/12/2021	Accumulated depreciation at 31/12/2021	Carrying amount at 31/12/2021
Land and buildings	7,616,383	(1,119,978)	6,496,405	42,379	(7,309)	(138,562)			0	0	7,651,453	(1,258,540)	6,392,913
Plant and machinery	26,527,573	(12,459,104)	14,068,469	0	(1,241,641)	(1,767,027)	1,208,868	82,084	300,206	(964,290)	25,668,222	(13,981,553)	11,686,669
Industrial and commercial equipment	4,574,497	(3,102,719)	1,471,778	0	0	(345,806)			(1,122,792)	1,630,723	3,451,705	(1,817,801)	1,633,904
Other assets	457,999	(395,473)	62,526	557,690	(311,798)	(153,568)	278,832		1,322,502	(1,248,433)	2,026,393	(1,518,643)	507,751
Assets under construction and payments on account	0	0	0						0	0			
TOTAL	**39,176,452**	**(17,077,274)**	**22,099,178**	**600,069**	**(1,560,748)**	**(2,404,963)**	**1,487,700**	**82,084**	**499,916**	**(582,000)**	**38,797,773**	**(18,576,537)**	**20,221,236**

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 mainly recorded increases for Euro 600 thousand and depreciation for Euro 2,405 thousand; no financial expense was capitalised in the current and prior year.

(2) Intangible assets

Intangible assets at 31 December 2021 amounted to Euro 7,478 thousand, up by Euro 4,014 thousand compared to 31 December 2020.

Changes relating to 2021 are summarised in the table below:

Description	Original cost at 31/12/2020	Accumulated amortisation at 31/12/2020	Carrying amount at 31/12/2020	Increases	Decr.	Amortisation	Other changes in original cost	Other changes in accumulated amortisation	Original cost at 31/12/2021	Accumulated amortisation at 31/12/2021	Carrying amount at 31/12/2021
Concessions, licences and trademarks	1,615,654	(1,543,254)	72,400		(1,258)	(25,312)	(21,312)	21,312	1,593,084	(1,547,254)	45,830
Assets under development and payments on account	3,391,625	-	3,391,625	4,040,816					7,432,441	0	7,432,441
TOTAL	**5,007,279**	**(1,543,254)**	**3,464,025**	**4,040,816**	**(1,258)**	**(25,312)**	**(21,312)**	**21,312**	**9,025,525**	**(1,547,254)**	**7,478,271**

The increases of Euro 4,041 thousand recognised in Intangible assets refer mostly to the acquisition of IT licences and application software and to the consultancy, received for the implementation of the new Group ERP.

(3) Equity investments

At 31 December 2021, equity investments amounted to Euro 193,165 thousand marking a decrease of Euro 599 thousand compared to the previous year end; the impairment losses exclusively refer to the company Immobiliare SIAB Srl sold in 2021. The following table shows the breakdown of equity investments between subsidiaries and other companies:

DESCRIPTION	Balance at 31/12/20	Increases/(Decreases)	Impairment losses	Balance at 31/12/21
Subsidiaries	193,588,542	(230,000)	(368,975)	192,989,567
Other companies	175,594	-		175,594
TOTAL	**193,764,136**	**(230,000)**	**(368,975)**	**193,165,161**

The breakdown of equity investments in subsidiaries is shown below:

SUBSIDIARIES	Balance at 31/12/20	Increases/(Decreases)	Impairment losses	Balance at 31/12/21
Trevi S.p.A.	158,145,817	-		158,145,817
SOILMEC S.p.A.	34,821,872	-	-	34,821,872
IMMOBILIARE SIAB S.R.L.	598,975	(230,000)	(368,975)	-
INTERNATIONAL DRILLING TECHNOLOGIES FZCO	21,877			21,877
TOTAL SUBSIDIARIES	**193,588,542**	**(230,000)**	**(368,975)**	**192,989,567**

The impairment test carried out did not reveal any impairment loss, for further details in this regard reference should be made to the dedicated paragraph.

The balance of other equity investments is Euro 176 thousand, as detailed below, unchanged compared to the previous year end.

SUBSIDIARIES	Balance at 31/12/20	Increases	Decreases	Balance at 31/12/21
COMEX S.P.A.	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	**175,594**	**-**	**-**	**175,594**

The list and the main figures of the equity investments in subsidiaries at 31 December 2021 are shown below:

SUBSIDIARIES	Registered office	Share/quota capital (1)	Total equity at 31/12/2021 (1)	Loss for the year 2021 (1)	%	Carrying amount (2)	Our portion of equity (2)
Trevi S.p.A.	Italy	32,300,000	34,479,838	(13,152,969)	99.78%	158,145,817	34,403,982
SOILMEC S.p.A.	Italy	25,155,000	16,992,466	(7,338,744)	99.92%	34,821,872	16,978,872
PILOTES TREVI S.a.c.i.m.s.	Argentina	328,251,067	382,311,818	(349,401,922)	1.88%	0	61,768
INTERNATIONAL DRILLING TECHNOLOGIES FZCO	UAE	1,000,000	87,590,050	(20,312,664)	10.00%	21,877	2,105,783
TREVI ENERGY S.p.A.	Italy	1,000,000	492,252	(87,936)	100.00%		492,252
TREVI DRILLING SERVICES SAUDI ARABIA CO.	Saudi Arabia	7,500,000	-	-	51.00%		-
TOTAL SUBSIDIARIES						**192,989,567**	

(1) Figures are in Euro for Trevi S.p.A., Soilmec S.p.A. and Trevi Energy S.p.A.; 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
(3) The figures shown for 2021 regarding the companies listed in the table have not yet been approved by the respective Shareholders at the date of these separate financial statements.

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:

Average exchange rate for the year		
Euro	Euro	1.0000
US Dollar	US$	1.1827
Saudi Riyal	SAR	4.4353
Argentine Peso	ARS	112.4215
United Arab Emirates Dirham	AED	4.3436

Exchange rate at the end of the year		
Euro	Euro	1.0000
US Dollar	US$	1.1326
Saudi Riyal	SAR	4.2473
Argentine Peso	ARS	116.3622
United Arab Emirates Dirham	AED	4.1595

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

There were no deferred tax assets.

(5) Other non-current financial assets from subsidiaries

At 31 December 2021, non-current financial assets from subsidiaries amounted to Euro 9,878 thousand, down by approximately Euro 144 thousand compared to the same date of the previous year.

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Other financial assets			
Other non-current financial assets	9,850,455	10,000,000	(149,546)
Guarantee deposits and other	27,570	21,959	5,611
Total financial assets	**9,878,024**	**10,021,959**	**(143,935)**

The amount refers almost exclusively to the loan granted in 2020 to MEIL Global Holdings BV for an amount of Euro 10 million, with three-year bullet repayment at 2%.

<u>CURRENT ASSETS</u>

(6) Trade receivables and other current assets

Trade receivables and other current assets were Euro 4,789 thousand at 31 December 2021, marking a decrease of Euro 2,536 thousand compared to Euro 7,325 thousand at the previous year end. As shown in the table below, the item mainly derives from VAT assets for 2020 transferred and offset during 2021.

The table below shows the details relating to this item:

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Trade receivables	2,000,937	2,025,640	(24,703)
Prepayments	1,006,376	1,219,711	(213,335)
VAT assets	1,754,018	4,084,926	(2,330,908)
Sundry current assets	27,499	(5,066)	32,565
			-
TOTAL	**4,788,830**	**7,325,211**	**(2,536,381)**

(7) Trade receivables and other current assets from subsidiaries

Trade receivables and other current assets from subsidiaries amounted to Euro 49,878 thousand at 31 December 2021, with a decrease of approximately Euro 4,268 thousand compared to the previous year end.

Below are the details relating to this item:

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Trade receivables	38,927,091	43,866,312	(4,939,221)
Group tax consolidation assets	10,950,419	10,279,551	670,868
TOTAL	**49,877,510**	**54,145,863**	**(4,268,353)**

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.

The amounts of trade receivables due from subsidiaries, which are detailed under paragraph “Other information - Related Parties”, are net of the corresponding loss allowance, amounting to approximately Euro 383 thousand at 31 December 2021; the remaining part of the allowance equal to Euro 61 thousand refers to receivables due from third parties.

Description	Balance at 31/12/20	Releases	Other changes	Balance at 31/12/21
Loss allowance	757,613	(313,111)		444,501
TOTAL	**757,613**	**(313,111)**		**444,501**

(8) Current tax assets

Current tax assets at 31 December 2021 were Euro 265 thousand, with a decrease of Euro 1,234 thousand compared to the previous year end, mainly due to a decrease in IRES assets.

The following table shows the detail:

Description	Balance at 31/12/21	Balance at 31/12/20	Change
Tax requested for reimbursement	53,069	137,799	(84,730)
IRES assets from CFC	800	803	(3)
IRAP assets	199,997	247,009	(47,012)
Consolidated IRES assets	11,368	1,113,168	(1,101,800)

Total current tax assets	265,235	1,498,779	(1,233,544)

(9) Current financial assets

Current financial assets amounted to Euro 57,786 thousand at 31 December 2021 and refer to both the collection of the Escrow Account relating to the Oil & Gas Division sale transaction, amounting to Euro 9,260 thousand, and to the related provision, being unavailable under the agreements with the purchaser, which totally offsets this financial asset.

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Trevi S.p.A.	17,383,037	17,383,037	
Soilmec S.p.A.	40,247,782	38,547,782	1,700,000
TrevI Geos		1,641,860	(1,641,860)
Trevi Cimentaciones y Consolidaciones SA	154,841		154,841
Immobiliare SIAB		48,290	(48,290)
TOTAL	**57,785,660**	**57,620,969**	**164,691**

(10) Cash and cash equivalents

Cash and cash equivalents at 31 December 2021 were Euro 1,552 thousand, with a decrease of Euro 1,262 thousand compared to the previous financial year end.

The table below shows the details relating to this item:

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Bank deposits	1,482,425	2,789,948	(1,307,523)
Cash and cash equivalents	69,232	23,529	45,703
TOTAL	**1,551,657**	**2,813,477**	**(1,261,820)**

With reference to cash and cash equivalents, there were no pledges nor 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 01/01/20	**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 31/12/20	**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**
Balance at 01/01/21	**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**
Loss allocation		(237,182,438)	11,121,672		(12,858,031)					484,954,763	(246,035,967)	-
Capital increase	-	-			-		-					-
Other changes							-					-
Comprehensive expense								(31,311)		-	(23,293,569)	(23,324,880)
Balance at 31/12/21	**97,373,554**	**13,053,151**	**19,474,711**	**(736,078)**	**-**	**693,901**	**1,697,767**	**(5,437)**	**(3,051,157)**	**(0)**	**(23,293,569)**	**105,206,844**

- *Share capital*

The Company issued 150,855,693 shares of which 20 held as treasury shares. At 31 December 2021, the Company’s fully subscribed and paid-up share capital amounted to Euro 97,374 thousand.

- *Share premium reserve:*

At 31 December 2021 this item totalled Euro 13,053 thousand (Euro 250,236 thousand at 31 December 2020). The change in this reserve resulted from a reallocation of reserves carried out in compliance with the resolution for the allocation of the Company’s loss.

- *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 2021, this reserve amounted to Euro 19,475 thousand; the change in this reserve resulted from a reallocation of reserves carried out in compliance with the resolution for the allocation of the Company’s loss.

- *Reserve for Treasury Shares:*

At 31 December 2021, the reserve for treasury shares was negative for Euro 736 thousand, unchanged compared to 31 December 2020.

- *Extraordinary reserve:*

The extraordinary reserve, equal to Euro 12,858 thousand at 31 December 2020, was entirely used to cover accumulated past losses.

- *IFRS transition reserve:*

The reserve amounted to Euro 694 thousand at 31 December 2021 and did not change during the year.

- *Fair value reserve:*

At 31 December 2021, the reserve amounted to Euro 1,698 thousand, unchanged compared to 31 December 2020.

- *IAS 19 reserve:*

This reserve at 31 December 2021 totalled approximately Euro 5 thousand, with a change of roughly Euro 31 thousand compared to 31 December 2020.

- *IFRS 9 reserve:*

The reserve was negative for Euro 3,051 thousand at 31 December 2021 and did not change with respect to the previous year end.

- *Retained earnings/(Losses carried forward):*

At 31 December 2021, this item was completely reduced to zero (losses carried forward of Euro 484,955 thousand at 31 December 2020) by using the profit of the previous year, the Share Premium Reserve and the Extraordinary Reserve, as shown in the related table.

- *Profit/(Loss) for the year*

The loss for the year was Euro 23,294 thousand, against the profit of the previous year amounting to Euro 246,036 thousand; reference should be made to the dedicated paragraph "Performance of the Parent" in the Consolidated Financial Statements.

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 31/12/21	Possibility of use	Distribution	Use
Share capital	97,373,554			
Share premium reserve	13,053,151	B		13,053,151
Legal reserve	19,474,711	B		19,474,711
Extraordinary reserve	-	B		-
Translation reserve	-	B		-
Other reserves	(664,926)	B		(664,926)
Retained earnings/(Losses carried forward)	-	B		(0)
Reserve for treasury shares	(736,078)	B		(736,078)
Comprehensive expense	(23,293,569)			
TOTAL	**105,206,844**			

A) For share capital increase B) For covering losses C) For distribution to shareholders

Loss for the year

The loss resulting from the TREVI – Finanziaria Industriale S.p.A. separate financial statements for the year ended 31 December 2021 amounted to Euro 23,293,569. It is proposed to the Shareholders' Meeting to cover the loss for 2021 by fully using the Share Premium Reserve for Euro 13,053,151 and for the remaining part, equal to Euro 10,240,418, the Legal reserve, which following this use, would decrease from Euro 19,474,711 to Euro 9,234,293.

LIABILITIES

NON-CURRENT LIABILITIES

(12) Long-term bank loans and borrowings

Long-term bank loans and borrowings totalled Euro 4,634 thousand at 31 December 2021, marking a decrease with respect to the previous year end, as detailed below.

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Medium/long-term loans	4,634,431	4,660,235	(25,804)
TOTAL	**4,634,431**	**4,660,235**	**(25,804)**

(13) Long-term loans and borrowings from other financial backers

Long-term loans and borrowings from other financial backers at 31 December 2021 amounted to Euro 61,219 thousand, with a decrease of Euro 2,499 thousand compared to the same date of the previous year when they amounted to Euro 63,718 thousand, as detailed below:

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Due to Caterpillar Financial S.A.	8,615,054	9,495,608	(880,554)
Bonds	50,000,000	50,000,000	-
Lease liabilities	2,603,689	4,221,973	(1,618,284)
TOTAL	**61,218,743**	**63,717,581**	**(2,498,838)**

At 31 December 2021, the financial covenants 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	31/12/2021 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 current liabilities					**139,386**	**139,386**

(14) Non-current derivatives

At 31 December 2021, in line with the previous year, the Company did not have non-current derivatives.

(15) Deferred tax liabilities

Deferred tax liabilities totalled Euro 650 thousand at 31 December 2021, marking a decrease of Euro 331 thousand compared to the previous year end when they were Euro 981 thousand.

The following is the detail of the items making up the balance:

DESCRIPTION	31/12/2021	31/12/2020	Change
Taxes for previous years		346,321	(346,321)
Net unrealised exchange gains	649,624	634,390	15,235
TOTAL	**649,624**	**980,711**	**(331,086)**

For the sake of clarity, the item Taxes for previous years was reclassified from the item Deferred tax liabilities to the item Provisions for risks and charges.

(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 2021, post-employment benefits amounted to Euro 636 thousand, with a decrease of approximately Euro 60 thousand compared to the previous year end.

The following table details the changes in this item at 31 December 2021:

DESCRIPTION	Balance at 31/12/20	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 and other changes	Fair value reserve portion	Balance at 31/12/21
Post-employment benefits	**695,344**	281,742	(108,961)	(201,160)	(31,312)	**635,652**

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:

	31/12/2021	31/12/2020
	%	%
Annual technical discount rate	0.98%	0.34%
Inflation rate	1.70%	1.00%
Annual rate of Post-employment benefits	2.50%	2.50%
Turnover	15.00%	15.00%

(17) Provisions for risks and charges

The provision amounted to Euro 14,576 thousand, increasing by Euro 3,612 thousand compared to the previous year end.

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Provisions for risks and charges	14,575,582	10,963,781	3,611,801
TOTAL	**14,575,582**	**10,963,781**	**3,611,801**

The balance mainly consisted of a provision for risks equal to Euro 8,839 thousand related to the risk that the Company will be asked to settle liabilities from the enforcement of guarantees as further specified below, from future charges linked to the assumption of positions attributable to the Water Division arising from the sale of the Oil & Gas Division for Euro 2,823 thousand, from accruals to provisions for guarantees granted to group companies made in accordance with IFRS 9 for Euro 1,015 thousand and from bonuses and charges related to the long-term incentive plan for Euro 1,552 thousand; the plan, approved by the Shareholders on 30 December 2020, is broken down into 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. Reference should be made to note (33) Adjustment to financial assets.

In the second half of 2021, an enforcement of guarantees relating to supply contracts signed between Drillmec S.p.A. and Iraqi Drilling Company occurred, resulting in the following actions:
on 11 August 2021, the Company filed an appeal with the Court of Milan pursuant to Art. 700 of the Italian Code of Civil Procedure instituting the proceeding against Iraqi Drilling Company ("**IDC**"), Trade Bank of Iraqi ("**TBI**"), Intesa Sanpaolo S.p.A., UniCredit S.p.A., Deutsche Bank S.p.A. and Drillmec S.p.A. ("**Drillmec**").
The Company applied for an injunction against the payment of nine first demand guarantees of a total of Euro 8,964,757.79, granted by TBI and the related nine counter-guarantees granted by Deutsche Bank S.p.A., UniCredit S.p.A. and Intesa Sanpaolo S.p.A.
These guarantees and counter-guarantees were originally issued by the banks at the request of Drillmec - at the time part of the Oil & Gas Division of the Company's group of companies, which was sold to the Indian MEIL group on 31 March 2020 - in connection with nine contracts with IDC, a subsidiary of the Iraqi Ministry of Oil, for the supply of soil drilling equipment and related spare parts.
On 9 and 10 August 2021, the banks gave notice to the Company of demand for enforcement of first demand guarantees by IDC and the related counter-guarantees by TBI, making claims for recourse also against the Company. For this reason, as part of the proceedings under Art. 700 of the Italian Code of Civil Procedure, the Company asked the Court to inhibit any recourse of the banks against the Company.
By decree of 13 August 2021, issued without hearing the other side, the Court of Milan temporarily suspended the enforcement of guarantees and counter-guarantees concerned. Subsequently, by order dated 22 October 2021, the Judge revoked their inaudita altera parte decree and dismissed the Company's appeal.
Against this order, the Company filed a complaint under Article 669-*terdecies* of the Italian Code of Civil Procedure on 28 October 2021, which was subsequently rejected by order on 28 January 2022.
Following the filing of the complaint, Deutsche Bank S.p.A., UniCredit S.p.A. and Intesa Sanpaolo S.p.A. paid TBI the amounts covered by the counter-guarantees. As far as is known, Intesa Sanpaolo S.p.A., which had issued a counter-guarantee for USD 144,800.00, exercised a right of recourse against Drillmec.
Also in relation to the facts described above, MEIL (to which the Trevi Group sold in March 2020 all the investments held in Drillmec) claimed to be entitled to receive from the Company the amount of

the guarantees enforced by TBI, totalling approximately Euro 9 million. However, MEIL's claims have been disputed by the Company since they are deemed unfounded by the latter.

Notwithstanding the fact that the aforementioned dispute is at an early stage, the Company believes that the matter originates from a clear fraudulent enforcement by IDC, from which, therefore, there are no compensation obligations of the Company. Nonetheless, in the context of the discussions that the Company is carrying out with Unicredit S.p.A. and Deutsche Bank S.p.A. concerning the New Financial Manoeuvre, in light of the requests made for the setting up of said manoeuvre in consideration of the risk that the Company will be asked to settle the liabilities that could arise from these enforcements given its potential role as counter-guarantor, the Company prudently set aside Euro 8,838,603.41 to the risk provision.

(17.1) Other non-current liabilities

The item includes the measurement at fair value of the loyalty warrant at 31 December 2021, issued in the context of capital increase for Euro 3,639 thousand and for the remaining part of Euro 2,400 thousand linked to the compensation granted ot some former Directors of the Company, under the agreements reached with the former ultimate parent THSE, for a gross amount of about Euro 3 million.

<u>CURRENT LIABILITIES</u>

(18) Trade payables and other current liabilities

At 31 December 2021, trade payables and other current liabilities amounted to Euro 11,518 thousand, increasing by Euro 3,657 thousand compared to the previous year end.

Details of this item are given in the following table:

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Trade payables	9,831,036	6,789,247	3,041,789
Due to social security institutions	284,477	165,967	118,510
Other amounts due	1,402,797	899,269	503,529
Deferred income for leases and other	0	6,510	(6,510)
TOTAL	**11,518,310**	**7,860,993**	**3,657,317**

The increase in trade payables is essentially attributable to the current situation of financial tension generated by the lower actual performance compared to forecasts, also due to the impact of the pandemic.

The breakdown of trade payables by maturity is shown in the following table:

Description	Balance at 31/12/21	Balance at 31/12/20	Change
Not past due	5,313,464	3,579,844	1,733,620
Past due for 1 to 3 months	1,954,559	649,772	1,304,787
Past due for 3 to 6 months	578,535	1,891,766	(1,313,231)
Past due for more than 6 months	1,984,478	667,865	1,316,613
Total	**9,831,036**	**6,789,247**	**3,041,789**

Details of Other amounts due are shown below:

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Due to employees for holidays accrued and not used	802,797	468,388	334,410
Other	600,000	430,881	169,119
TOTAL	**1,402,797**	**899,269**	**503,529**

The item includes Euro 600 thousand linked to the compensation granted to some former Directors of the Company, under the agreements reached with the former ultimate parent THSE, for a gross amount of about Euro 3 million.

At the reporting date, no payment orders were received.

(19) Trade payables and other current liabilities to subsidiaries

At 31 December 2021, trade payables and other current liabilities to subsidiaries amounted to Euro 21,608 thousand, increasing by roughly Euro 2,524 thousand compared to the previous year end mainly attributable to trade payables to subsidiaries.
Details of this item are given in the following table:

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Trade payables to subsidiaries	4,922,242	2,126,407	2,795,835
Liabilities attributable to the share of the profit/loss of UTE TREVI S.p.A. TREVI – Finanziaria Industriale S.p.A. Sembenelli S.r.l. for the "Borde Seco" contract.	2,150,245	2,098,023	52,221
Other liabilities to related parties	75,000	-	75,000
Group tax consolidation liabilities	14,460,477	14,859,527	(399,050)
TOTAL	**21,607,964**	**19,083,957**	**2,524,007**

Trade payables to subsidiaries refer mainly to current trade payables to Trevi S.p.A. and Soilmec S.p.A. - for further details on the increase reference should be made to the note on trade payables - 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 368 thousand at 31 December 2021 (Euro 1,533 at 31 December 2020).

(21) Short-term bank loans and borrowings

At 31 December 2021, short-term bank loans and borrowings amounted to Euro 73,041 thousand, with an increase of Euro 8,527 thousand compared to the previous year end when they amounted to Euro 64,514 thousand.

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Short-term loans	73,040,878	64,513,548	8,527,329
TOTAL	**73,040,878**	**64,513,548**	**8,527,329**

The item Short-term bank loans and borrowings includes the calculation at amortised cost of the rescheduled financial debt based on the effective interest rate at the date of the transaction, in accordance with IFRS 9, determined at the date of effectiveness of the Restructuring Agreement and remeasured at 31 December 2021, leading to a decrease in long-term bank loans and borrowings of about Euro 20,399 thousand. Following the failure to meet the financial covenants under the Restructuring Agreement at 31 December 2021 and in line with the presentation already adopted in the 2020 Annual Report, 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 45,517 thousand at 31 December 2021, with an increase of approximately Euro 534 thousand compared to the previous financial year end.

Below are the details relating to this item:

DESCRIPTION	Balance at 31/12/21	Balance at 31/12/20	Change
Due to Trevi Icos	4,242,379	3,911,662	330,717
Lease liabilities	2,214,572	2,049,756	164,816
Caterpillar financing	880,554	842,055	38,499
Due to SC Lowy Financial	11,653,137	11,653,137	-
Amco Asset Mgmt. Co. S.p.A.	12,010,342	12,010,343	-
Sace S.p.A.	14,515,741	14,515,741	-
TOTAL	**45,516,724**	**44,982,693**	**534,032**

(23) Current derivatives

There were no liabilities linked to current derivatives.

The following is a breakdown of net financial debt:

Net financial debt
(In thousands of Euro)

	Description	**31/12/2021**	**31/12/2020**	**Delta**
A	Cash and cash equivalents	1,551,657	2,813,477	(1,261,820)
B	Other cash equivalents	0	0	0
C	Other current financial assets	57,785,660	57,620,969	164,691
D	**Cash and cash equivalents (A+B+C)**	**59,337,317**	**60,434,446**	**(1,097,129)**
E	Current financial liabilities (including debt instruments)	115,919,920	106,487,386	9,432,534
F	Current portion of non-current debt	2,637,682	3,008,855	(371,173)
G	**Net financial debt (E+F)**	**118,557,602**	**109,496,241**	**9,061,361**
H	**Net current financial debt (G-D)**	**59,220,285**	**49,061,795**	**10,158,490**
I	Non-current financial liabilities	15,853,174	18,377,816	(2,524,642)
J	Debt instruments	50,000,000	50,000,000	0
K	Trade payables and other non-current liabilities			0
L	**Non-current financial debt (I+ J+ K)**	**65,853,174**	**68,377,816**	**(2,524,642)**
M	**Total financial debt (H+L) (as provided for by Consob warning notice No. 5/21 of 29 April 2021)**	**125,073,460**	**117,439,611**	**7,633,848**

Following the agreements reached with the MEIL Group for the sale of the Oil & Gas Division completed on 31 March 2020, the Company provided an interest-bearing loan of Euro 10 million to

MEIL Global Holdings BV, with three-year bullet repayment. Starting from 1 April 2022, this loan will be recognised in current financial assets. Below is the reconciliation with the debt table shown in the Directors' Report.

M	**Total financial debt (H+L) (as provided for by Consob warning notice No. 5/21 of 29 April 2021)**	**125,073,460**	**117,439,611**	**7,633,848**
N	Other non-current financial assets	9,850,455	10,000,000	(149,546)
O	**Total Net Financial Debt (M-N)**	**115,223,005**	**107,439,611**	**7,783,394**

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, these have been presented in the financial statements with a short-term maturity, although the original maturity date of 2024 remains unchanged.

The warrant 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 the Warrants;

- no interest of any kind accrues on this type of liability;

- this liability derives from an instrument that will provide the Company with a capital increase at the time of its possible future exercise.

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 290,983,334.06 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 186,363,118.21 and refer in particular to:
- Bank guarantees for Euro 115,088,824.46 to guarantee cash and unsecured lines of credit 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 67,752,254.20,
- Financial guarantees of Euro 3,522,039.55 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 2021.

(24) Revenue from sales and services

Revenue from sales and services amounted to Euro 11,267 thousand compared to Euro 13,906 thousand in 2020, with a decrease of Euro 2,639 thousand mainly attributable to a lower volume of rentals in 2021 due to the slowdown in activities in certain subsidiaries; the breakdown of revenue by nature is as follows:

DESCRIPTION	31/12/2021	31/12/2020	Change
Revenue from equipment hire	1,253,731	2,621,837	(1,368,106)
Revenue from commission on guarantees	1,723,786	2,209,059	(485,274)
Revenue for services provided to subsidiaries	8,289,250	9,075,312	(786,062)
TOTAL	**11,266,767**	**13,906,209**	**(2,639,442)**

The following is a breakdown by geographical segment of revenue from sales and services:

GEOGRAPHICAL SEGMENT	31/12/2021	%	31/12/2020	%
Italy	7,712,346	68.45%	9,244,380	66.48%
Europe (excluding Italy)	692,842	6.15%	509,936	3.67%
U.S.A. and Canada	374,358	3.32%	748,290	5.38%
Latin America	394,931	3.51%	746,245	5.37%
Africa	14,788	0.13%	5,306	0.04%
Middle East and Asia	899,405	7.98%	1,898,399	13.65%
Far East	1,178,097	10.46%	753,653	5.42%
TOTAL	**11,266,767**	**100%**	**13,906,209**	**100%**

Revenue was almost exclusively generated with group companies, 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 1,357 thousand compared to Euro 1,694 thousand in 2020, with a decrease of Euro 338 thousand, as shown in the table below:

DESCRIPTION	31/12/2021	31/12/2020	Change
Lease income	15,953	113,506	(97,554)
Recovery of expenses	1,024,185	674,079	350,106
Gains on disposal of non-current assets	49,998	110,917	(60,919)
Prior year income	94,250	300,620	(206,370)
Insurance repayments	0	488,838	(488,838)
Other	172,725	6,663	166,062
TOTAL	**1,357,110**	**1,694,623**	**(337,513)**

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.

(26) Raw materials and consumables

The cost of raw materials and consumables amounted to approximately Euro 80 thousand, compared to Euro 74 thousand in 2020 with an increase of Euro 6 thousand.

(27) Personnel expense

Personnel expense amounted to Euro 6,197 thousand compared to Euro 5,579 thousand in 2020, with an increase of roughly Euro 618 thousand. The breakdown of the item is shown below:

DESCRIPTION	31/12/2021	31/12/2020	Change
Wages and salaries	4,398,592	4,362,558	36,033
Social security charges	1,516,376	937,442	578,934
Post-employment benefits	281,742	278,978	2,764
TOTAL	**6,196,710**	**5,578,978**	**617,732**

The changes recorded during the year are shown below:

DESCRIPTION	31/12/2021	Increases	Decreases	31/12/2020
Executives	16	3	1	14
White-collar workers and Managers	48	19	5	34
TOTAL	**64**	**22**	**6**	**48**

(28) Other operating expenses

Other operating expenses amounted to Euro 14,424 thousand compared to Euro 11,140 thousand in 2020, increasing by Euro 3,283 thousand.

This item includes:

DESCRIPTION	31/12/2021	31/12/2020	Change
Costs for third-party services	10,538,225	9,503,983	1,034,243
Use of third-party assets	534,904	148,749	386,155
Other operating costs	3,350,919	1,487,473	1,863,446
TOTAL	**14,424,048**	**11,140,205**	**3,283,843**

The item Other operating costs includes Euro 3,000 thousand, attributable to the compensation already described above granted to former directors of the Company, in the context of the agreements reached with the former parent THSE.

The Costs for third-party services are as follows:

DESCRIPTION	31/12/2021	31/12/2020	Change
Directors’ remuneration	681,264	979,959	(298,694)
Statutory auditors’ remuneration	135,687	147,437	(11,750)
Telephone Service	518,402	598,791	(80,389)
Third-party services, legal, administrative and technical consultancy	5,858,517	4,730,670	1,127,847
Data Centre maintenance	2,620,724	2,048,188	572,536
Food, Accommodation and Travel	18,067	76,988	(58,920)
Insurance companies	597,841	688,743	(90,902)
Advertising inserts and communications	12,918	98,453	(85,535)
INPS contributions for self-employed workers	35,000	58,452	(23,452)
Bank services	4,800	0	4,800
Other	55,005	76,302	(21,297)
TOTAL	**10,538,225**	**9,503,983**	**1,034,243**

The Costs for third-party services amounted to approximately 10,538 thousand (Euro 9,503 thousand in the previous year) with an increase of roughly Euro 1,034 thousand. The increase in the item Third-party services, legal, administrative and technical consultancy is due to the numerous consulting activities, mainly of a legal and financial nature, for which reference should be made to paragraph “Events subsequent to the restructuring transaction”.

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.
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 Costs for use of third-party assets are broken down as follows:

DESCRIPTION	31/12/2021	31/12/2020	Change
Equipment leases	61,432	37,820	23,612
License fees	407,414		407,414
Lease expense	66,058	110,929	(44,871)
TOTAL	**534,904**	**148,749**	**386,155**

For the purpose of better presentation, licence fees have been reclassified under Cost for use of third-party assets as compared to the previous year.

Details of Other operating costs are shown in the following table:

DESCRIPTION	31/12/2021	31/12/2020	Change
Taxes other than income tax	223,873	758,809	(534,936)
Other sundry expenses	3,008,000	301,832	2,706,168
Non-deductible miscellaneous prior year expense	119,045	426,832	(307,786)
TOTAL	**3,350,919**	**1,487,473**	**1,863,446**

The item Other sundry expenses, as described above, includes Euro 3,000 thousand, attributable to the compensation already described above granted to former Directors of the Company, in the context of the agreements reached with the former parent THSE.

(29) Depreciation and amortisation

Depreciation and amortisation amounted to Euro 2,430 thousand compared to Euro 2,735 thousand in 2020 with a decrease of Euro 304 thousand, as detailed below:

DESCRIPTION	31/12/2021	31/12/2020	Change
Amortisation of intangible assets	25,312	32,256	(6,944)
Depreciation of property, plant and equipment	2,404,963	2,702,908	(297,945)
TOTAL	**2,430,275**	**2,735,164**	**(304,889)**

Further details are reported in the comment on Intangible assets and Property, plant and equipment.

(29.1) Provisions and impairment losses

At 31 December 2021, provisions and impairment losses of Euro 9,211 thousand were recognised mainly attributable for Euro 8,839 thousand to provisions for risks as described under paragraph (17) "Provisions for risks and charges" and for the remaining part to the long-term incentive plan and employee bonuses; the loss allowance was released for Euro 313 thousand, following the application of IFRS 9 and an analysis on the recoverability of trade receivables.

DESCRIPTION	31/12/2021	31/12/2020	Change
Loss allowances	(313,111)	(3,935,596)	3,622,485
Net (reversals of) impairment losses on property, plant and equipment	(82,085)	582,000	(664,085)
Other provisions	9,606,326	1,559,970	8,046,356
TOTAL	**9,211,130**	**(1,793,626)**	**11,004,756**

(30) Financial income

Financial income amounted to Euro 4,339 thousand compared to Euro 281,994 thousand in 2020, with a decrease of Euro 277,655 thousand.

The details of this item are shown below:

DESCRIPTION	31/12/2021	31/12/2020	Change
Financial income from non-current financial assets	2,656,436	2,439,154	217,282
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	1,683,062	4,277,487	(2,594,425)
TOTAL	**4,339,499**	**281,994,460**	**(277,654,962)**

The item Other financial income mainly includes financial income deriving from the fair value measurement of the warrant for approximately Euro 1,590 thousand.

(31) Financial expense

The item Financial expense amounted to Euro 13,490 thousand against Euro 25,980 thousand in 2020, marking a decrease of Euro 12,490 thousand mainly due to the item Expense deriving from the recognition of Warrants for Euro 5,229 thousand and from the decrease in interest expense with banks for Euro 9,038 thousand; furthermore, an increase of approximately Euro 2,267 thousand was recognised relating to the calculation at amortised cost of the financial debt determined based on the effective interest rate at the effective date of the Restructuring Agreement.

Details of Financial expense are shown in the following table:

DESCRIPTION	31/12/2021	31/12/2020	Change
Interest expense with banks	3,441,992	12,480,886	(9,038,893)
Financial expense from amortised cost measurement	6,800,113	4,533,408	2,266,704
Expense deriving from the recognition of Warrants	0	5,229,370	(5,229,370)
Fees and commissions on securities	2,055,312	1,022,907	1,032,405
Interest expense with lease companies	192,812	1,008,614	(815,802)
Other financial expense	1,000,000	1,704,747	(704,747)
			-
TOTAL	**13,490,229**	**25,979,932**	**(12,489,703)**

(32) Exchange gains/(losses)

Foreign currency transactions for 2021 led to net exchange losses of Euro 556 thousand, compared to net exchange gains of Euro 735 thousand in 2020, with a worsening equal to Euro 1,291 thousand.

Description	31/12/2021	31/12/2020	Change
Net exchange gains/(losses)	(555,818)	735,451	(1,291,269)
TOTAL	**(555,818)**	**735,451**	**(1,291,269)**

(33) Adjustments to financial assets

During the year, the Company made adjustments to financial assets for a total of Euro 5,422 thousand, of which approximately Euro 5,860 thousand referring to the application of IFRS 9 to financial guarantees to subsidiaries, and Euro 369 thousand to Immobiliare SIAB that is the subsidiary sold in 2021. The difference of Euro 10,385 thousand related to the item Adjustments refers to the release of the provision for financial guarantees and is due to the performance of both Credit Default Swaps

(CDS) and Probability of Default (PD) which decreased in 2021; moreover, a new provider is currently being used.

DESCRIPTION	31/12/2021	31/12/2020	Change
		-	-
Impairment losses on financial assets which are not equity investments	1,770,617	59,850	1,710,767
Impairment losses on equity investments	368,975	1,178,128	(809,152)
Use of loss allowance	(1,701,710)	(3,224,916)	1,523,206
Adjustments	(5,859,700)	4,525,071	(10,384,771)
TOTAL	**(5,421,818)**	**2,538,133**	**(7,959,950)**

(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 709 thousand compared to an income tax expense of Euro 4,311 thousand in 2020, with a decrease of Euro 5,021 thousand mainly attributable to a reduction 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 a tax consolidation income amounting to Euro 699 thousand; the breakdown of this item is shown below:

DESCRIPTION	31/12/2021	31/12/2020	Change
Corporate Income Tax (IRES)	(699,214)	1,364,506	(2,063,720)
Regional Business Tax (IRAP)		1,533,664	(1,533,664)
Taxes for previous years	(25,293)	(53,078)	27,785
Discontinued operations		(116,745)	116,745
Deferred tax income		1,416,754	(1,416,754)
Deferred tax expense	15,235	166,206	(150,971)
TOTAL	**(709,272)**	**4,311,307**	**(5,020,579)**

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				
	31/12/2021	%	**31/12/2020**	%
Profit/(loss) before taxes	**(24,002,841)**		**250,347,274**	
Taxes calculated at the tax rate in force	**(5,760,682)**	**24.00%**	**60,083,346**	**24.00%**
Permanent differences	5,036,176	(20.98%)	(58,771,918)	(23.48%)
Temporary differences	15,234	(0.06%)	1,582,960	0.63%
Discontinued operations		-	(116,745)	
Regional business tax (IRAP)		-	1,533,664	

Total Income Tax benefit/expense recognised in the Statement of Profit of Loss	**709,272**	**(2.95%)**	**(4,311,307)**	**(1.72%)**

(35) Profit/(loss) for the year

Loss for the year

The loss for the year ended 31 December 2021 amounted to Euro 23,294 thousand (compared to a profit of Euro 246,036 thousand in 2020), the equity at 31 December 2021 amounted to Euro 105,207 thousand (Euro 128.5 million at 31 December 2020). The year 2021 showed a negative trend in terms of operating loss of Euro 19,719 thousand (compared with the operating loss for the previous year of Euro 643 thousand). The loss from continuing operations amounted to Euro 23,294 thousand (compared to a profit of Euro 249,257 thousand in 2020).

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 31/12/2021

Amounts expressed in thousands of Euro

Current financial assets from subsidiaries	31/12/2021	31/12/2020	Change
Trevi S.p.A.	17,383	17,383	0
Soilmec S.p.A.	40,248	38,548	1,700
Other	155	1,690	(1,535)
TOTAL	**57,786**	**57,621**	**165**

Trade receivables and other current assets from subsidiaries	31/12/2021	31/12/2020	Change
Trevi S.p.A.	19,702	21,220	(1,517)

Soilmec S.p.A.	12,921	13,369	(449)
Other	17,255	19,557	(2,302)
TOTAL	**49,878**	**54,146**	**(4,268)**

Financial liabilities and other current liabilities to subsidiaries	31/12/2021	31/12/2020	Change
Trevi Icos Corporation	4,238	3,912	326
Other	4.3		4
TOTAL	**4,242**	**3,912**	**331**

Trade payables and other current liabilities to subsidiaries	31/12/2021	31/12/2020	Change
Trevi S.p.A.	10,014	9,385	630
Soilmec S.p.A.	6,911	5,574	1,338
Other	4,683	4,126	557
TOTAL	**21,608**	**19,084**	**2,524**

Revenue from sales and services	31/12/2021	31/12/2020	Change
Trevi S.p.A.	4,402	5,877	(1,475)
Soilmec S.p.A.	2,868	2,586	283
Other	3,842	4,795	(953)
TOTAL	**11,112**	**13,257**	**(2,145)**

Consumption of raw materials and external services	31/12/2021	31/12/2020	Change
Trevi S.p.A.	215	197	18
Soilmec S.p.A.	187	460	(273)
Drillmec S.p.A.			0
Petreven S.p.A.			0
Other	111	17	94
TOTAL	**513**	**674**	**(161)**

Financial income	31/12/2021	31/12/2020	Change
Trevi S.p.A.	370	666	(296)
Soilmec S.p.A.	911	1,595	(684)
Drillmec S.p.A.			0
Petreven S.p.A.			0
Other	61	178	(117)
TOTAL	**1,342**	**2,439**	**(1,097)**

Transactions with related parties are carried out at normal market conditions.

Trade receivables and other current assets from related parties	31/12/2021	31/12/2020	Change
PARCHEGGI S.P.A.		38	(38)
TOTAL	**-**	**38**	**(38)**

	0.00%	0.00%	
Trade Payables and other current liabilities to related parties	**31/12/2021**	**31/12/2020**	**Change**
PARCHEGGI S.P.A.		-	-
TOTAL	**-**	**-**	**-**

Revenue from sales and services	2021	2020	Change
PARCHEGGI S.P.A.		34	(34)
TOTAL	**-**	**34**	**(34)**
	0.00%	0.00%	

Remuneration of Directors and Statutory Auditors

The Board of Directors of Trevi – Finanziaria Industriale S.p.A. in office at the date of the 2021 Separate Financial Statements was appointed at the Shareholders' Meeting of 30 September 2019 for the years 2019 - 2020 - 2021. Pursuant to the Consob regulation, the remunerations settled and/or paid to the Directors and Statutory Auditors of the Company are detailed below:

Name	Office	Remuneration for the office	Other remuneration
Luca d'Agnese	Chairman of the Board of Directors	40,000	-
Cesare Trevisani	Deputy Chairman	100,000	-
Giuseppe Caselli	Chief Executive Officer	-	531,208
Sergio Iasi	Chief Executive Officer	40,000	150,000
Luca Caviglia- until 2 March 2021	Non-executive Board director	6,666	-
	Member of Control, Risks and Sustainability Committee	3,716	-
Tommaso Sabato – as of 2 March 2021	Non-executive Board director	33,333	-
	Member of Control, Risks and Sustainability Committee	18,583	-
Marta Dassù	Non-executive and independent Board Director	40,000	-
	Chairperson of Related Party Committee	14,400	-
Cristina Finocchi Mahne	Non-executive and independent Board Director	40,000	-
	Member of Appointments and Remuneration Committee	13,300	-
	Member of Control, Risks and Sustainability Committee	22,300	-
Elisabetta Olivieri	Non-executive and independent Board Director	40,000	-
	Chairperson of Appointments and Remuneration Committee	19,000	-
	Member of Related Party Committee	11,300	-
Alessandro Piccioni	Non-executive and independent Board Director	40,000	-
	Member of Appointments and Remuneration Committee	13,300	-
Rita Rolli	Non-executive and independent Board Director	40,000	-

	Chairperson of Control, Risks and Sustainability Committee	28,300	-
	Member of Related Party Committee	11,300	-
Cinzia Farisè	Non-executive and independent Board Director	40,000	-
		615,498	**681,208**

The other remuneration refers to the salaries paid to Directors as employees of the Company at 31 December 2021 and at 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.

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**
Marco Vicini	Chairman	12	50,000
Raffaele Ferrara	Standing Auditor	12	40,000
Mara Pierini	Standing Auditor	12	40,000
Total			**130,000**

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.	230,289	35,939	266,228
Total	**230,289**	**35,939**	**266,228**

Events after the reporting period

During the first three months of the year, the Group acquired orders for approximately Euro 237 million, compared to Euro 110.7 million acquired in the same period of 2021. The Trevi Division, in particular, acquired orders for Euro 180.4 million (Euro 74.7 million in the same period of 2021), while the Soilmec Division acquired orders for Euro 61.1 million (Euro 37.7 million in the first quarter of 2021). The Group’s order backlog at 31 March 2022 amounted to Euro 585 million, a significant

increase compared to Euro 329 million at 31 March 2021 (Euro 317 million at 31 December 2020 and Euro 455 million at 31 December 2021).
The Trevi Group's performance trend in the first few months of the year in terms of order intake, production revenue and *backlog* was substantially in line with the forecasts for the first year of the New Consolidated Plan as approved by the Board of Directors on 18 May 2022, which was updated considering the period 2022-2026 as the timeframe, as well as with the incorporation of the accounting figures at 31 December 2021 and certain prudential elements in the plan years.
The Group's net financial debt at 31 March 2022 was approximately Euro 266 million, an increase compared to Euro 251.8 million recognised at the end of 2021 due both to the seasonality of the Group's performance and to certain delays in the granting of guarantees by banks, which led to delays in collections from customers.
During the first quarter, discussions continued with the Lending Banks that are parties to the Restructuring Agreement that began in February 2021 following the failure, due to the impact of Covid-19, to meet the financial covenants at 31 December 2020 established in the Restructuring Agreement. Following the presentation to the Lending Banks, on 22 December 2021, of the guidelines of a possible New Financial Manoeuvre and the simultaneous request to extend to 30 April 2022 the duration of the Standstill Agreement, said Agreement expired on 31 December 2021 and was not formally renewed. However, the parties have continued the relevant negotiations in relation to the New Financial Manoeuvre, and are operating under a "*de facto*" standstill regime, as evidenced by the fact that the Lending Banks not only have not exercised (nor expressed their intention to exercise) the remedies provided for in the Restructuring Agreement to date, but in addition to pursuing the aforementioned negotiations on the new manoeuvre hypothesis, they continued to support the Group by not reducing the utilisation of the self-liquidating lines and by allowing the issuance of certain guarantees identified as urgent by the Company in the context of the projects to which the Group companies are party, and by continuing to make cash lines of credit available.
The above-mentioned discussions are aimed at defining the New Financial Manoeuvre with the Lending Banks, as well as finalising the New Agreement that will implement its contents. In addition, on 26 April 2022, the Company's Board of Directors approved an updated version of the guidelines of the New Financial Manoeuvre, which differs from the one presented last December mainly in the following aspects: (**i**) the reduction of the amount of bank debt subject to conversion from Euro 60 million to a minimum of Euro 20 million; and (**ii**) the subordination and deferment of a portion of the bank debt up to a maximum of Euro 40 million, leaving the Lending Banks the choice between conversion and subordination of the related loans.
After having installed the new SAP information system at Trevi Finanziaria Industriale S.p.A., Trevi

S.p.A. and Soilmec S.p.A., in the first quarter of the year work continued to extend the new information system to 7 other companies and permanent establishments abroad.

Cesena, 29 June 2022

The Chairman of the Board of Directors

Luca d'Agnese

Statement on the Separate Financial Statements pursuant to Art. 154-*bis* of Italian Legislative Decree No. 58/98

1. The undersigned Giuseppe Caselli, Chief Executive Officer, and Massimo Sala, Director of Administration, Finance and Control as Manager in charge of financial reporting of the Trevi Group, hereby state, also taking into account the provisions of Art. 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree 24 February 1998, No. 58:

- the adequacy in relation to the characteristics of the company; and
- the effective application

of the administrative and accounting procedures for drafting the separate financial statements during the 2021 financial year.

2. It is also stated that:

2.1 The Separate Financial Statements at and for the year ended 31 December 2021:

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 TREVI - Finanziaria Industriale S.p.A.

2.2The Directors' report contains references to important events that occurred during the year and their impact on the separa 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, 29 June 2022

[signed on the original]	[signed on the original]
- - - - - - - - - - - - - - -	- - - - - - - - - - - - - -
Giuseppe Caselli	Massimo Sala
Chief Executive Officer	*Manager in charge of financial reporting*

KPMG S.p.A.
Revisione e organizzazione contabile
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(The accompanying translated separate financial statements of Trevi Finanziaria Industriale S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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 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 2021, 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 2021 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 business plan updated to cover the 2022-2026 period (the "new consolidated plan");

— comparing the above main assumptions to the company's and group's historical data and external information, where available;

— checking the directors' assessments of the new consolidated plan's adequacy to enable the company's and the group's financial rebalancing;

— obtaining and understanding the directors' analyses of the estimated impact of the current international geopolitical tensions and the evolution of the public health emergency on the new consolidated plan and, therefore, on the going concern assumption;

— analysing the guidelines of the financial manoeuvre sent to the banks on 9 June 2022 (the "new financial manoeuvre") and their consistency with the new consolidated plan;

— analysing the correspondence with the lending banks about the agreement on the new financial manoeuvre;

— 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.

In addition to that described in the "*Material uncertainty about going concern*" section, we have identified the following key audit matters to report herein:

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. 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 new consolidated plan. Moreover, the directors determined the recoverable amount of the loans with those subsidiaries based on the expected cash flows set out in the above new consolidated plan. Impairment testing and assessing the recoverability of loans require a high level of judgement, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector and the actual cash flows generated by the subsidiaries' businesses in recent years; — the financial parameters to be used to discount the above cash flows. For the above reasons, we believe that the recoverability of the carrying amount of investments in subsidiaries and loans granted thereto is a key audit matter.	Our audit procedures, which also involved our own specialists, included: — understanding the process adopted to prepare the impairment test; — understanding the process adopted to prepare the new consolidated plan from which the expected cash flows used for impairment testing and assessing the recoverability of loans have been derived; — analysing the reasonableness of the assumptions used by the directors to prepare the new consolidated plan; — comparing the cash flows used for impairment testing and to assess the recoverability of loans to the cash flows forecast in the new consolidated plan; — assessing the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — checking any discrepancies between the most recent actual figures and the new consolidated plan forecasts and understanding the underlying reasons; — assessing the appropriateness of the disclosures provided in the notes about investments in subsidiaries, loans to subsidiaries 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 on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

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 2021 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2021 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 2021 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, 20 July 2022

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

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