PetrolValves S.p.A. with Sole Shareholder

Registered Office in Milan, Viale Luigi Majno 17/A
Share Capital € 2,500,000.00
Tax Code, VAT and Registration Number in the Register of Companies of Milan no. 00214740128
Economic and Administrative Index of Milan no. 1374835

Consolidated Financial Statements for the financial year ended on 30 November 2021

I confirm the translated English copy is a true and accurate translation of the original document

14th June 2022
On behalf of the Board of Directors The CEO
Eng. Tortelli Cristiano

Corporate Positions and Company Top Management

BOARD OF DIRECTORS

President Mr. Jeremy
Abson **Chief Executive Officer** Mr.
Cristiano Tortelli **Director** Mr. Mario
Cesari
Director Mr. Peter Baumgartner

BOARD OF STATUTORY AUDITORS

President	Mr. Emilio Corrà
Regular Members	Mr. Massimo Gentile, Mr. Quirino Walter Imbimbo

LEGAL AUDITOR

Auditing Firm	Ria Grant Thornton S.p.A.

COMPANY TOP MANAGEMENT

Chief Executive Officer	Mr. Cristiano Tortelli

TABLE OF CONTENTS

Consolidated Financial Statements of PetrolValves S.p.A. for the financial year ended on 30 November 2021

Consolidated Income Statement

(in thousands of EUR)	Notes	Financial year as at 30 November 2021	2020
Revenues	5	137031	196902
Costs for raw materials, consumables and goods	6	(53382)	(77723)
Costs for services	7	(42864)	(51227)
Costs for staff	8	(45272)	(48087)
Other operating expenses	9	657	(8462)
Net write-downs of trade and other receivables	10	(81)	(29)
Depreciation and impairment	11	(248772)	(27637)
Operating income		**(252683)**	**(16263)**
Net financial income (charges)	12	(5181)	(4922)
Profit before tax		**(257864)**	**(21185)**
Income taxes	13	5864	21209
Net financial result		**(252000)**	**24**
of which:			
- Net profit (loss) for the financial year in charge of the Group		*(251916)*	*257*
- Profit (loss) for the financial year in charge of Third Parties		*(84)*	*(233)*

Comprehensive Consolidated Income Statement

(In EUR)	Financial year ended on 30 November 2021	2020
Net financial result	**(252000)**	**24**
Actuarial profit/(loss) for Employee benefits	124	(249)
Actuarial profit/(loss) for Employee benefits - tax effect	(30)	47
Other income items that will not be reclassified to the Income Statement in subsequent financial years	**94**	**(202)**
Profit/(loss) from exchange differences on the conversion of assets and liabilities of consolidated companies in functional currencies other than the EUR	(317)	53
Profit/(loss) from exchange differences on the conversion of assets and liabilities of consolidated companies in functional currencies other than the EUR - tax effect	76	(20)
Other income items that will be reclassified to the Income Statement in subsequent financial years	**(241)**	**33**
Other items of the total income	**(147)**	**(169)**
Total overall net profit (loss) for the financial year	**(252147)**	**(145)**
of which:		
- Overall net profit (loss) for the financial year in charge of the Group	*(252063)*	*88*
- Overall net profit (loss) for the financial year in charge of Third Parties	*(84)*	*(233)*

Consolidated Balance Sheet and Financial Position Statement

	Notes	as at 30	November
(in thousands of EUR)		**2021**	**2020**
Property, plant and machinery	14	47135	46125
Goodwill	15	23477	256977
Intangible assets	16	64621	73176
Deferred tax assets	32	28900	21036
Non-current financial assets		340	
Total non-current assets		**164473**	**397314**
Inventories	17	47389	42511
Trade receivables	18	126074	132566
Current deferred tax receivables	19	1219	6442
Other current	20	4695	5056
Cash and cash equivalents	22	25142	89005
Total current assets		**204520**	**275580**
Non-current assets held for sale	21	0	4859
Total financial assets		**368993**	**677753**
Share Capital	23	2500	2500
Reserves and retained earnings	23	428644	428534
Net profit (loss) for the financial year in charge of the Group	23	(251916)	257
Total Group equity		**179228**	**431291**
Third party Shareholders' equity	23	496	24
Total net equity		**179724**	**431315**
Non-current financial liabilities	24	5732	42361
Employee benefits	25	2860	3296
Provisions for risks and charges	26	4921	13214
Liabilities for deferred taxes	27	2725	1456
Other non-current liabilities	29	4595	5429
Total non-current liabilities		**20833**	**65756**
Trade payables	28	45236	56844
Current deferred tax payables	31	1478	2037
Current financial liabilities	29	76416	76415
Other current liabilities	29	45306	45386
Total current liabilities		**168436**	**180682**
Total liabilities		**189269**	**246438**
Total liabilities and equity		***368993***	***677753***

Consolidated Cash Flow Statement

	Financial year ended on 30 November	
(in thousands of EUR)	**2021**	**2020**
Profit before tax	**(257864)**	**(21186)**
Adjustments for:		
Depreciation and impairment	248772	27637
Provisions for risks and write-downs	9943	9099
Net financial (income)/charges	5125	4862
Other non-monetary changes	-	66
Cash flow generated/(absorbed) from operating activities before changes in net working capital	**5976**	**20478**
Change in inventories	(4878)	1931
Change in trade receivables	4842	(30250)
Change in trade payables	(11608)	15278
Current taxes	5223	(661)
Deferred tax	1269	(23592)
Changes in other assets and liabilities	(3112)	32850
Changes in provisions for risks and charges	(16586)	(614)
Change in other assets/liabilities	(13206)	7983
Pledged account	(340)	
Payment of Employee benefits	(637)	(396)
Interest paid	(3455)	(1014)
Paid taxes	-	-
Net cash flow generated/(absorbed) from operating activities	**(23306)**	**14010**
Investments in tangible assets	(5175)	(13312)
Investments in intangible assets	1444	(126)
Disposals of tangible and intangible assets	-	5,787
Investments in shares	-	-
Dividends received	-	-
Net cash flow generated/(absorbed) from investment activities	**(3731)**	**(7651)**
New issues of long-term loans	40000	35000
Repayments of long-term loans	(77492)	(348)
(Decrease)/increase in short-term loans	-	(5807)
Increase/(decrease) in leasing liabilities	-	-
Dividends paid	666	-
Net cash flow generated/(absorbed) from financial activities	**(36826)**	**28845**
Total change in cash and cash equivalents	(63863)	35204
Cash and cash equivalents at beginning of year	89005	53801
Cash and cash equivalents at end of year	**25142**	**89005**

Statement of Changes in Consolidated Shareholders' Equity

(in thousands of EUR)	**Share Capital**	**Reserves and *retained* earnings**	**Net profit (loss) for the financial *year in* charge of *the Group***	**Total shareholders' equity attributable to the Group**	**Third party Shareholders' equity**	***Total net* equity**
As at 30 November 2019	**2500**	**437083**	**(8380)**	**431203**	**279**	**431482**
Net financial result			257	**257**	*(233)*	**24**
Other items of the total income	-	(169)	-	**(169)**		**(169)**
Total overall net profit (loss) for the financial year	**-**	**(169)**	**257**	**88**	**(233)**	**(145)**
Profit (loss) allocation		*(8380)*	*8380*	-		-
Dividends paid	-	-	-	-		-
Other changes	-	-	-	-	(22)	**(22)**
As at 30 November 2020	**2500**	**428534**	**257**	**431291**	**24**	**431315**
Net financial result	-	-	(251916)	**(251916)**	(84)	**(252000)**
Other items of the total income	-	(147)	-	**(147)**		**(147)**
Total overall net profit (loss) for the financial year	**-**	**(147)**	**(251916)**	**(252063)**	**(84)**	**(252147)**
Profit (loss) allocation	-	257	(257)	-		-
Dividends paid	-	-	-	-		-
Other changes	-	-	-	-	556	**556**
As at 30 November 2021	**2500**	**428644**	**(251916)**	**179228**	**496**	**179724**

NOTES TO THE CONSOLIDATED ACCOUNTING STATEMENTS

1. General information

The Company PetrolValves S.p.A. (hereinafter referred to as the "**Company**" or the "**Parent Company**") and its subsidiaries (hereinafter jointly referred to as the "**Group**") mainly work in the design and manufacture of valves, actuators, gate valves and accessories for the oil, chemical and petrochemical industries.

The Company is incorporated and domiciled in Italy, with registered office in Milan, viale Luigi Majno 17/a, and organized according to the legal system of the Italian Republic.

As at 30 November 2020 the share capital of the Group, equal to € 2,500,000, is held wheelbase for by TBG Holdings (Energy) BV.

*****

These Consolidated Financial Statements have been approved by the Company's Board of Directors on 28 April 2022, and are subject to complete auditing by the Auditing Firm RIA Grant Thornton.

2. Summary of accounting principles

These Consolidated Financial Statements have been prepared in accordance with international accounting standards; the section in item 2.1. details a description of the most relevant accounting principles adopted for the preparation of the Consolidated Financial Statements for the year ended on 30 November 2020 (hereinafter referred to as the "**Consolidated Financial Statements**").

These principles have been applied consistently for all the financial years shown, unless otherwise detailed.
While formulating these accounting registration rules, reference was made as much as possible to the provisions contained in the International Accounting Standards and the related interpretations that deal with similar cases.

2.1. Preparation base

Starting from the previous financial year ended on 30 November 2019, the Group avails itself of the option provided by Legislative Decree No. 38 of 28 February 2005, thus applying the International Financial Reporting Standards (hereinafter referred to as "**IFRS" or "International Accounting Standards**") issued by the International Accounting Standards Board (hereinafter referred to as IASB) and adopted by the European Commission according to the procedure set out in Art. 6 of (EC) Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

These Consolidated Financial Statements have been drawn up on the assumption of business continuity, as the Directors have verified that there are no financial, managerial or other indicators that could signal critical issues regarding the Group's ability to meet its obligations in the foreseeable future and especially in the next 12 months.

Due to the conditions of the financial markets, the effective economy and the still uncertain forecasts made with reference to the short-/medium-term due to the Pandemic COVID 19 situation, the Group, taking into account the information provided on several occasions by various regulatory bodies, also carried out a careful and thoughtful examination of the potential impacts deriving from the pandemic, thus using the appropriate precautions in the valuation methods adopted, carrying out consistency checks on the possibility/probability of effective achievement of the goals established in the business plan prepared by the Top Management underlying the impairment test.

The Consolidated Financial Statements that we will illustrate to you consist of the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Shareholders' Equity and the Cash Flow Statement, and are also accompanied by the Directors' Report on operations.

The accounting principles adopted for the preparation of these Consolidated Financial Statements, with reference to the phases of classification, registration, evaluation and cancellation of financial assets and liabilities, as well as the methods for registering revenues and costs, have remained unchanged with respect to those adopted for the preparation of the 2020 Consolidated Financial Statements.

The description of the methods by which the Group manages financial risks is contained in the following Note 3 relating to "Financial risk management".

2.2. Form and content of the accounting schedules

The Consolidated Financial Statements and the related classification criteria adopted by the Group are detailed below, within the options provided by IAS 1 "Presentation of the Consolidated Financial Statements":

- The *Balance Sheet and Financial Position Statement* have been prepared by classifying assets and liabilities according to the "current/non-current" criterion;
- The *Income Statement* was prepared by classifying operating costs by nature;
- The *Comprehensive Income Statement*, in addition to the result for the period resulting from the Income Statement, includes income and costs that are not accounted for in the Income Statement for the period as required by IFRSs;
- The *Cash Flow Statement* has been prepared by exposing the cash flows deriving from operating activities according to the "indirect method".

While preparing the Consolidated Financial Statements for the financial year, the items not valued both in the current and in the previous financial year are not shown.

In the Income Statement and in the related section of the Notes, revenues are indicated without a sign, while costs are indicated in brackets.

In the Statement of Comprehensive Income, negative amounts are indicated in brackets.

The schedules are drawn up in thousands of EUR.

Any differences found between the information provided in the Notes to the accounts and the Consolidated Financial Statements are attributable to rounding.

To provide a better representation of the Balance Sheet, the *Deferred Tax Liabilities has been reclassified from Deferred Tax Liabilities to Deferred Tax Assets* item has been reclassified.

For representative consistency, the reclassification of the item was made both for the financial year in question and in the previous one.

2.3. Consolidation criteria and methods

The Consolidated Financial Statements include the equity, economic and financial situation of the Group Parent Company and the companies controlled by it, approved by the respective BoDs, and prepared on the basis of the relevant accounting situations and, where applicable, appropriately adjusted to bring them into compliance with IFRSs.

The consolidation area is shown in Annex 1 to these Consolidated Financial Statements.

The criteria adopted by the Group for defining the consolidation area and the related consolidation principles are described below.

(i) <u>*Subsidiaries*</u>

An investor controls an entity when it is: i) exposed or entitled to participate, in the variability of the related economic returns and ii) is able to exercise its decision-making power over the relevant activities of the entity in order to influence these returns. The existence of the control is verified every time that facts and/or circumstances show a change in one of the above-mentioned items qualifying the control.

Subsidiaries are consolidated on a line-by-line basis from the date on which control was acquired and cease to be consolidated from the date on which control is transferred to Third Parties. The Financial Statements of all subsidiaries have an end date that coincides with that of the Parent Company.

The criteria adopted for line-by-line consolidation are as follows:

- the assets and liabilities, charges and income of the controlled entities are taken on line by line, attributing to the Minority Shareholders, where applicable, the share of Shareholders' equity and the net profit (loss) of the period due to them; these portions are highlighted separately in the context of equity and the Comprehensive Income Statement;

- the profits and losses, including the related tax effects, deriving from transactions carried out between companies consolidated on a line-by-line basis and not yet realized against Third Parties, are eliminated, except for losses that are not eliminated if the transaction provides evidence of an impairment of the transferred asset. Furthermore, the mutual debt and credit relationships, costs and revenues, as well as financial charges and income are eliminated;

- in the presence of shareholdings acquired after taking control (purchase of Third-Party interests), any difference between the purchase cost and the corresponding fraction of net equity acquired is accounted for in the Group's equity; similarly, the effects of the sale of minority interests without loss of control are accounted for in equity.

- in the event of the sale of equity interests that result in the loss of control, the Group:

    - eliminates the assets (including goodwill) and the liabilities of the Group at their book value on the date of loss of control;
    - eliminates the book value of minority interests on the date of loss of control (including the accumulated value of the other items of the Complex Income Statement attributable to them);
    - accounts for the fair value of the proceeds from the transaction that result in the loss of control;
    - detects any residual investment held at fair value on the date of loss of control. The value of any investment held, aligned with its *fair value* on the date of loss of control, represents the new registration value of the investment, which also constitutes the reference value for its subsequent evaluation according to the applicable evaluation criteria;
    - reclassifies, in the Consolidated Income Statement, any values accounted for in the other items of the overall profit (loss) relating to the Investee whose control has ceased so that the reversal to the Income Statement is envisaged. If their reversal to the Income Statement is not envisaged, these values are transferred to the Shareholders' equity item titled "Retained earnings reserves".
    - accounts for the resulting difference in the Consolidated Income Statement as profit or loss attributable to the Parent Company.

(ii) <u>Business combinations</u>

Business combinations under which control of a business is acquired are accounted for in accordance with IFRS 3, applying the so-called *acquisition method*. In particular, the identifiable assets acquired, the liabilities and the potential liabilities taken over are accounted at their current value on the date on which control is acquired, except for the deferred tax assets and liabilities, the assets and liabilities relating to Employee benefits and assets held for sale that are recorded on the basis of the relevant accounting standards. The difference between the acquisition cost and the current value of the assets and liabilities, if positive, is recorded in intangible assets as goodwill, or, if negative, after having re-checked the correct measurement of the current values of the assets and liabilities acquired and the cost of acquisition, is accounted for directly in the Consolidated Income Statement, as income. When the determination of the values of the assets and liabilities of the acquired *business* is made is made provisionally, it must be completed within a maximum period of twelve months from the acquisition date, thus taking into account only the information relating to facts and circumstances existing on the Acquisition Date. In the financial year in which the above-mentioned determination is concluded, the provisionally measured values are adjusted retrospectively. Accessory charges to the transaction are accounted for in the Consolidated Income Statement when they are incurred.

The acquisition cost is represented by the *fair value* on the Acquisition Date of the transferred assets, the liabilities taken over and the equity instruments issued for the purposes of the acquisition, and also includes the potential consideration, i.e., that part of the fee whose amount and whose disbursement are dependent on future events. The potential fee is accounted for on the basis of the *fair value* on the Acquisition Date and subsequent changes in the fair value are accounted for in the Consolidated Income Statement if the potential consideration is a financial asset or liability, while the potential consideration classified as equity are not defined again and the subsequent extinction is accounted for directly in equity.

In the case of taking control in subsequent stages, the purchase cost is determined by adding the *fair value* of the equity investment previously held in the Acquiree and the amount paid for the additional share. Any difference between the *fair value* of the equity investment previously held and the related book value is accounted for in the Consolidated Income Statement. Upon taking control, any amounts previously accounted for in the other items of the overall profit (loss) are accounted for in the Income Statement, or in another item of equity, if reclassification to the Income Statement is not envisaged.

Business combinations whereby the participating companies are controlled by the same entity or by the same entities both before and after the business combination, for which control is not transitory, are classified as "*under common control*" transactions. These transactions are not governed by IFRS 3, nor by other IFRSs. In the absence of a reference accounting principle, the choice of the accounting representation method of the operation must guarantee compliance with the provisions of IAS 8, i.e., the reliable and faithful representation of the operation. Furthermore, the accounting standard chosen to represent "under common control" transactions must reflect their economic substance, regardless of their legal form. The existence of economic substance is therefore the key element that guides the method to be followed for the accounting of the transactions in question. The economic substance must refer to a generation of added value that results in significant changes in the cash flows of the net assets transferred. In the context of the accounting recording of the operation, it is also necessary to consider the current interpretations and guidelines; in particular, reference is made to what is regulated by OPI 1 (Revised) (Assirevi Preliminary Guidelines on IFRS), relating to the "*accounting treatment of business combination of entities under common control* in the Separate and Consolidated Financial Statements." The net assets transferred must therefore be accounted for at the book values that they had in the Company being acquired or, if available, at the values resulting from the Consolidated Financial Statements of the common Parent Group.

(iii) <u>*Joint control agreements*</u>

In accordance with the provisions of IFRS 11 - Joint control agreements, investments in joint control agreements can be classified as joint control activities or as *joint ventures*. This classification depends on the rights and contractual obligations of each Investor, rather than on the basis of the legal structure of the joint control agreement.

A jointly controlled arrangement is a jointly controlled arrangement wherein the Parties that have joint control have rights over the assets and obligations for the liabilities relating to the agreement. A *joint venture* is a joint control arrangement wherein the Parties that have joint control have rights over the net assets of the agreement.

An Investor in a jointly controlled arrangement must note, with reference to his/her participation in a jointly controlled arrangement, the following:

- own assets, including the share of jointly owned assets;
- own liabilities, including the portion of liabilities taken over jointly;
- the revenues deriving from the sale of own production quota by the jointly controlled arrangement;
- own share of revenues from the sale of production by the jointly controlled arrangement;

- own costs, including the share of the costs incurred jointly.

An Investor in a *joint venture* must disclose his/her interest in the joint venture as an equity investment, initially accounted for at cost. Subsequently, this investment must be valued using the equity method.

2.4. Assessment criteria

The most significant accounting principles and assessment criteria used for the preparation of the Consolidated Financial Statements are briefly described below.

Consolidated Balance Sheet and financial position

Intangible assets

Intangible assets concern identifiable assets without physical substance, controlled by the Group and capable of generating future economic benefits, as well as goodwill when acquired for consideration. Identifiability is defined with reference to the possibility of distinguishing the intangible asset acquired from goodwill. This requirement is normally met when:

- the intangible asset is attributable to a legal or contractual right; or
- the asset is separable, that is, it can be sold, transferred, rented or exchanged independently or as an integral part of other assets.

Intangible assets are entered at their purchase or production cost inclusive of directly attributable accessory charges necessary to make the activities ready for use. Revaluations are not allowed, not even in application of specific laws.

Intangible assets with a defined useful life are systematically amortized over their useful life intended as the estimate of the period in which the assets will be used by the Group.

Goodwill

Goodwill is classified as an intangible asset with an indefinite useful life and is initially accounted for at cost and, subsequently, subjected to evaluation, at least annually, or more frequently, in the presence of indicators that may suggest that it may have suffered any impairment ("*Impairment test*"). Restoration of value is not allowed in the event of a previous write-down for impairment. The profits and losses deriving from the sale of an asset include the book value of the goodwill relating to it.

The *impairment test* is performed with reference to each of the cash generating units ("**Cash Generating Units**", "**CGU**") to which the goodwill has been allocated. The attribution is made to those assets or groups of assets, which generate cash and which are expected to benefit from the business combination in which the goodwill arose. The CGUs are identified at the minimum level of production of identifiable and divisible financial flows by the entity.

The industrial plan used for the execution of the impairment test represents the best estimate of management on the evolution of future results on the basis of available information. The projections developed for the purposes of the business plan have been prepared considering, among other things:

- the indications of the reference international market in which the Group works;
- the current context of reference of the Group, also influenced by the events that characterized the management during 2021 and by the phenomena related to the Covid-19 pandemic;
- the final economic and financial performances of the last few years, as well as the budget data for 2021;
- the backlog of the Group as at 30.11.2021 as well as the expected order intake for 2022.

Furthermore, in the context of the assessments adopted for the formulation of various hypotheses, the recommendations envisaged by the regulatory principles were taken into account.

As already detailed in section 2.1 of these Financial Statements, the Group held several meetings to discuss and update with the Independent Auditors and the Board of Statutory Auditors on the assessments and criteria used by the directors for the purposes of the impairment test for the Financial Statements ended on 30 November 2021.

Tangible assets

Tangible assets are accounted for according to the cost criterion and registered at their purchase price or at the production cost inclusive of directly attributable accessory charges necessary to make the assets ready for use, net of any losses of value. Revaluations of tangible assets are not allowed, even in application of specific laws.

The costs for improvements, modernization and transformation of an incremental nature of Third-Party assets are accounted for in the Balance Sheet assets when it is probable that they will increase the future economic benefits expected from the use or sale of the asset. They are:

- reclassified within the item of the asset on which they insist; and
- amortized in the shorter period between the useful life of the improvements made and the duration of the relevant lease contract.

When assessing the duration of the lease, it is necessary to consider the possibility of renewal, if this is substantially certain and therefore dependent on the will of the Tenant.

Tangible assets are systematically amortized on a straight-line basis over their technical economic useful life, understood as the estimate of the period in which the assets will be used by the Group. Period starting from the month in which the use of the goods begins or could have started. When the tangible asset consists of several significant items with different useful lives, depreciation is carried out for each item. The value to be amortized is represented by the book value reduced by the presumed net transfer value at the end of its useful life. Land is not subject to depreciation, even if purchased jointly with a building, works of art, as well as tangible assets intended for sale. Any changes in the depreciation plan, resulting from the review of the useful life of the tangible asset, the residual value or the methods of obtaining the economic benefits of the asset, are recorded prospectively.

Depreciation methods and periods

Depreciation begins when the asset is available for use and is systematically distributed in relation to the residual possibility of use, that is, based on its estimated useful life.

The estimated useful life of the main tangible assets is as follows:

TANGIBLE ASSETS	**Estimated useful life (in**
Buildings	30
Plant and machinery	8
Industrial and commercial equipment	5
Other tangible assets	5-10

Impairment of tangible and intangible assets

Goodwill and intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are not subject to amortization but to *impairment tests* annually or more frequently, in the presence of indicators that may suggest that they may have suffered a reduction in value.

The *impairment test* is performed with reference to each of the cash generating units ("**Cash Generating Units**", "**CGU**") to which the goodwill has been allocated. Any impairment of goodwill is accounted for in the event that its recoverable value is lower than its book value. Recoverable value means the greater of the *fair value* of the CGU, net of disposal costs, and the relevant use value. In the event that the amount resulting from the

Impairment Test is higher than the value of the goodwill allocated to the CGU, the residual surplus is allocated to the assets included in the CGU in proportion to their book value.

However, the original value of intangible assets with an indefinite useful life is not restored if the reasons that result in the impairment no longer exist.

(Intangible and tangible) assets with a definite useful life

At each reporting date, a check is carried out to ascertain whether there are indications that the tangible and intangible assets may have suffered an impairment. To this end, both internal and external sources of information are taken into account. With regard to the first (internal sources), the following are taken into account: obsolescence or physical deterioration of the asset, any significant changes in the use of the asset and the economic performance of the asset compared to what is expected. With regard to external sources, the following are considered: the trend in the market prices of the assets, any technological, market or regulatory discontinuities, the trend in market interest rates or the cost of capital used to evaluate investments.

If the presence of these indicators is identified, the recoverable value of the above-mentioned assets is estimated, thus attributing any write-down with respect to the relevant book value in the Separate Income Statement. The recoverable value of an asset is represented by the greater of the *fair value*, net of accessory sales costs, and the related use value, meaning the latter the current value of the estimated future cash flows for this asset. While determining the use value, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market assessments of the cost of money, compared to the investment period and the specific risks of the asset. For an asset that does not generate widely independent cash flows, the recoverable value is determined in relation to the cash generating unit to which this asset belongs.

An impairment loss is accounted for in the Income Statement if the carrying value of the asset, or the related CGU to which it is allocated, is greater than its recoverable value. The impairments of the CGU are attributed primarily to a reduction in the book value of any goodwill attributed to it and, therefore, to a reduction in the other assets, in proportion to their book value and within the limits of the related recoverable value. If the conditions for a previously made write-down no longer exist, the book value of the asset is reinstated with registration in the Separate Income Statement, within the limits of the net book value that the asset in question would have had if the write-down had not been carried out and the related depreciation has been carried out.

<u>Assets under leasing</u>

The definition of a contractual agreement as a leasing transaction (or containing a leasing transaction) is based on the substance of the agreement and requires to evaluate whether the fulfillment of the agreement depends on the use of one or more specific assets or if the agreement transfers the right to use these assets. The verification that an agreement contains a lease is carried out at the beginning of the agreement.

The assets held through the signing of financial leasing contracts, i.e., agreements through which all the risks and benefits associated with ownership of the asset are substantially transferred to the Group, are initially accounted for as assets at their fair value or, if lower, at the current value of the minimum payments due for the lease, including any fee for the exercise of a purchase option, if it is reasonably certain that, at the beginning of the lease, the option will be exercised. The corresponding liability to the Lessor is shown in the Consolidated Financial Statements under financial liabilities, thus applying the amortized cost criterion.

Subsequent to their initial registration, the assets subject to financial leasing are amortized by applying the criterion and rates previously indicated, except in the event that the duration of the leasing contract is less than the useful life represented by these rates and there is no reasonable certainty of the transfer of ownership of the leased asset at the natural expiry of the contract; in this case, the depreciation period will be represented by the duration of the lease contract.

Leases in which the Lessor substantially maintains the risks and rewards connected with ownership of the assets are classified as operating leases. The fees referring to operating leases are accounted for linearly in the Income Statement over the duration of the leasing contract.

Financial assets

At the time of their initial registration, financial assets must be classified in one of the three categories listed below on the basis of the following items:

- the entity's business model for managing financial assets; and
- the characteristics relating to the contractual cash flows of the financial asset.

Financial assets are subsequently deregistered from the Consolidated Financial Statements only if the sale has resulted in the substantial transfer of all the risks and benefits associated with the assets. On the other hand, if a significant part of the risks and benefits relating to the financial assets sold have been maintained, they continue to be recorded in the Consolidated Financial Statements, even if legally the ownership of the assets has actually been transferred.

Financial assets valued at amortized cost

Financial assets that meet both of the following conditions are included in this category:

- the financial asset is owned according to a business model whose goal is achieved by collecting the cash flows contractually provided ("*Hold to Collect*" business model); and
- the contractual terms of the financial asset provide, on certain dates, financial flows represented only by payments of capital and interest on the amount of the capital to be repaid (the so-called passed "SPPI test").

Upon initial registration, these assets are accounted for at *fair value*, including transaction costs or income directly attributable to the instrument itself. After initial registration, the financial assets in question are valued at amortized cost, using the effective interest rate method. The amortized cost method is not used for assets - valued at historical cost - whose short duration makes the effect of applying the discounting logic negligible, for those without a defined deadline and for revocable credits.

Impairment of financial assets

In accordance with the provisions of IFRS 9, the Group applies a simplified approach to estimate the expected credit losses over the life of the instrument and takes into account its historically accrued experience regarding credit losses, corrected on the basis of specific prospective factors of the nature of the Group's receivables and the economic context.

In summary, the Group assesses expected losses from financial assets so that they reflect:

- an objective and probability-weighted amount determined by evaluating a range of possible outcomes;
- the temporal value of money;
- reasonable and demonstrable information that is available without excessive costs or efforts at the Consolidated Financial Statements date on past events, current conditions and forecasts of future economic conditions.

The financial asset is impaired when one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset. The observable data relating to the below events constitute evidence that the financial asset has impaired (it is possible that a single event cannot be identified: the impairment of the financial assets may be due to the combined effect of several events):

a) significant financial difficulties of the Issuer or Debtor;
b) a breach of the contract, such as a breach or an unfulfilled deadline;
c) for economic or contractual reasons relating to the Debtor's financial difficulties, the Creditor extends to the Debtor a concession that the Creditor would not otherwise have considered;

d) there is a likelihood that the Debtor will file for bankruptcy or other financial restructuring procedures;
e) the disappearance of an active market for that financial asset due to financial difficulties; or
f) the purchase or creation of the financial asset with large discounts that reflect the credit losses incurred.

For financial assets accounted for using the amortized cost criterion, when an impairment loss has been identified, its value is measured as the difference between the asset's carrying value and the current value of expected future cash flows, discounted on the basis of the original effective interest rate. This value is accounted for in the Income Statement.

Accounting elimination of financial assets and liabilities

Financial assets are deregistered when one of the following conditions is met:

- the contractual right to receive the cash flows from the asset has expired;
- the Group has essentially transferred all the risks and benefits associated with the asset;
- the Group has neither transferred nor substantially maintained all the risks and benefits associated with the financial asset but has ceded control of it.

Financial liabilities are eliminated from the accounts when they are extinguished, i.e., when the contractual obligation is fulfilled, canceled or prescribed. An exchange of debt instruments with substantially different contractual terms must be accounted for as an extinction of the original financial liability and the registration of a new financial liability. Similarly, a substantial change in the contractual terms of an existing financial liability, even partial, must be accounted for as an extinction of the original financial liability and the registration of a new financial liability.

Offsetting financial assets and liabilities

The Group offsets financial assets and liabilities if and only if:

- there is a legally enforceable right to offset the values accounted for in the Consolidated Financial Statements;
- there is an intention either to offset on a net basis or to carry out the asset and settle the liability simultaneously.

Inventories

Inventories are entered at the lower of purchase or production cost and net realizable value, represented by the amount that the Group expects to obtain from their sale in the normal course of business, net of selling costs. The cost is determined according to the weighted average cost method.

The cost of finished and semi-finished products includes design costs, raw materials, direct labor costs and other production costs (determined on the basis of normal operating capacity).

Inventories of raw materials and semi-finished products that can no longer be used in the production cycle and inventories of unsaleable finished products are written down in relation to market trends and presumed non-use linked to obsolescence and slow turnarounds.

In accordance with the adoption of the IFRS15 accounting standard, the Group transfers control of the good or service over time and, therefore, fulfills the contractual obligation and accounts for the revenues over time. The costs relating to the contract are charged on an accrual basis to the Income Statement, and related to the principle of the percentage of completion through adequate adjustments.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits as well as financial assets with an original maturity of three months or less, readily convertible into cash and subject to an irrelevant risk of change in value. The items included in cash and cash equivalents are valued at *fair value*. Time deposits that do not comply with IFRS requirements are not included in cash and cash equivalents.

Short-term bank deposits with an original maturity of three months or more that do not meet the requirements of IAS 7 are included in a specific item of current assets.

Collection transactions are recorded by bank transaction date, while for payment transactions the date of disposal is also taken into account.

Financial liabilities and trade payables

Financial liabilities, including advances received from Customers, and trade payables are recorded when the Group becomes part of the relevant contractual clauses and are initially measured at the adjusted *fair value* of the directly attributable transaction costs.

Subsequently they are valued with the amortized cost criterion, using the effective interest rate method.

Financial liabilities are deregistered from the Consolidated Financial Statements when the contractual rights on the related cash flows expire or when the financial liability is sold with a substantial transfer of all the risks and benefits deriving from ownership of the same.

Provisions for risks and charges

The provisions for risks and charges concern costs and charges of a specific nature and of certain or probable existence that, at the Consolidated Financial Statements date, are undetermined in the amount and/or date of occurrence. Provisions for these funds are accounted for when:

- the existence of a current legal or implicit obligation deriving from a past event is probable;
- it is likely that the fulfillment of the obligation will be expensive;
- the amount of the obligation can be estimated reliably.

The provisions are entered at the value representative of the best estimate of the amount that the Group would reasonably pay to fulfil the obligation or to transfer it to Third Parties on the Consolidated Financial Statements end date. When the financial effect of the passage of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected cash flows determined taking into account the risks associated with the obligation; the increase in the provision associated with the passage of time is accounted for in the Income Statement under "Financial charges".

The costs that the Group expects to incur to implement restructuring programs are recorded in the financial year in which the program is formally defined and the valid expectation that the restructuring will take place has been generated in the Parties concerned.

The provisions are periodically updated to reflect changes in cost estimates, implementation times and discount rates; estimate revisions are charged to the same Income Statement item that previously accepted the provision. The provisions for risks and charges are subject to discounting in the event that it is possible to reasonably estimate the occurrence time of the monetary outflows. When the liability relates to tangible assets, the changes in the estimate of the provision are accounted for as a contra-entry to the asset to which they refer within the limits of the book values; any excess is registered in the Income Statement.

If it is expected that all expenses (or a part of them) required to pay off an obligation will be reimbursed by Third Parties, compensation, when virtually certain, is accounted for as a separate asset.

The provisions for risks for contractual penalties and for guarantees (quality claims) are set aside on an accrual basis on the basis of the correlation with sales revenues, against the risks assessed on the basis of the progress of each order.

Employee benefits

Short-term benefits are represented by wages, salaries, social security-related contributions, substitute holiday allowances and incentives paid in the form of bonuses payable in the twelve months from the Consolidated Financial Statements date. These benefits are accounted for as items of personnel costs in the period in which the work is performed.

In defined benefit plans, which also include Employee severance indemnities pursuant to Article 2120 of the Italian Civil Code ("TFR"), the amount of benefit to be paid to the Employee is quantifiable only after termination of the employment relationship, and is linked to one or more factors such as age, years of service and pay; therefore, the related charge is accounted for in the Income Statement on the basis of an actuarial calculation. The liability recorded in the Consolidated Financial Statements for defined benefit plans corresponds to the current value of the obligation on the Consolidated Financial Statements date. The obligations for defined benefit plans are determined annually by an independent actuary using the *Project Unit Credit method*. The current value of the defined benefit plan is determined by discounting future cash flows at a specific interest rate. Actuarial gains and losses deriving from the above-mentioned adjustments and changes in the actuarial assumptions are accounted for in the Comprehensive Income Statement.

Starting from 1 January 2007 the so-called Financial Law for 2007 and the relevant implementing decrees have introduced significant changes to the severance indemnity regulation, including the choice of the Worker regarding the destination of his/her severance indemnity when maturing. In particular, the new severance indemnity flows may be directed by the Worker to selected pension schemes or maintained in the company. In the case of allocation to external pension schemes, the Group is subject only to the payment of a defined contribution to the chosen fund, and starting from that date the newly accrued shares are in the nature of defined contribution plans not subject to actuarial valuation.

Liabilities for obligations relating to other medium-long term benefits towards Employees, such as Top Management incentive plans, are determined by adopting actuarial assumptions. The effects deriving from changes in the actuarial assumptions or from adjustments based on past experience are accounted for entirely in the Income Statement.

Revenue recognition

Revenues from contracts with Customers are accounted for when the following conditions are met:

- the contract with the Customer has been identified;
- the contractual obligations (*"performance obligations"*) contained in the contract were identified;
- the price has been determined;
- the price was allocated to the individual contractual obligations contained in the contract;
- the contractual obligation contained in the contract has been fulfilled.

The Group accounts for the revenues from contracts with Customers when (or as it) it fulfills the contractual obligation by transferring the promised good or service (or asset) to the Customer. The asset is transferred when (or as it becomes) the Customer acquires control of it.

The Group transfers control of the goods or services over time, and, therefore, fulfills the contractual obligation and accounts for revenues over time, if one of the following criteria is met:

- the Customer simultaneously receives and uses the benefits of the Entity's performance as the Entity performs it;
- the Group's performance creates or improves the asset (for example, work in progress) that the Customer controls as the asset is created or improved;
- the Group's performance does not create an activity that has an alternative use for the Group and the

the Group has the right to pay the service completed up to the date considered.

If the contractual obligation is not fulfilled over time, the contractual obligation is fulfilled at a specific time. In this case, the Group detects the revenue when the Customer acquires control of the promised asset.

The contractual consideration included in the contract with the Customer can include fixed amounts, variable amounts or both. If the contractual fee includes a variable amount (i.e., discounts, price concessions, incentives, penalties or other similar items), the Group estimates the amount of the fee to which it will be entitled in exchange for the transfer to the Customer of the goods or services promised. The Group includes the amount of the variable fee estimated in the transaction price only to the extent that it is highly probable that, when the uncertainty associated with the variable consideration is subsequently resolved, there will not be a significant downward adjustment in the amount of cumulative revenue registered.

The Group allocates the contractual price to the individual contractual obligations on the basis of the *stand-alone selling prices* (SSP) of the individual contractual obligations. When a SSP does not exist, the Group estimates the SSP using an adjusted market approach.

The Group applies judgment in determining the contractual obligation, the variable fees and the allocation of the transaction price.

The incremental costs for obtaining contracts with Customers are accounted for as assets and amortized over the life of the underlying contract, if the Group plans to recover them. The incremental costs for obtaining the contract are the costs that the Group incurs to obtain the contract with the Customer and that it would not have incurred if it had not obtained the contract. The costs for obtaining the contract that would have been incurred even if the contract had not been obtained must be accounted for as a cost when they are incurred, unless they are explicitly chargeable to the Customer even if the contract is not obtained.

The costs incurred for the fulfillment of contracts with Customers are capitalized as assets and amortized over the duration of the underlying contract only if these costs do not fall within the scope of another accounting standard (for example, IAS 2 - Inventories, IAS 16 - Property, plant and machinery and IAS 38 - Intangible assets) and meet all the following conditions:

- the costs are directly related to the contract or to an expected contract, which the Entity can specifically identify;
- the costs allow the Entity to have new or greater resources to use to fulfill (or continue to fulfill) the obligations to do in the future;
- these costs are expected to be recovered.

<u>Cost recognition</u>

Costs are recorded on an accrual basis when related to services and goods purchased or used during the financial year or by systematic distribution or when their future usefulness cannot be identified.

The income and charges deriving from the disposal and or sale of non-current assets are registered in the specific Income Statement "Gains/(losses) on the realization of non-current assets" item.

Financial income and expenses are registered in the Income Statement during the financial year in which they accrued.

<u>Currency transactions</u>

Revenues and costs relating to transactions in currencies other than the functional currency are recorded at the current exchange rate on the day on which the transaction is detected.

Monetary assets and liabilities in currencies other than the functional currency are converted into the functional currency by applying the exchange rate current at the Consolidated Financial Statements date with the effect attributed to the Income Statement. Non-monetary assets and liabilities expressed in currency other than the functional one, valued at cost, are entered at the initial exchange rate; when the valuation is made at fair value or at the recoverable or realizable value, the current exchange rate at the date of determination of this value is adopted.

The Group has implemented the use of exchange hedging for sales orders to customers expressed in currencies other than the EUR (typically USD and GBP) with a unit value greater than the equivalent of 500,000 €, in accordance with the hedging procedures approved by the Group.

The nominal value of the hedges is adjusted on a monthly basis based on the invoices issued and the payments received from customers for contracts subject to hedging. This value is expressed among the assets, as the fair value of the hedging derivative.

The fluctuations in the value of the instrument are registered as an adjustment to the hedged revenue to adjust it, at the time the revenue is realized. Shareholders' equity includes the reserve representing the unrealized part inherent in the fair value of the derivative at the end of the period.

Income taxes

Current taxes on income for the financial year, recorded in the "Current tax payables" item, net of advances paid, or in the "Current tax credits" item when the net balance is a credit, are determined on the basis of the estimated taxable income and in accordance with the tax standards in force. Taxable income differs from net profit in the Income Statement as it excludes income and cost items that are taxable or deductible in other financial years, that is, non-taxable or non-deductible. In particular, these payables and receivables are determined by applying the tax rates provided for by provisions in force on the reference date.

Current taxes are registered in the Income Statement, with the exception of those relating to items accounted for outside the Income Statement that are registered directly in equity.

Deferred and prepaid income taxes are calculated on the temporary differences between the balance sheet values and the corresponding values accounted for tax purposes, thus applying the tax rate in force on the date on which the temporary difference will be reversed, determined on the basis of the tax rates envisaged by provisions in force on the reference date.

Deferred tax assets for all temporary taxable differences, unused tax losses or unused tax credits are accounted for when their recovery is probable, i.e., when it is expected that sufficient taxable income will be available in the future to recover the asset. The recoverability of deferred tax assets is reviewed at each end of the period. Deferred tax assets not accounted for in the Financial Statements are re-analyzed at each reporting date and are registered to the extent that it has become probable that future taxable income will allow the recovery of deferred tax assets.

Deferred and prepaid income taxes are accounted for in the Income Statement, with the exception of those relating to items registered outside the Income Statement, which are recorded directly in equity.

Deferred and prepaid income taxes, resulting from the application of regulations referring to the same tax authority, are offset if there is a legally enforceable right to offset current tax assets with current tax liabilities that will be generated when they are reversed.

Deferred tax assets are classified among non-current assets and are offset at individual tax jurisdiction level, if they refer to countervailable taxes. The balance of the offset is entered under the "Deferred tax assets" item.

The 2022 budget law has modified, from 2021, the tax effects of the revaluation of assets and the realignment of the values of brands and goodwill introduced by the so-called August Decree, thus providing for the following alternative possibilities:

1. increasing the tax amortization period to 50 years
2. allowing the tax amortization period to 18 years, by paying a substitute tax
3. revoking the benefits, with reimbursement/compensation of the 3% substitute tax paid.

The Group, in the last financial year, had resorted to the option provided for in Art. 110 of Law Decree No. 104/2020 in order to adjust the tax values of some intangible assets whose book value was not registered for tax purposes. In particular, the values subject to realignment referred to the deficit (not released) recorded in the Financial Statements as intangible assets and emerged following the merger by *incorporation of the company* TBG Energy Italy S.p.A. *(former sole shareholder of* PetrolValves S.p.A.) carried out in 2017, paying the substitute tax of 3 percent on the "realigned" difference.

The identification values of the realignment operation are summarized below:

(in thousands of EUR)	**PPA patents and trademarks**	**PPA customer portfolio**	**PPA know how**	**Total**
Balance as at 30 November 2019	**15642**	**57268**	**10259**	**83169**
of which:	-	-	-	0
- Historical cost	27420	73895	102597	203912
- Sinking fund	-11778	-16627	-92338	-120743
Increases	-	-	-	-
Disposal	-	-	-	-
Write-downs	-	-	-	-
Depreciation	-2611	-3684	-10259	-16554
Balance as at 30 November 2020	**13031**	**53584**	**0**	**66615**
of which:				0
- Historical cost	27420	73895	102597	203912
- Sinking fund	-14389	-20311	-102597	-137297

(in thousands of EUR)	**Realignment**	**Gross tax benefit 27.9%**	**Substitutive tax**	**Net Tax Benefit**
Balance as at 30 November 2020	**66615**	**18586**	**1998**	**16587**

Following the approval of the 2022 budget law, the Group assessed the different alternatives, summarized below:

the analysis of alternatives made references to the following values (data in EUR):

(in thousands of EUR)	**Historical cost**	**Amortization fund**	**Net book value**	**Realigned value**	**Depreciation rate**
Realignment, Law Decree No. 104/2020 **PPA mark**	**13158**	**5565**	**7593**	**7593**	**5.56%**

and the comparison of the present value of the net tax benefit from realignment led to the choice of increasing the tax amortization period to 50 years, as per the following amounts (data in EUR)):

(in thousands of EUR)	**Amount**
Present value Benefit 3% 18 years (revoked by the 2022 budget law)	**1770**
Present value Benefit 3% 50 years	**1437**
Present value Replacement benefit pursuant to Article 172 of the Consolidated Income Tax Law 18 years	**1058**

Related Parties

Related Parties mean those that share the same Controlling Entity with the Group, the Companies that directly or indirectly control it, are controlled, or are subject to joint control by the Company and those in which the Group holds a stake that can exercise a significant influence. The definition of Related Parties also includes the Members of the Group's Board of Directors and Executives with strategic responsibilities. Executives with strategic responsibilities are those who have the power and direct or indirect responsibility for planning, managing and controlling the Group's business.

The transition to the international accounting standard IFRS 16

The accounting standard has standardized, for the lessee, the accounting treatment of operating and financial leases.

IFRS 16, in fact, requires the lessee to note:

in the statement of financial position:

i) an asset that represents the "right of use" of the leased asset
ii) a financial liability, which represents the present value of the future rents that the Group is committed to pay for the lease

in the Income Statement:

i) the financial charges related to the aforementioned financial liability and
ii) depreciation related to the aforementioned "right of use".

The lessee registers in the income statement the interest deriving from the leasing liability and the amortization of the right of use. The right of use is amortized over the effective duration of the underlying contract.

The Group uses the principle excluding short-term contracts, that is, with a duration of less than 12 months and low-value contracts, namely, involving an asset with a value of less than € 5 thousand.

2.5. Recently issued accounting standards

Accounting standards not yet applicable, as not approved by the European Union

At the date of these Financial Statements, the competent bodies of the European Union have not yet completed the endorsement process necessary for the implementation of the following accounting standards and amendments:

Amendments to IAS 1 — Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	In January 2020, the IASB issued amendments to IAS 1 - Presentation of the Financial Statements: Classification of liabilities as current or non-current to clarify how to classify payables and other liabilities as current or non-current, and in particular to classify liabilities with an uncertain settlement date and liabilities that can be settled through conversion to equity. These changes are effective as of 1 January 2023.
Amendments to IAS 1 — Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	In February 2021, the IASB issued amendments to IAS 1 - Presentation of the Financial Statements and to IFRS Practice Statement 2: Accounting policy disclosure that requires companies to disclose information relating to their relevant accounting policies rather than their significant accounting policies and provides guidance on how to apply the concept of materiality to disclosure on accounting policies. These changes are effective as of 1 January 2023.
Amendments to IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	In February 2021, the IASB issued amendments to IAS 8 - Accounting standards, changes in accounting estimates and errors: Definition of accounting estimates that clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. These changes are effective as of 1 January 2023.
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	In May 2021, the IASB issued amendments to IAS 12 - Income taxes: Deferred Taxes relating to Assets and Liabilities arising from a single transaction, to specify how companies should account for deferred taxation on transactions such as leasing and dismantling obligations, transactions for which the companies register both an asset and a liability. In particular, it has been clarified that the exemption does not apply and that companies are required to register the deferred taxation on such transactions. These changes are effective as at 1 January 2023, with early application permitted.
Amendments to IFRS 17 — Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	in December 2021, the IASB issued amendments ALL IFRS 17 - Insurance contracts: Initial application of IFRS 17 and IFRS 9 - Comparative Information, which provides for a transitional option relating to comparative information on financial assets submitted at the time of the initial adoption of IFRS 17. The amendments are aimed at helping companies to avoid temporary accounting mismatches between financial assets and liabilities from insurance contracts, thus improving the usefulness of the information for users of the Financial Statements. These changes are effective as of 1 January 2023.

The Group will assess any potential impacts on the Financial Statements when these new standards are approved by the European Union.

Accounting standards, amendments and interpretations not yet adopted but applicable in advance

At the Financial Statements date, the competent bodies of the European Union approved the adoption of the following accounting standards and amendments, not yet adopted by the [Group]:

IFRS 17 - Insurance Contracts	In May 2017, the IASB issued IFRS 17 - Insurance Contracts that establishes the principles for the registration, measurement, presentation and disclosure of insurance contracts issued, as well as the guide relating to reinsurance contracts held and investment contracts with issued discretionary participation features. In June 2020, the IASB issued amendments to IFRS 17 aimed at helping companies to implement IFRS 17 and making it easier for companies to explain their financial performance. The new standard and the amendments are effective from 1 January 2023.
Amendments to IFRS 3 — Business combinations	In May 2020, the IASB issued amendments to IFRS 3 - Business Combinations to update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. These changes are effective from 1 January 2022.

The Group does not expect significant economic and equity impacts with reference to the provisions deriving from the entry into force of the above-mentioned principles.

In any case, the Group has not adopted, in advance, accounting standards and amendments having an effective date in subsequent financial years.

New accounting standards, amendments and interpretations adopted by the Group

At the date of the Consolidated Financial Statements, the competent bodies of the European Union approved the adoption of the following accounting standards and amendments, which were implemented for the first time by the Group.

The following standards and amendments effective as at 1 January 2021 have been adopted by the Group.

The Group has implemented the amendments to IFRS 9 - Financial instruments, to IAS 39 - Financial instruments: Registration and Measurement, IFRS 7 - Financial Instruments: Disclosures, IFRS 4 - Insurance Contracts and IFRS 16 - Leasing in response to the ongoing reform of the interbank rates offered (IBOR) and other interest rate benchmarks. The amendments aim at helping companies to provide investors with useful information on the effects of the reform on the Financial Statements of those companies. These changes complement the amendments issued in 2019 and focus on the effects on balance sheets when a company replaces the old interest rate benchmark with an alternative reference rate as a result of the reform. The new amendments involve:

- changes in contractual cash flows - a company will not be required to write off or adjust the book value of financial instruments for the changes required by the benchmark interest rate reform, but will instead update the effective interest rate to reflect the change in the interest rate alternative reference;
- hedge accounting - a company will not have to stop its hedge accounting only because it makes the changes required by the reform of the reference interest rate if the hedge meets other hedge accounting criteria; and
- information - a company will be required to disclose information on new risks arising from the benchmark interest rate reform and how the company manages the transition to alternative benchmark rates. There have been no effects since the adoption of these amendments.

The Group has adopted the amendments to IFRS 4 - Insurance Contracts that postponed the expiry date of the temporary exemption from the application of IFRS 9 to financial years starting from 1 January 2021 or later. There has been no effect from the adoption of these changes.

3. Financial Risk Management

The Group's businesses are exposed to the following risks:

- market risk (defined as exchange rate and interest rate risk);
- credit risk;
- liquidity risk.

The Group's *risk management* strategy is aimed at minimizing potential negative effects on the Group's financial performance. Risk management is centralized and identifies, assesses and hedges financial risks in close collaboration with the Group's operating units. The Company Top Management provides indications for monitoring risk management.

Interest rate risk

Considering the context of low interest rates and the financial debt profile of the Group, for which please refer to note 32 for further explanations, the Top Management has decided to use financial hedging instruments by entering into a type of contract called "Interest Rate Swap".
This type of product is aimed at a customer who has contracted a variable rate debt, thus allowing it to minimize the risk associated with rising interest rates. In consideration of the relationship between the Customer's variable rate debt and the TASSO CERTO (DEFINED RATE) for the purposes of assessing the compliance of the product with the Customer's needs, if the latter fully or partially extinguishes the underlying debt, it is necessary to pay off the TASSO CERTO (DEFINED RATE) to a corresponding extent.

Exchange rate risk

The Group works in foreign markets mainly through its subsidiaries, invoicing mainly in EUR. Although the current exchange rate risk is reasonably contained, the multi-year duration of some supply contracts exposes the Group to moderate exchange risks; therefore, evaluations are systematically implemented on the advisability of preparing exchange risk hedging instruments for sale orders to customers denominated in currencies other than EUR (typically USD and GBP) with a unit value greater than the sum of equivalent € 500,000, in accordance with the hedging procedures approved by the Group. The nominal value of the hedges is adjusted on a monthly basis based on the invoices issued and the payments received from customers for contracts subject to hedging. This value is expressed among the assets, as the fair value of the hedging derivative.

Credit risk

Credit risk essentially derives from loans to Customers. To mitigate the credit risk related to commercial Counterparties, the Group has implemented procedures aimed at limiting the concentration of exposures on individual Counterparties or groups, through an analysis of creditworthiness. Constant monitoring of the status of the credits allows the Group to promptly verify any defaults or worsening of the creditworthiness of the Counterparties and to take the related mitigating actions.

The Group applies the simplified approach envisaged by IFRS 9 to estimate the recoverability of its trade receivables. The resulting adjustment of the estimates, as shown in the table below, takes into account the risk of bad debt due to the differentiation of the ECL (*Expected Credit Losses*) applied to groups of loans that are homogeneous with respect to the risk profile and seniority, or in function of the progress of the actions undertaken for the recovery of problem loans.

As at 30 November 2021	**A To expire**	**Expired**								**Total**
		Spare Parts	**North & Latin America**	**India, Japan, Korea, Africa**	**Far East**	**Middle East**	**Italy**	**> 2 years**		
Expected Loss Rate	**0%**	**15%**	**25%**	**35%**	**45%**	**60%**	**70%**	**100%**		
(in thousands of EUR)										
Gross book value - trade receivables	122812	3178	130	84	3	122		1395		**127724**
Gross book value - contractual assets	-	(159)	(19)	(21)	(1)	(55)	-	(1395)		(1650)
Total write-down	**-**	**(159)**	**(19)**	**(21)**	**(1)**	**(55)**	**-**	**(1395)**		**(1650)**

As at 30 November 2020	**A To expire**	**Expired**							**Total**
		Spare Parts	**North & Latin America**	**India Japan Korea Africa**	**Far East**	**Middle East**	**Italy**	**> 2 years**	
Expected Loss Rate	**0%**	**15%**	**25%**	**35%**	**45%**	**60%**	**70%**	**100%**	
(in thousands of EUR)									
Gross book value - trade receivables	131429	902	100	76.5	297	143	85	1136	**134169**
Gross book value - contractual assets									
Total write-down	-	(135)	(25)	(27)	(134)	(86)	(60)	(1136)	**(1603)**

Liquidity risk

Liquidity risk is associated with the Group's ability to meet commitments deriving mainly from financial liabilities. Prudent management of the liquidity risk originating from the Group's normal transactions implies the maintenance of an adequate level of cash and cash equivalents and the availability of funds obtainable through an adequate amount of credit lines.

The following tables indicate the cash flows expected in future financial years relating to financial liabilities

As at 30 November 2021 *(in thousands of EUR)*	**Consolidated book value**	**Within 12 months**	**Between 1 to 5 years**	**After 5 years**
Non-current financial liabilities	5732	5000	668	64
Total	**5732**	**5000**	**668**	**64**

As at 30 November 2020 *(in thousands of EUR)*	**Value Consolidated Financial Statements**	**Within 12 months**	**Between 1 to 5 years**	**After 5 years**
Non-current financial liabilities	42361		41415	946
Total	**42361**	**0**	**41415**	**946**

Capital risk

The objective of the Company Group in the area of capital risk management is mainly to safeguard business continuity in order to guarantee shareholder returns and benefits to other stakeholders.

Financial assets and liabilities by category

Non-current financial assets and liabilities are regulated or valued at market rates and their fair value is therefore believed to be substantially in line with current book values.

Below is a classification of financial assets and liabilities by category as at 30 November 2021 and 30 November 2020:

As at 30 November 2021 *(in thousands of EUR)*	**Total financial assets /liabilities at amortized cost**	**Total financial assets/liabilities at fair value**	**Non-financial assets/liabilities**	**Total**
Financial				
Other current and non-current assets	4695	-	-	4695
Trade receivables	126074	-	-	126074
Cash and cash equivalents	25142	-	-	25142
Total financial assets	**155911**	**-**	**-**	**155911**
Liabilities				
Non-current financial liabilities	5732	-	-	5732
Trade payables	45236	-	-	45236
Non-current financial liabilities	76416			76416
Other current and non-current liabilities	45306	-	-	45306
Total liabilities	**172690**	**-**	**-**	**172690**

As at 30 November 2020 *(in thousands of EUR)*	**Total financial assets /liabilities at amortized cost**	**Total financial assets/liabilities at fair value**	**Non-financial assets/liabilities**	**Total**
Financial				
Other current and non-current assets	5056	-	-	5056
Trade receivables	132566	-	-	132566
Cash and cash equivalents	89005	-	-	89005
Total financial assets	**226627**	**-**	**-**	**226627**
Liabilities				
Non-current financial liabilities	42361	-	-	42361
Trade payables	56844	-	-	56844
Other current and non-current liabilities	127231	-	-	127231
Total liabilities	**226436**	**-**	**-**	**226436**

Fair value determination

The *fair value* of financial instruments listed on an active market is based on market prices at the Consolidated Financial Statements date. The *fair value* of instruments that are not listed on an active market is determined using valuation techniques based on a number of methods and assumptions related to market conditions at the date of the respective Financial Statements.

Below is the classification of the *fair values* of financial instruments on the basis of the following hierarchical levels:

- Level 1: *Fair values* determined with reference to listed (not adjusted) prices on active markets for identical financial instruments;
- Level 2: *Fair values* determined with valuation techniques with reference to variables observable on active markets;
- Level 3: *Fair value* determined with valuation techniques with reference to unobservable market variables.

The *fair value* of these instruments is determined according to methods that can be classified in level 2. For the purposes of the assessment, the Group uses internal models, generally used in financial procedure and external models (market rate curves, volatility provided by Bloomberg, credit spreads calculated on the basis of credit default swaps, etc.).

4. Estimates and assumptions

The preparation of the Consolidated Financial Statements according to the IFRS requires, from the Top Management, the use of estimates and assumptions that influence the value of the assets and liabilities included in the Balance Sheet and financial situation, rather than in the information published in the comment notes, on potential assets and liabilities at the date of publication of the Consolidated Financial Statements, as well as revenues and costs for the period.

The estimates are based on experience and other factors considered relevant. Actual results may therefore differ from those estimated. The estimates are reviewed periodically and the effects of any changes made to them are reflected in the Income Statement in the period in which the estimate is revised.

Below are the cases that require greater subjectivity by the Directors when drawing up estimates:

- **Receivables valuation**: the provision for bad debts reflects the estimates of expected losses for the Group's loan portfolio. The simplified approach envisaged by IFRS 9 for estimating the recoverability of own trade receivables and the adjustment of the resulting estimates, takes into account the risk of bad debt through the differentiation of the ECL (Expected Credit Losses) applied to groups of homogeneous loans with respect to the risk profile and seniority, or according to the state of progress of the actions taken to recover the problem loans
- **Assessment of warehouse inventories**: warehouse inventories that show obsolescence features are valued periodically and written down if their net realizable value is lower than the book value. Write-downs are calculated on the basis of the Top Management's assumptions and estimates, thus applying the internal inventory write-down policy.
- **Deferred tax assets assessment**: deferred tax assets are assessed on the basis of expected taxable income expected in future financial years. The evaluation of these expected taxable income depends on factors that could vary over time and determine significant effects on the evaluation of deferred tax assets. The calculation of prepaid taxes is drawn up by the external tax advisor.
- **Income taxes** The determination of the Group's tax liability requires the use of assessments by the Top Management assisted by the activity of the external tax advisor, with reference to transactions whose tax implications are not certain at the end date of the Financial Statements. The Group accounts for the liabilities that could derive from future inspections by the tax authority based on the estimate of the taxes that will be due. If the result of the above inspections differs from that estimated by the *Top Management*, significant effects on current and deferred taxes could occur.
- **Impairment of assets**: assets are written down when events or changes in circumstances suggest that the book value is not recoverable. The events that can determine a write-down of assets are changes in business plans, changes in market prices, reduced use of plants. The decision whether to proceed with a devaluation and its quantification depend on the *Top Management*'s assessments of complex and highly uncertain factors, including the future trend of prices, the impact of inflation and technological improvements on production costs, the production profiles and conditions of supply and demand. The write-down is determined by comparing the book value with the related recoverable value, represented by the greater of the *fair value*, net of disposal costs, and the use value determined by discounting the expected cash flows deriving from the use of the asset. The expected cash flows are quantified in the light of the information available at the time of the estimate based on subjective opinion on the performance of future variables, such as prices, costs, growth rates of demand, production profiles, and are discounted using a rate that takes into account the risk inherent in the asset concerned.
- **Business combinations**: the accounting for of *business combinations* involves the attribution of the difference between the purchase cost and the net book value to the assets and liabilities of the Company acquired. For most assets and liabilities, the difference is attributed by accounting for the assets and liabilities at their *fair value*. The part not attributed if positive is recorded as goodwill, while if negative one is accounted for in the Income Statement. During

the attribution process, the Group uses the available information and, for the most significant business combinations, external evaluations.

- **Useful life of tangible and intangible assets with a finite useful life**: depreciation is calculated on the basis of the useful life of the asset. The useful life is determined when the asset is entered in the Financial Statements. The lifespan assessments are based on historical experience, market conditions and expectations of future events that could affect the useful life itself, including technological changes. As a result, it is possible that the effective useful life may differ from the estimated useful life.
- **Employee benefits**: defined benefit plans are assessed on the basis of uncertain events and actuarial assumptions that include, among other things, discount rates, expected returns on plan assets (if any), the level of future fees, mortality rates, retirement age and future trends in health care costs covered. The main assumptions used for the quantification of defined benefit plans are established as follows: (i) the discount and inflation rates that represent the rates at which the obligation towards Employees could actually be fulfilled, are based on the rates that accrue on high quality bonds and on inflationary expectations; (ii) the level of future wages is determined on the basis of elements such as inflationary expectations, productivity, career and seniority progress; (iii) the future cost of health services is determined on the basis of elements such as the present and past trend of the costs of health services, including assumptions on the inflationary increase in costs, and changes in the health conditions of the beneficiaries; (iv) the demographic assumptions reflect the best estimate of the trend of variables such as mortality, turnover and disability and other ones related to the population of those entitled. The differences in the value of the net liability (asset) of the Employee benefit plans deriving from changes in the actuarial assumptions used and from the difference between the actuarial assumptions previously implemented and those that have actually taken place occur normally and are defined as actuarial gains or losses. Actuarial gains and losses relating to defined benefit plans are accounted for in the other items of the Comprehensive Income Statement. Actuarial assumptions are also adopted for the determination of obligations relating to other long-term benefits; for this purpose, the effects deriving from changes in the actuarial assumptions or the characteristics of the benefit are accounted for entirely in the Income Statement.
- **Risk provisions assessment**: the Group makes provisions related mainly to legal and tax disputes. Furthermore, the provisions for risks to cover any penalties allocated on a contractual basis and guarantee costs are set aside on an accrual basis and to maintain the temporal correlation between costs and revenues. The estimate of the provisions in these matters is the result of a complex process that involves subjective opinions by the Top Management.
- **Estimates of the variable fees related to returns and volume discounts**: the Group estimates the variable fees to be included in the transaction price for the sale of products with the right of return, if this is the case. Volume discounts are accounted for on the basis of sales contracts that account for them, if the case exists, and are valued on the basis of the best estimates available at the time of preparation of the Financial Statements, thus adjusting the sales revenues by the amount of the sale price reduction to be accounted for.

5. Revenues

La seguente tabella riporta il dettaglio dei ricavi da contratti con i clienti, per gli esercizi chiusi al 30 Novembre 2021 e 30 Novembre 2020:

	Financial year ended on 30 November	
(in thousands of EUR)	**2021**	**2020**
Valves and actuators	87727	124967
Accessories and spare parts	42358	67505
Chargeback of extra costs	4601	3588
Other sales and services	2345	842
Total	**137031**	**196902**

Revenues include both contracts whose revenues are accounted for over time and contracts whose revenues are registered at a specific time.

As at 30 November 2021, there were revenues registered with the percentage of completion method of contractual obligations equal to € 7.07 million.

The "Other sales and services" item mainly refers to the representation of ancillary revenues from sales, packaging, transport, specific services provided at the customer's request, as well as various revenues for contingencies and releases of previous provisions for which it was not considered appropriate to maintain the provision in the Consolidated Financial Statements.

The following table shows the breakdown of revenues by business line:

	Financial year ended on 30 November	
(in thousands of EUR)	**2021**	**2020**
New Units	92747	126358
Service	44284	70544
Total	**137031**	**196902**

6. Costs for raw materials, consumables and goods

The below table shows the detail of the "Costs for raw materials, goods and consumables" item for the financial years ended on 30 November 2021 and 30 November 2020:

	Financial year ended on 30 November	
(in thousands of EUR)	**2021**	**2020**
Costs for purchasing raw materials and goods	57467	76203
Change in inventories	(2810)	3909
Write-down of inventories	(1276)	(2389)
Total	**53381**	**77723**

7. Costs for services

The below table shows the changes in the "Cost for services" item for the financial years ended on 30 November 2021 and 30 November 2020:

	Financial year ended on 30 November	
(in thousands of EUR)	**2021**	**2020**
Works carried out by Third Parties	18702	26481
Certificates and final testing	3918	5436
Commission expense	1574	2517
Legal and administrative costs	3300	2357
Travel expenses	707	1032
Maintenance	2476	2861
Customer support and assistance	1255	1049
Insurance policies	763	601
Remuneration of Directors and External Auditors	356	167
Other costs for services	9813	8726
Total	**42864**	**51227**

The significant decreases in outsourcing, certifications, commissions and travel are caused by the decrease in volumes for the current year, in addition to the savings policy promoted by the Top Management, with the aim of increasing efficiency by rationalizing the costs incurred.

The following table shows the details of the "other costs" item for the financial years ended on 30 November 2021 and 30 November 2020:

Marketing	312
Pc and Printer Rentals	299
Tolls, fuel and car and vehicle rental	496

Utilities	1108
Penalty	1548
Consultancy Staff Bodies	1449
training courses and canteen	225
integration selection	818
Other costs by type of different	3558
services	**9813**

8. Costs for staff

La seguente tabella riporta il dettaglio della voce "Costi per il personale" per gli esercizi chiusi al 30 Novembre 2021 e 30 Novembre 2020:

(in thousands of EUR)	**Financial year ended on 30 November** **2021**	**2020**
Wages and salaries	30692	34048
Social charges	9852	9816
Severance indemnities	2272	2477
Other staff costs	2456	1746
Total	**45272**	**48087**

The "Other personnel costs" item for the financial year as at 30 November 2020 includes all the costs of temporary work, internships and scholarships.

La seguente tabella riporta il numero medio dei dipendenti del Gruppo, suddiviso per categoria, al 30 Novembre 2021 e 30 Novembre 2020:

(In units)	**Financial year ended on 30 November** **2021**	**2020**
Directors	24	27
Executives	32	29
Employees	307	315
Workers	194	226
Total	**557**	**597**

The Group constantly pursues investment policies on human capital, thus increasing and enhancing internal skills, and acquiring them from the outside.

9. *Other operating expenses*

The following table shows the details of the "Other operating costs" item for the financial years ended on 30 November 2021 and 30 November 2020:

(in thousands of EUR)	**Financial year ended on 30 November** **2021**	**2020**
Charges (income) from the sale of fixed assets	256	(409)
Net provisions for risks fund	(1107)	8810
Other operating expenses	194	61
Total	**(657)**	**8462**

During 2021, the Group finalized the sales queue of a number of properties owned not strictly related to the business started in the previous financial year, thus recording a capital gain, and released provisions relating to Risks on Guarantees deemed no longer potential.
The Group decided to further subdivide the "other operating costs" item compared to the previous year to allow the reader a greater understanding of the figures.

In fact, it should be noted that the Group has acquired government grants for operating expenses, concessions on recruitment and de minimis reimbursement and incurred costs towards the parent company relating mainly to the remuneration of executives with strategic responsibilities including the remuneration for some members of the Board of Directors of the Company, as well as ancillary expenses for preparing documentation.

10. Net write-downs of trade and other receivables

The below table shows the detail of the "Net write-downs of trade and other receivables" item for the financial years ended on 30 November 2021 and 30 November 2020:

	Financial year ended on 30 November	
(in thousands of EUR)	**2021**	**2020**
Net write-downs of trade and other receivables	81	29
Total	**81**	**29**

Thanks to the continuous effort and attention that the Top Management pays to the optimization of the cash flow, while carrying out a precise analysis of the positions considered to be of doubtful recoverability at the end of the financial year, given the delay on the contractual expiry date and, above all, on the area geographical area in which the receivable was accrued, in line with the adoption of IFRS 9, the Group needed to make further provisions.
Depreciation

11. Depreciation

The following table shows the details of the "Depreciation" item for the years ended on 30 November 2021 and on 30 November 2020:

	Financial year ended on 30 November	
(in thousands of EUR)	**2021**	**2020**
Property, plant and machinery depreciation	4767	6135
Intangible assets depreciation	9257	20369
Write-down of Goodwill from Impairment Test	233500	
Amortization of right of use	1248	1133
Total	**248772**	**27637**

The Group decided to further subdivide the "Amortization of intangible assets" item by adding the Write-down of goodwill from impairment tests item in order to better identify the entity. In fact, for more details on the Goodwill Write-down item, please refer to the Group Report on Operations.

12. Net financial income (charges)

The below table shows the changes in the "Net financial income (charges)" item for the financial years ended on 30 November 2021 and 30 November 2020:

	Financial year ended on 30 November	
(in thousands of EUR)	**2021**	**2020**
Net profits/(losses) on foreign exchange rates	(537)	(1740)
Interest on the vendor loan	(2015)	(1014)
Interest, charges, commissions, expenses and bank insurance	(2388)	(1904)
Interest deriving from the application of IFRS16	(241)	(264)
Total	**(5181)**	**(4922)**

13. Income taxes

The following table shows the detail of the "Income taxes" item for the financial years ended on 30 November 2021 and 30 November 2020:

	Financial year ended on 30 November	
(in thousands of EUR)	**2021**	**2020**
Current taxes	(865)	(2293)
Deferred taxes	6729	23502
Total	**5864**	**21209**

The below table shows the reconciliation of the theoretical tax burden with the effective one for the financial years ended on 30 November 2021 and 30 November 2020:

	Financial year ended on 30 November	
(in thousands of EUR)	**2021**	**2020**
Profit before tax	(257864)	(12383)
Theoretical tax charges	71944	3455
Theoretical tax charges %	27.90%	27.90%
IRAP (Regional Income Tax)	0	(251)
Other differences	5864	21460
Effective tax burden	**5864**	**21209**

For further details on the change in deferred taxes, see the information in the below note [27] titled "*Liabilities for deferred taxes*".

14. Property, plant and machinery

The below table shows the changes in the "Property, plant and machinery" item for the financial years ended on 30 November 2021 and 30 November 2020:

(in thousands of EUR)	**Land and buildings**	**Plant and machinery**	***Industrial and commercial equipment***	**Other assets**	**Tangible assets in progress and advances**	**IFRS 16**	**Total**
Balance as at 30 November 2019	**24641**	**19093**	**3540**	**1408**	**1001**	**-**	**49,683**
of which:							
- Historical cost	38518	54776	27713	10226	1000	6432	138665
- Provision	(13877)	(35683)	(24172)	(8805)	-	-	(82537)
Increases	165	2530	494	18	-	1,039	4246
Disposals of the Fund	4085	1317	30	-	-	-	5,432
Disposals Cost	(10882)	(1317)	(30)	-	(189)	-	(12418)
Write-downs	-	-	-	-	-	-	-
Depreciation	(693)	(3508)	(1593)	(341)	-	(1133)	(7268)
Cumulated exchange rate difference	-	-	-	(2)	50	(43)	5

Balance as at 30 November 2020	**17316**	**18115**	**2442**	**1096**	**861**	**6295**	**46125**
of which:							
- Historical cost	27801	55989	28177	10242	861	7428	130498
- Provision	(10485)	(37874)	(25735)	(9146)	-	(1133)	(84373)
Increases	180	1669	1498	179	104	436	4066
IFRS5 reclassification	6595	-	-	-	-	-	6595
Disposals of the Fund	-	774	39	174		197	1184
Disposals Cost	-	(774)	(39)	(174)	(338)	(290)	(1615)
Write-downs	-	-	-	-	-	87	87
IFRS5 reclassification	(1146)	-	-	-	-	-	(1146)
Depreciation	(817)	(3798)	(1729)	(669)	-	(1148)	(8161)
Cumulated exchange rate difference	-	-	-	-	-	-	-
Balance as at 30 November 2020	**22128**	**15986**	**2211**	**606**	**627**	**5577**	**47135**
of which:							
- Historical cost	34576	56884	29636	10247	627	7661	139632
- Provision	(12448)	(40898)	(27425)	(9641)	0	(2084)	(92496)

The land and buildings item includes an accounting arrangement wherein the net value of the PPA linked to the properties emerged during the reverse merger between TBG Energy Italy S.p.A. and PetrolValves S.p.A. of € -996 million was correctly allocated to existing properties, thus generating the correct valuation and the correct write-down for each of them.

15. Goodwill

The below table shows the detail of the "Goodwill" item as at 30 November 2021 and 30 November 2020:

(in thousands of EUR)	Financial yeai as at 30 November 2021	2020
Goodwill	256977	256977
Write-downs	(233500)	-
Total	**23477**	**256977**
of which:		
- Historical cost	256977	256977
- Fond	(233500)	

"Goodwill" includes the greater value accounted for to the operating company, which emerged at the time of the reverse merger by incorporation of TBG Energy Italy S.p.A. and PetrolValves S.p.A.

The value of goodwill decreased by € 233.5 million following the results of the impairment test carried out on 30 November 2021.

In accordance with IAS 36, goodwill cannot be depreciated but is subject to *impairment test* annually, or more frequently where events or circumstances indicate that the asset may have lost value. The *impairment test* is performed by comparing the book value with the recoverable amount of the Cash Flow Generating Unit ("CGU"). The recoverable amount of the CGU is the highest of its *fair value* less costs to sell and its use value.

The estimate of the use value of the CGU, for the purpose of carrying out the annual test, was based on the following assumptions:

- The expected future cash flows of the five-year analytical forecast horizon were taken from the Group's business plan. These cash flows are estimated in EUR and refer to the CGU in its condition at the time the Financial Statements are prepared. The mix of volumes and sales used to estimate future cash flows is based on assumptions that are considered reasonable and sustainable and represent the best estimate of the expected conditions relating to market trends for the CGU in the period taken into account.
- The so-called Terminal Value was estimated on the basis of a normalized expected future *cash flow, assuming a medium/long-term growth rate of 2.2%*
- the expected future cash flows of the analytical forecast horizon and the Terminal Value have *been discounted (i.e., reported to date) using a WACC (weighted average cost of capital) of* 10.3%. The WACC used reflects the specific risk of the CGU in question.

The results of the Impairment Test as at 30 November 2021 showed that the recoverable value of the CGU is lower than its respective book value. This resulted in a goodwill write-down in 2021 as indicated above.
In this regard, it should be noted that this write-down is mainly attributable to the impact on the level of the following factors: (i) postponement of certain projects due to the effects of Covid-19; (ii) the criminal proceedings, pursuant to Art. 231, in which the Group was involved in 2021 (exhaustively shown on the Report on Operations), which resulted in the loss and/or failure to confirm numerous orders for the Group.

16. Intangible assets

The following table shows the changes in the "Intangible assets" item as at 30 November 2020 and 30 November 2019:

(in thousands of €	**Other intangible assets**	**Fixed assets from PPA**	**Total**
Balance as at 30 November 2019	**10250**	**83169**	**93419**
of which:			
- Historical cost	16941	203912	220853
- Sinking fund	(6691)	(120743)	(127434)
Increases	2317	-	2317
Disposals	(2191)	-	(2191)
Write-downs	-	-	-
Depreciation	(3,815)	(16,554)	(20,369)
Balance as at 30 November 2020	**6561**	**66615**	**73176**
of which:			
- Historical cost	17067	203912	220979
- Sinking fund	(10506)	(137297)	(147803)
Increases	1650	-	1650
Disposals	(1697)	-	(1697)
Write-downs	751	(1)	750
Depreciation	(3137)	(6120)	(9257)
Balance as at 30 November 2020	**4128**	**60494**	**64622**
of which:			
- Historical cost	17020	203912	220932
- Sinking fund	(12892)	(143418)	(156310)

The **"Other intangible assets"** item refers to the following categories:

(in thousands of EUR)	**Develop ment costs**	**Patents and tradema rks**	**to third parties**	**Software**	**Total**
Balance as at 30 November 2020	**887**	**2308**	**286**	**3080**	**6561**
of which:					
- Historical cost	3201	3545	361	9961	17067
- Sinking fund	(2314)	(1237)	(75)	(6880)	(10506)
Increases	42		567	1041	1650
Disposal	-	(1697)	-	-	(1697)
Write-downs	-	751	-	-	751
Depreciation	(157)	(98)	(98)	(2784)	(3137)
Balance as at 30 November 2020	**771**	**1264**	**755**	**1338**	4128
of which:					
- Historical cost	3242	1848	928	11002	17020
- Sinking fund	(2471)	(584)	(173)	(9664)	(12892)

The **Fixed assets from Purchase Price Allocation (PPA)**" item refers to the following categories:

(in thousands of EUR)	**PPA patents and trademarks**	**PPA customer portfolio**	**PPA know how**	**Total**
Balance as at 30 November 2019	**15642**	**57268**	**10259**	**83169**
of which:	-	-	-	0
- Historical cost	27420	73895	102597	203912
- Sinking fund	(11778)	(16627)	(92338)	(120743)
Increases	-	-	-	-
Disposal	-	-	-	-
Write-downs	-	-	-	-
Depreciation	(2611)	(3684)	(10259)	(16554)
Balance as at 30 November 2020	**13031**	**53584**	**-**	**66,615**
of which:				0
- Historical cost	27420	73895	102597	203912
- Sinking fund	(14389)	(20311)	(102597)	(137297)
Increases	-	-	-	-
Disposal	-	-	-	-
Rounding	-	-	-	-
Depreciation	(2396)	(3724)	-	(6120)
Balance as at 30 November 2021	**10635**	**49859**	**-**	**66,615**
of which:				
- Historical cost	27420	73895	102597	203912
- Sinking fund	(16785)	(24036)	(102597)	(143418)

17. Inventories

The below table shows the detail of the "Inventories" item as at 30 November 2021 and 30 November 2020:

(in thousands of EUR)	As at 30 November	
	2021	**2020**
Raw materials	30977	32687
Products under machining	17734	3313
Finished products	4176	13325
Inventory write-down provision	(5498)	(6814)
Total	**47389**	**42511**

The below table shows the changes in the inventory write-down fund for the financial years ended on 30 November 2021 and 30 November 2020:

(in thousands of EUR)	**Provision for depreciation *Inventories***
As at 30 November 2020	**6814**
,Provisions	4987
Used in the year	(3053)
Releases	(3250)
As at 30 November 2021	**5498**

During 2021, the inventory write-down provision for approximately EUR 3 million was used to cover obsolete and therefore scrapped goods.

18. Trade receivables

La seguente tabella riporta il dettaglio della voce "Crediti commerciali" al 30 Novembre 2021 e al 30 Novembre 2020:

(in thousands of EUR)	**Financial year ended on 30 *November***	
	2021	**2020**
Receivables from customers	134169	134169
Provision for depreciation of credits	(1603)	(1603)
Total	**132566**	**132566**

The below table shows the changes in the receivables write-down fund for the financial years ended on 30 November 2021 and 30 November 2020:

(in thousands of EUR)	***Provision for depreciation of*** **credits**
Balance as at 30 November 2019	**(1654)**
Provisions	(542)
Uses/Releases	593
Balance as at 30 November 2020	***(1603)***

The geographical breakdown of trade receivables on the basis of the Party to whom the credit is claimed, can be represented as follows:

(in thousands of EUR)	Trade receivables	
	2020	**2020**
Italy	6910	4471
Europe (including former USSR)	32205	30942
Africa	7956	4477
America	22784	13528
Asia	21084	18451
Middle East	33827	54600
Oceania	2958	7700
Total	**127724**	**134169**

19. Current deferred tax receivables

The below table shows the detail of the "Current tax receivables" item as at 30 November 2021 and 30 November 2020:

	Financial yeaı as at 30 November	
(in thousands of EUR)	**2021**	**2020**
Current deferred tax receivables	1219	6442
Total	**1219**	**6442**

20. Other current

The below table shows the detail of the "Other current assets" and "Other non-current assets" item as at 30 November 2021 and 30 November 2020:

	Financial year as at 30 November	
(in thousands of EUR)	**2021**	**2020**
Advances to suppliers	734	1650
Tax receivables	2313	1423
Prepaid expenses and accrued income	1648	1983
Total	**4695**	**5056**

21. Non-current assets held for sale

The below table shows the details of the non-current assets held for sale as at 30 November 2021 and 30 November 2020:

	Financial yeaı as at 30 November	
(in thousands of EUR)	**2021**	**2020**
Buildings	-	4,859
Total	**-**	**4,859**

Due to the freezing of the real estate market following the continuing pandemic, the properties that have not been sold have been re-classified in the balance sheet item tangible assets.

22. Cash and cash equivalents

The below table shows the detail of the "Cash and cash equivalents" item as at 30 November 2021 and 30 November 2020:

(in thousands of EUR)	Financial yeaı as at 30 November 2021	2020
Cash and cash equivalents	25142	89005
Total	**25142**	**89005**

The significant decrease in cash is mainly due to the repayment of a debt of € 42.5 million to the assignors of the investment in Land Lad S.p.A., merged into TBG Energy Italy S.p.A. in previous financial years, in turn merged, into PetrolValves S.p.A. through the reverse merger with effect on 29 November 2017 and from the repayment of the loan of € 35 million taken out in July 2020.

Lastly, on 30 April 2021, a loan agreement granted in pool by Banca Intesa Sanpaolo S.p.A. and Banco Bpm S.p.A. was signed for a total of € 50,000,000, of which € 30,000,000 granted as a loan with disbursement on the same date, and € 20,000,000 as revolving credit lines to be used as needed. The duration of the loan is set at five years, and the remuneration is tied to the trend of the EURIBOR Act/360 rate 3 months.

In order to satisfy operations, the Group obtained prior to the approval of these Financial Statements a resolution by the pool of banks for a loan of € 37.5 million as a bank loan and € 20 million as a revolving credit line. This loan is expected to be finalized in June 2022.

It should be noted that, on 26 May 2021, the Company received notification of a provision of preventive seizure and a provision by which the Court of Milan, Autonomous Section of Prevention Measures, appointed a Judicial Administrator in order to carry out certain targeted and circumscribed checks on the Company. This provision is equal to € 11,568,949.21 subsequently reduced to € 8,802,321.00. So, reference should be made to the Report on operations for further details

23. Equity

Share Capital

As at 30 November 2020 the share capital of the Group is fully subscribed and paid up and amounts to € 2,500 thousand, consisting of #[25,000] ordinary shares, whose nominal value is equal to € [1,000].

Other equity reserves

In order to better understand the changes in Shareholders' equity, the changes and details of the other Shareholders' equity reserves for the financial years ended on 30 November 2021 and 30 November 2020 are highlighted below:

(in thousands of EUR)	Values as at 30.11.2019	Assigned result for the financial year	Other changes	Result for the financial year	Values as at 30.11.2020
Share Capital	2500	-	-	-	2,500
Reserve for revaluation of assets	20738	-	-	-	20,738
Legal reserve	500	-	-	-	500
Other reserves	-	-	-	-	0
Exceptional reserve	22498	-	-	-	22,498
Merger surplus reserve	142601	-		-	142,601
Various other reserves	32927	-	-47	-	32,729
Actuarial reserve	(184)	-	131	-	-71
Profits (losses) brought forward	218003	257	-	-	209,880
Profit (loss) for the year	(8380)	-257	-	-252,147	-252147
Third party Shareholders' equity	279	-	472	-	496
Total	**431482**	**0**	**556**	**-252147**	**179724**

The below table shows a breakdown of changes in the Comprehensive Income Statement and other changes in Shareholders' equity with assignment to the reference reserves:

(in thousands of EUR)	Actuarial reserve	Conversion reserve
As at 30 November 2020	*(23)*	*(3421)*
Actuarial profit/(loss) for Employee benefits	124	-
Actuarial profit/(loss) for Employee benefits - tax effect	(30)	-
Other income items that will not be reclassified to the Income Statement in subsequent financial years	**94**	**0**
Profit/(loss) from exchange differences on the translation of assets and liabilities of consolidated companies in functional currencies other than the EUR	-	317
Profit/(loss) from exchange differences on the conversion of assets and liabilities of consolidated companies into functional currencies other than EUR - tax effect	-	-76
Other income items that will be reclassified to the Income Statement in subsequent financial years	**0**	-241
As at 30 November 2021	**(71)**	**(3662)**

Conversion reserve

The translation differences deriving from the conversion of the Financial Statements of foreign companies are accounted for in the other items of the Comprehensive Income Statement and accumulated in a Shareholders' equity reserve. The cumulative amount of this reserve is reclassified to the Income Statement when the investment is sold.

24. Non-current financial liabilities

The below table shows the detail of the "Non-current tax receivables" item as at 30 November 2021 and 30 November 2020:

	Financial year as at 30 November	
(in thousands of EUR)	2021	2020
Financial liabilities to third parties	5063	41789
Current financial liabilities to the Ministry	668	572
Total	**5732**	**42361**

It should be noted that on 16 November 2021 a loan agreement was signed with the parent company TBG Holdings (Energy) B.V. This contract provided for the granting of a loan of € 10 million, of which € 5 million subordinated to the loan granted in pool by Banca Intesa Sanpaolo S.p.A. and Banco Bpm S.p.A.

25. Employee benefits

The below table summarizes the change in the severance indemnity fund for the financial years ended on 30 November 2021 and 30 November 2020.

(in thousands of EUR)	Severance pay provision
Balance as at 30 November 2020	**3296**
Interest on bonds	-
Service cost	-
Uses and advances	(237)
Actuarial loss/(profit)	(199)

Balance as at 30 November 2021	**2860**

The calculation actuarial assumptions for the purpose of determining the severance indemnity are detailed in the below table:

	Financial year as at 30 November	
	2021	**2020**
Economic assumptions:		
Annual discount rate	0.45%	0.04%
Annual inflation rate	1.50%	0.50%
Annual rate of salary increase	The Company has more than 50 employees so this hypothesis is not part of the calculation	The Company has more than 50 employees so this hypothesis is not part of the calculation
Demographic assumptions:		
Advances frequency	0.50%	0.50%
Turnover frequency	5.00%	3.00%

Below is the sensitivity analysis of the liability for severance indemnity compared to the change in the main actuarial assumptions for the financial year ended on 30 November 2020:

	Financial year as at 30 November 2021
Turnover rate +/- 50 bps.	2901113
Turnover rate +/- 50 bps.	2875194
Inflation rate +/- 50 bps.	2813652
Inflation rate +/- 50 bps.	2964710
Discount rate +/- 50 bps.	2896540
Discount rate +/- 50 bps.	2879401
Mortality rate +/- 50 bps.	3015506
Mortality rate +/- 50 bps.	2768583

26. *Provisions for risks and charges*

The below table shows the details and changes in the "Provisions for risks and charges" item for the financial years ended on 30 November 2021 and 30 November 2020:

(in thousands of EUR)	**Fund for guarantee risks**	**Fund for disputes**	**Bonus Value**	**Fund for tax disputes**	**Total**
As at 30 November 2020	**1788**	**9511**	-	**1,915**	**13214**
Provisions	-	2,343	-	-	**2,343**
Used in the year	-	(9385)	(1382)	-	**(10767)**
Reclassification	-	-	3865	-	**3,865**
Releases	(1153)	(666)	-	(1915)	**(3734)**
As at 30 November 2021	**635**	**1803**	**2483**	-	**4,921**

The changes in the provision for disputes reflect the use of the fund of € 8,802,321 set aside in the previous financial year following the notification of the preventive seizure order as already highlighted.

27. Liabilities for deferred taxes

The following tables show the details and changes in deferred tax liabilities and deferred tax liabilities for the financial years ended on 30 November 2021 and on 30 November 2020:

(in thousands of EUR)	Tangible and intangible assets	Financial instruments	Investments in associated companies	Other	Total
Balance as at 30 November 2020	-	-	-	**1,456**	**1456**
Adjustments from changes in accounting principles	-	-	-	-	-
Impact on the Income Statement	-	-	-	1,269	1269
Impact on the Comprehensive Income Statement	-	-	-	-	-
Balance as at 30 November 2020	-	-	-	**2,725**	**2725**

28. Trade payables

The following table shows the details of the "Trade payables" item as at 30 November 2021 and 30 November 2020:

(in thousands of EUR)	**Financial year as at 30 November**	
	2021	**2020**
Trade payables	45236	56844
Total	**45236**	**56844**

This item includes the debts relating to the normal performance of the commercial business by the Group. The average time for payment of trade payables is 90 days from the invoice date.

As for the composition of trade payables by geographical area, it should be noted that these are payable by national Counterparties for about 90%.

29. Other current and non-current liabilities

The below table shows the detail of the "Other current and non-current liabilities" item as at 30 November 2021 and 30 November 2020:

(in thousands of EUR)	**Financial yearl as at 30 November**	
	2021	**2020**
Other non-current liabilities	4595	5429
Other non-current liabilities	**4595**	**5429**
Advances from Customers	30059	18391
Deferred income	8416	14851
Payables to social security	6719	10369
Other current liabilities	112	1776
Other current liabilities	**45306**	**45387**
Current financial liabilities	**76416**	**76415**
Total	**126317**	**127231**

30. Transactions with Related Parties

Related Parties are identified on the basis of the provisions of IAS 24. Transactions with Related Parties *are mainly of a commercial and financial nature, and refer to transactions carried out under normal market* conditions; however, there is no guarantee that, if such transactions had been concluded between or with Third Parties, the latter would have negotiated and entered into the relevant contracts, or executed the transactions themselves, under the same conditions and with the same methods.

During the financial year, Top Management operations were carried out.

In particular, relations with Top Management mainly refer to the fees of Executives with strategic responsibilities and, specifically, the "Costs for services" item includes the fees for the Members of the Board of Directors of the companies, defined as Key Management, with decision-making powers.

31. Current deferred tax payables

The below table shows the detail of the "Current tax debts" item as at 30 November 2021 and 30 November 2020:

(in thousands of EUR)	**Financial year as at 30 November**	
	2021	**2020**
Current deferred tax payables	1478	2037
Total	**1478**	**2037**

32. Deferred tax assets

The below table shows the detail of the "*Deferred tax assets*" as at 30 November 2021 and 30 November 2020:

(in thousands of EUR)	**Financial intangible assets**	**Provisions for risks and charges**	**Financial assets and**	**severance indemnity**	**Other**	**Total**
Balance as at 30 November 2020	**730**	**2988**	**0**	**94**	**17224**	**21036**
Adjustments from changes in accounting principles	-	-	-	-	-	-
Impact on the Income Statement	(234)	(628)	0	(3)	8729	7864
Impact on the Comprehensive Income Statement	-	-	-	-	-	-
Balance as at 30 November 2021	**496**	**2360**	**0**	**91**	**25953**	**28900**

The "Other" item mainly relates to the ACE subsidy for the period and the excess of previous financial *years (€ 12,536 thousand) and the tax losses generated in the financial year and in previous financial* years (€ 6,055 thousand).

33. Other information

Guarantees

There are no debts secured by collateral on Group assets.

Commitments

(in thousands of EUR)	Financial yeaı as at 30 November 2021	2020
Guarantees given to third parties	79506	60738
Total	**79506**	**60738**

Sureties in favor of third parties - this Section represents the sureties in favor of third parties for product guarantees, advance guarantees received, guarantees for participation in tenders and guarantees not strictly related to the business.

Fees of the Directors, Statutory Auditors and auditing firm

The following table shows the balance of the remuneration for the Directors and Statutory Auditors for the financial years ended on 30 November 2021 and 30 November 2020 of the Group:

(in thousands of EUR)	Financial yearas at 30 November 2021	2020
Statutory audit of annual accounts	256	368
Fees to the Director	10	10
Auditors fee	80	79
Total	**457**	**457**

34. Important events occurred after the end of the financial year

Following an analysis of the group's structure, we would like to point out that, during the first half of 2022, the liquidation of the same will be approved by the shareholders' meeting of the Brazilian company PetrolValves Do Brasil Comercio de Válvulas and Controle de Fluidos Ltda. This company no longer meets the needs of the Company in order to streamline the structure and benefit from the PetrolValves network for a more accelerated launch on the market. This process should take approximately 4 to 6 months. After the liquidation, it will in any case be obligatory to keep the corporate books and documents for 5 years and, for this purpose, it is necessary to appoint a delegate resident in Brazil.

With regard to the evolution of the criminal proceedings notified on 26 May 2021, it should be noted that (i) on 25 November 2021 a hearing was held before the Judge for the Preliminary Investigations of Milan, where a plea bargaining sentence was pronounced, thus accepting the request formulated by the parties; (ii) on 15 December 2021 the complete revocation of the judicial administration was confirmed, thus definitively ending the proceeding For more details, please refer to the Report on Operations of these Financial Statements.

The Company has mandated its legal and financial advisors to assist it in evaluating any possible action against previous shareholders and managers. In particular, the Company has already taken steps to request compensation for direct damages deriving from the criminal proceedings, thus reserving any further compensation action against the same. With regard to the residual debt owed to the assignors, the investment in Land Lad S.p.A., merged into TBG Energy Italy S.p.A. in previous financial years (in turn merged into PetrolValves S.p.A. through the reverse merger transaction with effect from 29 November 2017), it should be noted that, pending information on the developments of the claim promoted, the payment of the Vendor Loan has been temporarily suspended.

On the financial front, as anticipated, it is confirmed that discussions are proceeding regularly with the pool of banks aimed at a financing operation that provides

(i) the granting of € 37.5 million as a bank loan (with SACE guarantee) and the simultaneous repayment of the outstanding loan of € 30 million and (ii) the granting of a revolving credit line of € 20 million in replacement of the revolving credit line of the same amount currently in place.

The formalization of the transaction is expected by June 2022.

As part of the transaction in question, TBG Holding Energy B.V. ("TBGHE") by sending a communication addressed to the Company, the Independent Auditors and the Board of Statutory Auditors, confirmed its economic and financial support, should this support become necessary, relating to the 12 months following the approval of these Financial Statements.

In this regard, moreover, the short-term cash forecasts, submitted to IBR as part of the refinancing process, took into account the most up-to-date economic and financial forecasts at the date of preparation of this report.

At the date of preparation of this document, discussions with the Pool Banks for the refinancing are in progress. The refinancing operation under study, subject to ongoing negotiations and the approvals of the competent decision-making bodies of the Pool Banks, provides in particular:

- the granting of a loan, with a SACE guarantee, for a value of € 37.5 million and the simultaneous repayment of the existing loan;
- the granting of a revolving credit facility of € 20 million to replace the revolving credit facility of the same amount currently in place.

As part of the transaction in question, the Company and the Pool Banks are jointly defining the main aspects of the loans (duration, amortization plan, interest rate, etc.) as well as the main capitalization and guarantee commitments by the shareholder of PetrolValves S.p.A., TBG Holding Energy B.V. ("TBGHE"). In this regard, it should be noted in particular that TBGHE as of today, to support the needs of the Company and to demonstrate its commitment, has already granted shareholder loans to the Company for € 20 million in the form of:

- loan of € 15 million entirely subordinated as permitted by the loan agreement in place with the pool banks;
- loan of € 5 million maturing in November 2022 as required by the loan agreement in place with the pool banks.

We consider it appropriate to underline that, on the night between 23 and 24 February 2022, Russia officially embarked on a war initiative towards Ukraine. Following this operation, the European Union, the United Kingdom and the United States of America immediately inflicted a number of very heavy economic sanctions, which aimed at hitting Russia from an industrial, financial and social point of view. The effects produced by the above-mentioned measures have generated a significant economic and social impact for both Russia and NATO Countries, including an increase in the price of raw materials, difficulties in procuring certain products from the Russian/Ukrainian market and a physiological increase of prices. The conflict between Russia and Ukraine, in addition to representing a catastrophe from a humanitarian and social point of view, is an event that must be analyzed for the purposes of these Financial Statements.

It is noted that the Company sells/buys in the Russian territory. At the start date of the conflict, the Company stopped all sale/purchase activities and continues to monitor the governmental and sanctioning provisions. The Company constantly monitors possible impacts on management, thus paying attention to the continuity of strategic supplies, the assessment of economic impacts and cost recovery actions as well as the implementation of investments in the short- and medium-term to reduce energy consumption. With regard to financial risks, the company assesses the exposure to Russia and Ukraine as irrelevant.

Finally, it should be noted that the Group recorded a loss for the year; however, despite the uncertain political and economic context and the facts described in detail, the Financial Statements are prepared on the assumption of business continuity, as the Top Management assesses the ability of the company to continue to set up a functioning economic complex intended for the production of income, thanks to both the relaunch on the market of the company, also in consideration of the first quarter of 2022, and the full financial support provided by the investing shareholder.

There are no other significant events subsequent to the preparation of the Financial Statements that require special attention; for an exhaustive discussion of the management trend, reference is made to the Report on Operations accompanying these Financial Statements.

Milan, 28 April 2022

On behalf of the Board of
Directors The CEO
Eng. Tortelli Cristiano

ANNEX 1

The subsidiaries of PetrolValves S.p.A. *(hereafter, for the sake of brevity, referred to as* "The Group") *are* those included in the below table:

Company name	Registered office	% of ownership	Load value in EUR
PetrolValves (G.B.) Ltd.	Fountain House, Holbrooke Place, 28-32 Hill Rise, Richmond TW10 6UD, England	100.00%	24266
PetrolValves AS	Luramyrveien 57 N-4313 Sandnes, Norway	100.00%	112762
PetrolValves LLC	*6000 Sam Houston Parkway North, 77041* Houston Texas	100.00%	1079
VSI CONTROLS S.r.l.	viale Luigi Majno 17/a Milan	100.00%	3744401
Suzhou PetrolValves Trading Co. Ltd.	*Room 1040 Nisheng Building, No.205 Suzhou* Avenue West, Suzhou Industrial Park, Suzhou, PRC.	100.00%	30000
PetrolValves Kazakhstan LLP	office 901, Almaty Street 7, Nur-Sultan City, Republic of Kazakhstan	49.90%	23292
Immobiliare Vecchia Pavia S.r.l.	Via della Moscova, 3 - 20121 MILAN	100.00%	6800000
PetrolValves do BrasilComércio de Válvulas e Controle de *FluidosLtda.*	Rua Voluntários de Patria, 45 - Botafogo2270900 - Rio de Janeiro	100.00%	0
PetrolValves Saudi Arabia LLC	81 Street, Dammam 2nd Industrial City, Dammam 34331, Saudi Arabia	100.00%	1127457

We would like to point out that PetrolValves (G.B.) Ltd is exempt from auditing under Section 479A of the Companies Act 2006 (English law)

Ria
Grant Thornton

Ria Grant Thornton SpA
Via Melchiorre Gioia 8
20124 Milan

T + 39 02 3314809
F +39 02 33104195

Report of the independent auditing firm pursuant to Art. 14 of Legislative Decree No. 39 of 27 January 2010

To the Sole Shareholder of
PetrolValves S.p.A.

Report on the **audit of the Consolidated Financial Statements**

Opinion
We carried out the audit of the Consolidated Financial Statements of the PetrolValves Group (hereinafter referred to as the Group) consisting of the Consolidated Balance Sheet and financial position as at 30 November 2021, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Consolidated Cash Flow Statement and the Statement of changes in consolidated equity for the financial year ended on that date and the Notes to the Consolidated Financial Statements that also include the summary of the most significant accounting standards applied.

In our opinion, the Consolidated Financial Statements provide a true and correct representation of the Group's balance sheet and financial position as at 30 November 2021, of the economic result and of the cash flows for the financial year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union.

Elements of our opinion
We performed the audit in accordance with the ISA Italia international auditing standards. Our responsibilities under these standards are further described in the section titled *Responsibility of the auditing company for the audit of the financial statements* of this report. We are independent of PetrolValves S.p.A. in accordance with the rules and principles on ethics and independence applicable in Italian law to the audit of the Financial Statements. We believe we have acquired sufficient and appropriate audit evidence on which to base our opinion.

Recall of information
Attention is drawn to what is described by the Directors in the Notes to the Financial Statements in the paragraph titled "Significant events subsequent to the end of the financial year" and in the paragraph titled "Foreseeable evolution of operations" of the Report on Operations on the going concern of the company, taking into account the loss for group year recorded in the Financial Statements as at 30 November 2021 equal to €/thousand (251,916), which leads to a net equity of €/thousand 179.228.

The Directors point out that the continuation of the initiatives aimed at consolidating efficiency and production capacity, in conjunction with the positive conclusion of the criminal proceedings against the Company (the so-called "Crystal" project), "have an important, albeit partial, commercial response, with an important acquisition of orders already in the first quarter of 2022, thus laying the bases foundations for achievement of the Group's medium-long-term objectives".

The same also inform that discussions are in progress with the Financial Institutions to agree "(i) the concession of € 37.5 million with as a bank loan (with SACE Guarantee) and the contextual repayment of the loan of € 30 million in place and (ii) the granting of a revolving credit line of € 20 million in replacement of the revolving line of the same amount currently in place. The formalization of the transaction is expected by June 2022" as part of the same operation, TBG Holding Energy B.V. ("TBGHE") "confirmed its economic and financial support, in the event that this support should become necessary, in relation to the 12 months assisted by the "updating of these Financial Statements".

The Directors conclude that, although as more fully reported in the above-mentioned paragraphs, the economic and political context is problematic; they have drawn up the Financial Statements as at 30 November 2021 on the assumption of business continuity, based on the momentum on the market of the company in consideration of the first quarter of 2022 and of the full financial support provided by the Investing Shareholder".

Our opinion is not expressed with importance in relation to these aspects.

Directors' and Statutory Auditors Board responsibility for the Consolidated Financial Statements
The Directors are responsible for the preparation of the Consolidated Financial Statements that provide a truthful and correct representation in accordance with the International Financial Reporting Standards adopted by the European Union and, within the terms established by law, for that part of the internal check they consider necessary to allow the preparation of Financial Statements that do not contain significant errors due to fraud or unintentional behaviors or events.

The Directors are responsible for assessing the Group's ability to continue to operate as an operating entity and, while preparing the Consolidated Financial Statements, for the appropriateness of the use of the assumption of business continuity, as well as adequate disclosure on the subject. The Directors use the assumption of business continuity in the drafting of the Consolidated Financial Statements unless they have assessed that there are the conditions for the liquidation of the Parent Company PetrolValves
S.p.A. or for the interruption of the activity or have no realistic alternatives to these choices.

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

Auditing firm's responsibility for auditing the Consolidated Financial Statements
Our goals are the acquisition of reasonable assurance that the Consolidated Financial Statements in their entirety do not contain significant errors due to fraud or unintentional behaviors or events, and issuing a review report that includes our opinion. Reasonable safety means a high level of security that, however, does not provide the guarantee that an audit carried out in accordance with international auditing standards (ISA Italia) finds always a significant error, if any. Errors can result from fraud or from unintentional behaviors or events and are considered significant whenever it's possible to reasonably expect that they, individually or together, can influence the economic decisions taken by users on the basis of the Consolidated Financial Statements.

As part of the audit performed in accordance with international auditing standards (ISA Italy), we exercised professional opinion and maintained professional skepticism for the entire duration of the audit. Furthermore,

- we have identified and assessed the risks of material misstatement in the Consolidated Financial Statements due to fraud or unintentional behavior or events; we have defined and carried out procedures of review in response to these risks; we have acquired sufficient and appropriate audit evidence on which to base our opinion. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error resulting from unintentional behavior or events, since fraud can imply the existence of collusions, falsifications, intentional omissions, representations misleading or force the relevant internal control;
- we have gained an understanding of internal control relevant for the purposes of the audit

for the purpose of defining audit procedures that are appropriate in the circumstances and not for expressing an opinion on the effectiveness of the Group's internal control;
we assessed the appropriateness of the accounting principles used and the reasonableness of accounting estimates made by the Directors and the related disclosure;

- we have expressed an opinion on the appropriateness of use by the Directors starting from the assumption of business continuity and, based on the audit evidence obtained, on possible existence of slowed uncertainty regarding events or circumstances that may give rise to significant doubts about the Group's ability to continue operating as an operating entity. In the presence of significant uncertainty, we are required to draw attention to the audit report on the related information in the Financial Statements or, if this information is inadequate, to reflect this fact in the expression of our opinion. Our conclusions are based on the audit evidence gained up the date of this report. However, subsequent events or circumstances may imply that the Group ceases to operate as an operating entity;
- we assessed the presentation, structure and content of the Consolidated Financial Statements as a whole, including the disclosure, and whether the Consolidated Financial Statements represent the underlying transactions and events in order to provide a correct representation.
we have obtained sufficient and appropriate audit evidence on the financial information of the companies or of the different economic activities carried out within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the management, supervision and performance of the Group's audit engagement. We are solely responsible for the audit opinion on the Consolidated Financial Statements.

We have disclosed the managers of the governance activities, identified at an appropriate level as required by ISA Italia, among other aspects, the scope and timing planned for auditing and the significant results emerged, including any significant internal audit shortcomings identified during the audit.

Report on other provisions of law and regulations

Opinion pursuant to Art. 14, paragraph 2, subpara. e) of Legislative Decree No. 39/10

The Directors of PetrolValves S.p.A. are responsible for the preparation of the Report on operations of the Group as of 30 November 2021, including its consistency with the related Consolidated Financial Statements and their compliance with the law.

We have carried out the procedures listed in the revision standard (SA Italia) no. 720B in order to express an opinion on the consistency of the Report on operations with the Consolidated Financial Statements of the Group as at 30 November 2021 and on compliance with the law, as well as to issue a statement on any significant errors.

In our opinion, the Report on operations is consistent with the Consolidated Financial Statements of the PetrolValves Group as at 30 November 2021 and are prepared in accordance with the law.

With reference to the declaration pursuant to Art. 14, para. 2, subpara. e), of the Legislative Decree No. 39/10, issued on the basis of the knowledge and understanding of the company and the related context acquired during the audit, we have nothing to report.

Milan, 23 May 2022

Ria Grant Thornton S.p.A.

Mrs. Roberta Cipollini
Director

PetrolValves S.p.A. with Sole Shareholder

Registered Office in Milan, Viale Luigi Majno
17/A
Share Capital € 2,500,000.00
Tax Code, VAT and Registration Number in the Register of Companies of Milan
no. 00214740128
Economic and Administrative Index of Milan no. 1374835

Consolidated Financial Statements for the financial year ended on 30 November 2021

Report on Operations

Corporate Positions and Company Top Management

BOARD OF DIRECTORS

President	Mr. Jeremy
Abson **Chief Executive Officer**	Mr. Cristiano
Tortelli **Director**	Mr. Mario
Cesari	
Director	Mr. Peter Baumgartner

BOARD OF STATUTORY AUDITORS

President	Mr. Emilio Corrà
Regular Members	Mr. Massimo Gentile, Mr. Quirino Walter
Imbimbo	

LEGAL AUDITOR

Auditing Firm	Ria Grant Thornton S.p.A.

COMPANY TOP MANAGEMENT

CEO	Mr. Cristiano Tortelli

Table of contents

1. Introduction

After the 2020 financial year that has gone down in history due to the drama of the events and the challenges faced by the Group, the 2021 financial year continued to be conditioned by the persistence of the health emergency linked to the COVID-19 pandemic. Despite the significant contribution provided by *vaccines to the containment of the pandemic and the reopening of markets during 2021, there were* numerous limitations and lockdowns, particularly in the first part of the year, which significantly slowed down investments in the industry, with a consequent slowdown in orders for both new valves and services.

The financial year 2021 was also significantly disturbed by the initiation of criminal proceedings against PetrolValves Spa - hereinafter referred to as "the Parent Company" - (the so-called "Crystal" project), which ended in 2021 with the complete exclusion of disqualification sanctions and application of minimum sanctions.
In detail, on 26 May 2021, the Parent Company received notification of a preventive seizure order and of a provision by which the Milan Court, Autonomous Prevention Measures Section, appointed a Judicial Administrator in order to carry out certain targeted and limited checks on the Parent company. More specifically, the scope of the latter provision was restricted to the examination of certain contractual relationships relating to years prior to the entry of the new shareholder and the corporate bodies, as well as to the verification of the internal control system which the Parent company was equipped with.
This appointment did not therefore interfere with the activities of the Board of Directors, which not only was not recognized any responsibility for the disputed facts but remained free to continue in the ordinary *and normal development of the typical corporate business.*
Both of the above-mentioned provisions were issued as part of an investigation still pending exclusively against former officers and former employees of the Parent Company, with respect to which PetrolValves S.p.A. was only responsible pursuant to and for the purposes of Legislative Decree no. 231/2001 and as a result of the unlawful conduct generated by the former managers and employees of the Parent Company.
None of the current directors, managers and employees were the recipients of provisions by the Judicial Authority, and, therefore, were completely unrelated to the investigations within the same procedure.
Following the above, the Parent Company promptly took action and, with the help of external consultants, made available to the Judicial Authority what was requested and necessary to confirm the total extraneousness to the disputed facts, thus, reaching an agreement that was then ratified in sentence on 25 November 2021, which provided for the complete exclusion of disqualification sanctions.
Subsequently, on 15 December 2021, the Court, accepting the arguments put forward by the Parent Company and recognizing the numerous *self-cleaning* measures it implemented, ordered the complete and immediate revocation of the Judicial Administrator, in advance of the deadline originally set in the measure.
Unfortunately, the concomitance of the continuing effects of the COVID-19 health emergency and the direct and indirect impacts resulting from the procedure described above, has certainly impacted *PetrolValves' ability to participate in important tenders and acquire new projects, particularly in the second* half of the year; however, thanks to the experience and commitment of the Top Management and all *collaborators, this has not prevented the company from recovering promptly and recovering its positions.*

In fact, from an economic point of view, the prospects for 2022 are positive and very encouraging; new orders were already received in the first quarter of 2022, with a strong increase compared to 2021.

Finally, as regards the Financial Results, the Company communicated the credit institutions granting the pooled loan (Intesa Sanpaolo and Banco Bpm) that, not being able to comply with the previously agreed financial covenants, the Parent Company proposed the Banks to reach as soon as possible the signing of an agreement aimed at regulating and implementing, in addition to the granting of a waiver on financial covenants, also the refinancing of the exposures towards them.

2. General economic trend

In 2021 there was a global economic recovery, despite the supply side bottlenecks, the high prices of raw materials and the persistence of the COVID-19 pandemic continue to weigh on growth prospects in the short term.

Specifically, the trends of the pandemic have affected consumer confidence, even in the absence of particularly restrictive containment measures. In more recent times, the emergence of the Omicron variant has raised fears of an intensification of the pandemic worldwide, thus further increasing the uncertainty about its future evolution. At the same time, other headwinds weighed on activity and trade, putting upward pressure on prices. Tensions in world production networks worsened during 2021, thus affecting in particular the large advanced economies and the manufacturing sector (especially in the automotive industry). The turmoil in the residential property market in China and the tightening of monetary policy in some emerging economies (EMEs) have further limited the speed of the recovery. Finally, the increases in commodity prices have led to the accumulation of inflationary pressures around the world.

With reference to the main foreign economies:

- in the United States, economic activity is recovering, after modest growth in the third quarter attributable to the resurgence of COVID-19 infections. The activity data for the month of October have, in general, highlighted a recovery, thus indicating solid growth expectations in the short term. Price pressures were most evident for goods, in the presence of persistent bottlenecks in the supply chain, while they generally remained more contained for services. Overall, inflationary pressures are expected to remain high in the months ahead;
- in the United Kingdom, the most recent data indicate that activity remains contained following the weak results recorded in the third quarter of 2021. The combined effect of disruption along supply chains and labor shortages, driven by the global situation and Brexit, has led to a moderation in growth. Private consumption continued to drive the real economy in conjunction with the further easing of restrictions due to COVID-19, while the marked weakness of investments was confirmed. The factors that weighed on business during the summer should persist over the coming months. As a result, UK economic activity is expected to return to pre-pandemic levels in the first quarter of 2022;
- activity in China has slowed sharply due to a shortage of energy assets, the turbulence in the residential property sector and new outbreaks of COVID-19. Consumer confidence surveys have provided mixed signals regarding private consumption, while production and investment may be suffering from supply-side bottlenecks. The demand for energy goods remains high, although signs of easing of pressures have recently emerged, partly attributable to policies aimed at *boosting the supply of coal and the use of national reserves in an effort to reduce domestic oil* prices and ensure energy security. The turmoil in the residential real estate sector continued and the authorities adopted supportive policies: in December the central bank of the People's Republic of China reduced the rate for the compulsory reserve of banks and the central administration gave signs of a more favorable towards the real estate sector. These policy interventions aim at managing the slowdown and avoiding a more marked contraction both in the residential construction sector and in the economy in general;
- in Japan, the economy slowed in the third quarter in the face of supply-side bottlenecks and the resurgence of COVID-19 infections. Economic activity is expected to resume in the fourth quarter, thus reflecting the gradual easing of containment measures, the progress made in the vaccination campaign and the continued support offered by policies. These factors should also underpin a stronger recovery in early 2022. Twelve-month inflation

should return positive and further increase over the projection time horizon, while remaining below the target set by the central bank.

With regard to the Euro Area, the recovery continued in the third quarter of 2021, with a further strengthening of the activity that approached the level of the pre-crisis product. Private consumption was the main driver of growth in the third quarter. A further substantial increase in activity in the service sector provided an important contribution, particularly in the hospitality and leisure segments that benefited from the gradual relaxation of restrictions over the summer. At the same time, industry and the construction sector have made a negative contribution to overall growth, in a context of growing shortages on the supply side over the summer months. It is estimated that supply interruptions, energy price increases and further restrictions, linked to the resurgence of the pandemic in some Euro Area Countries, have weighed on business in the last quarter of the year. Despite the short-term interruptions and uncertainties, the foundations of the recovery underway in the Euro Area are not compromised. Eurosystem experts predict annual real GDP growth of 5.1% in 2021, 4.2% in 2022, 2.9% in 2023 and 1.6% in 2024, with a return to pre-pandemic quarterly activity levels by 2022. With regard to monetary policy, the BoD of the ECB believes that the progress made on the economic recovery front and towards achieving the inflation target in the medium term allow for a gradual reduction in the pace of asset purchases. The BoD also noted that, given the high uncertainty, the conduct of monetary policy will be flexible and open to various options in relation to the evolution of the macroeconomic framework, while reaffirming the need to maintain an accommodative stance.

In Italy, after a weakening of growth in the last part of last year, which would continue in the first months of the current one, the product would return to expand at a sustained extent from the spring, in conjunction with the hypothesized improvement in the health situation, thus recovering pre-pandemic levels around mid-2022. The expansion of the business would then continue at robust rates, albeit less intense than those that characterized the net recovery following the reopening in the central part of 2021. On average per year, GDP would increase by 3.8% in 2022, by 2.5% in 2023 and by 1.7% in 2024. The scenario also assumes that monetary and financial conditions remain favorable, despite a slight increase in nominal interest rates over the forecast horizon. Considerable support for growth would come from stimulus measures financed from the national budget and European funds, in particular those outlined in the National Recovery and Resilience Plan (NRPR). In the projections, the set of measures introduced in 2021 and planned for the next few years, including the resources of the maneuver for the three-year period from 2022 to 2024, would support economic activity for about 5 percentage points accumulated in the four-year period from 2021 to 2024. Just under half of this effect would be attributable to the PNRR interventions, on the assumption that they are implemented effectively and without significant delays. The scenario is also based on the hypothesis that new infections reach a peak in the first quarter of the year, without resulting in a severe tightening of containment measures, but with negative effects in the short term on mobility and consumer behavior. The spread of the epidemic would diminish from the spring, thanks also to the further progress of the vaccination campaign.

3. Industry trend

The sector in 2021 was affected by the effects of the COVID-19 pandemic described above, thus imposing constraints on global demand and consumption and thus causing the postponement of many projects in the Oil & Gas segment.

In this context, the energy sector in recent years has undergone very strong fluctuations: after a 2020 in which, following a clear imbalance between supply and demand of energy factors, the Brent price fell in April 2020 below of 20 dollars a barrel to then settle around 50 dollars a barrel around the end of the year; in 2021 the price of Brent was affected by a significant upward trend, thus culminating in the achievement of the value of approx. 86 dollars a barrel, close to the highs of the last 8 years.

In 2021, the traditional reference markets of PetrolValves (upstream-subsea, upstream-land, midstream-LNG-pipeline) take on more or less accentuated tones depending on the segments and geographical areas and the time horizon considered. In general, the dynamics of the energy transition seem to favor, on the one hand, natural gas over other fossil fuels and, on the other, the use of technologies aimed at the decarbonization of fossil sources (CCUS) and the reduction of diffuse CO2 emissions with the consequent need for modification and/or adaptation of existing plants.

- In Saudi Arabia, investment will continue in the long term to maintain its market share globally and to balance the price of oil in order to avoid a new acceleration in the production of "shale oil" in the United States.
- In the United States, it is expected that the resumption of shale oil production will be influenced by the new management (more attentive to green issues), by cash flow constraints (driven by the volatility of the oil price) and by the availability of capital.
- In Brazil, investments will continue (through Petrobras and international companies) in new production of "pre-salt oil".
- In Asia-Pacific, on the other hand, investments are being made in new infrastructures for the exploitation of gas, driven by Australia's ambition to counter the supremacy of Qatar's LNG.

OPEXs are expected to grow to extend the life of production facilities, to reduce emissions to meet ESG commitments and to automate plants.

Despite this, in 2021, there was still a contraction in maintenance activities as both international and national operators, given the increase in oil prices, maximized production activities in order to cover part of the losses generated during the previous financial year.

4. Management trend

The financial year in question lasted for twelve months (from 01 December 2020 to 30 November 2021).

The Group has been present for years, also through its subsidiaries, in the five continents with a consolidated customer base in the upstream-subsea-land and midstream-LNG-pipeline sectors.

As for a comment on the order portfolio, we believe that we need to focus the analysis on the entire Group, as the interrelations between the companies that make it up are significant, both at a commercial level and at a production level, and at a broader strategic level.

The financial year ended with a Group order backlog of approximately € 91,000 million, which is satisfactory and guarantees peace of mind for the following months. Despite the economic situation characterized by the sharp decrease in the price of oil, the impacts related to the criminal proceedings described above that led to the exclusion of PetrolValves from numerous projects in the period between May and December 2021, to the slowdown in investments by the Group's traditional customers, PetrolValves continues to maintain a substantial constancy of the order portfolio compared to previous financial years as mentioned above.

With reference to revenues, the 2021 financial year ended with a volume of revenues equal to € 137,031 thousand of which € 92,747 thousand (68%) relating to the sale of new valves and equal to € 44,284 thousand (32%) relating to service activities, while in the previous year the volume of revenues was equal to € 196,902 thousand of which € 126,358 thousand (64%) relating to the sale of new valves and equal to € 70,544 thousand (36%) relating to service activities.

Analyzing the data of the Group, EBITDA - equal to approximately minus € 3.8 million - was lower than in the same previous period due to the loss of volumes related to the situations extensively described in this Report.

With regard to the change in shareholders' equity, it is confirmed that, following the events highlighted above, the Board of Directors of PetrolValves S.p.A., in compliance with the principle of prudence, considered advisable to carry out a stress test aimed at representing a more than prudential hypothesis regarding the enhancement of intangibles.

As a result, there was a significant devaluation of the value of goodwill, consequently reducing the value of shareholders' equity to a value of approximately € 179.7 million. Obviously, since this is a purely accounting adjustment and not of a monetary nature, it does not generate any effect on the company cash flow and does not generate particular concern about the actual equity consistency of the Group.

In continuity with the previous financial year, the process of organizational and managerial renewal of company operations started by the current Top Management of the Group continues, with the aim of improving the efficiency of production processes as well as the definition of a more precise system of processes and procedures.

In order to provide a better overview of the performance and results of operations, the tables below show a reclassification of the Value-Added Income Statement, a reclassification of the Balance Sheet by functional areas and on a financial basis, and the most significant financial statement ratios.

The Reclassified Balance Sheet shows the soundness of the Group's capital, or the balancing of maturities between short, medium and long-term sources and uses, and the ability to maintain financial balance in the medium to long term.

The profitability indices (MOL, ROS, ROE and ROI) generally represent negative values as they are based on the indicator of the net result for the financial year (negative for the important effect of the item relating to the depreciation of fixed assets, especially intangible assets and the write-down of goodwill).

Although negative, it is therefore believed that the analysis of corporate profitability should be taken into account not so much at the levels of net result or operating result, but at the level of the gross operating *margin.*

This magnitude, in fact, takes well into account the profitability of the characteristic management, which, although significantly lower than what is stated for the comparative financial year, gives the reader a more appropriate observation point.

In relation to the comparison with the previous financial year, it should be noted that the opening situation was reclassified, following the implementation of the accounting adjustments for the submission of the economic and equity situation according to the IFRS accounting principles. For a broad discussion of the effects of the change in the accounting standards adopted, reference is made to the Notes to the Financial Statements.

(in thousands of EUR)	Notes	**Financial year As at**		**30 November**	
		2021	**%**	**2020**	**%**
Reclassified Income Statement					
Sales Revenue		137031	100%	196902	100%
Internal production		(53382)	-39%	(77723)	-39%
Operating production value		**83649**	**61%**	**119179**	**61%**
External operating costs		(42207)	-31%	(59689)	-30%
Added value		**41442**	**30%**	**59490**	**30%**
Staff costs		(45272)	-33%	(48087)	-24%
Gross operating margin (EBITDA)		**(3830)**	**-3%**	**11403**	**6%**
Depreciation and provisions		(248853)	-182%	(27666)	-14%
Operating profit (EBIT)		**(252683)**	**-184%**	**(16263)**	**-8%**
Result of the financial area (net of financial charges)		(5181)	-4%	(4922)	-2%
Profit before tax		**(257864)**	**-188%**	**(21185)**	**-11%**
Income taxes		5864	4%	21209	11%
Net result		**(252000)**	**-184%**	**24**	**0%**

Indicators of financing of fixed assets

(in thousands of EUR)	Financial year as at 30 November	
	2021	2020
Primary structure margin	15251	34001
Quotient of the primary structure	1	1
Secondary structure margin	36084	99757
Secondary structure quotient	1	1

Indices on the structure of the loans

(in thousands of EUR)	Financial year as at 30 November	
	2021	2020
Total debt quotient	1.05	0.57
Financial indebtedness ratio	0.03	0.10

Balance Sheet by functional areas

(in thousands of EUR)	Financial year as at 30 November	
	2021	2020
COMMITMENTS		
Operating Invested Capital	368993	677753
- Operating liabilities	(90542)	- 102,230
Net Operating Investing Capital	278451	575523
Extra-operational uses	(4921)	- 13,214
Net Invested Capital	**273530**	**562309**
SOURCES		
Own resources	179724	431315
Financial payables	5732	42361
Funding capital	**185456**	**473676**

Profitability indices

(in thousands of EUR)	Financial year as at 30 November	
	2021	2020
Net return on common equity (ROE)	(141%)	0%
Gross return on common equity (ROE)	(143%)	(5%)
ROI	(68%)	0%
ROS	(184%)	(8%)

Financial Balance Sheet

(in thousands of EUR)	Financial year as at 30 November	
	2021	2020
FIXED ASSETS	**135573**	**376278**
Intangible assets	88098	330153
Tangible assets	47135	46125
Financial fixed assets	340	0
WORKING CAPITAL	**204519**	**280439**
Warehouse	47389	47370
Deferred cash	131988	144064
Immediate cash	25142	89005
INVESTED CAPITAL	**340092**	**656717**
OWN RESOURCES	**179724**	**431315**
Share Capital	2500	2500
Reserves	177224	428815
CONSOLIDATED LIABILITIES	**20833**	**65756**

CURRENT LIABILITIES	**168436**	**180682**
FUNDING CAPITAL	**368993**	**677753**

Solvency indicators

(in thousands of EUR)	***Financial year as at 30 November***	
	2021	**2020**
Margin of availability (CCN)	36083	99757
Quotient of availability	121.42%	155.21%
Treasury margin	(11306)	52387
Treasury quotient	93.29%	128.99%

5. Criteria used by the Directors for the purposes of the Impairment Test

The significant impacts caused by the concomitance of the procedures described above and the continuing pandemic situation made it necessary to approve a new business plan in October 2021.

The projections prepared for the purposes of the industrial plan have been prepared considering, among other things, the indications of the reference international market in which the Group works. The analyzes carried out for the purpose of studying the reference market were also conducted with the external support of the McKinsey & Company strategic consulting group.

The industrial plan used for the execution of the impairment test therefore represents the best estimate of management on the evolution of future results. Furthermore, in the context of the assessments adopted for the formulation of various hypotheses, the recommendations envisaged by the regulatory principles were taken into account.

The results of the impairment test carried out by an independent external consultant as at 30 November 2021 showed that the recoverable value is lower than the relevant book value. All this prompted the Board of Directors of the Company to make a goodwill write-down of € 233.5 million.

6. Environment and staff

During 2021, given the limitations due to the pandemic, the Group continued the review and consolidation of all its business processes in order to identify possible operational efficiencies and improve work effectiveness. In particular, following some organizational changes that took place during the 2021 year, a review of the procedures in place was necessary and this review was the occasion for a further rationalization project of the internal procedural system currently in force.

The project lasted beyond the limits of the financial year and was completed in 2022.

Some resources have been included in key positions in Italy and abroad, both with regard to local and expatriate personnel, where suitable qualified professionals are not already available.

Furthermore, it should be noted that the Staff bodies have been enriched with two new independent functions reporting directly to the Board of Directors and that aim at guaranteeing an ever-greater adherence to processes, thus creating more rigorous and punctual control systems, and in particular:

the Internal Audit figure, whose task is to provide impartial and independent reviews of company systems, organizations and processes; it is the guarantor that the governance and internal control processes of the organization work effectively;

the Compliance figure, whose task is to ensure that the company works in compliance with the law and, at the same time, guarantees the proper functioning of the business from the point of view of adherence to regulations, laws and company procedures. In addition, it will have the task of implementing controls to protect the organization from the aforementioned risks.

The internal communication tools designed to maintain a communication channel open to all staff have been maintained, thus providing continuous updates on the progress of the business and on the various initiatives implemented from time to time.

On the training side, the offer already present on the e-learning platform has been expanded to provide 3,409 hours during the financial year, of which 884 for language training, 950 transversal and 1575 compulsory. As regards classroom training, however, 441 hours were provided in the same period, divided as follows: 90 for technical training, 92 for compulsory training and 259 for transversal training.

7. Initiatives promoted following the Pandemic situation caused by COVID-19

Following the persistence of the COVID-19 pandemic, the Group continued to take all the necessary measures to ensure the safety of personnel and the continuity of the business envisaged by the Company Security Protocol as updated from time to time in line with the provisions of the law. In particular: intensified sanitization of company premises, interpersonal distancing, obligation to wear a mask in company locations, measurement of the body temperature at the entrance for both staff and outsiders, limitation of travel and contacts with outsiders, such as inspectors and suppliers, smart working in rotation in the measure from time to time required by the pandemic emergency and finally periodic screening with rapid swab in the company in the periods of greatest spread of the virus.

In compliance with legal obligations, from 15 October 2021 the control of the "green passes" was also implemented, both for personnel (randomly, by an external company) and for outsiders (incoming, by the concierge staff).

Lastly, the insurance policy with the Assidim Assistance Fund was renewed to cover any medical expenses relating to COVID-19 contagion for all employees.

8. Descriptions of the main risks and uncertainties to which the Group is exposed

Pursuant to Art. 2428 no. 1 of the Italian Civil Code, below are the main risks to which the Group is exposed:

Risks related to interest rates

The main item subject to this risk is the one relating to financial charges deriving from the management of cash and cash equivalents. Interest rates are constantly monitored by Group Top Management to mitigate the impact of financial charges on management.

In this regard, considering the Group's financial debt profile, the Top Management has decided to resort to hedging financial instruments by entering into a type of contract called "Interest Rate Swap".

This type of product is aimed at a customer who has contracted a variable rate debt, thus allowing it to minimize the risk associated with rising interest rates. In consideration of the relationship between the Customer's variable rate debt and the TASSO CERTO (DEFINED RATE) for the purposes of assessing the compliance of the product with the Customer's needs, if the latter fully or partially extinguishes the underlying debt, it is necessary to pay off the TASSO CERTO (DEFINED RATE) to a corresponding extent.

Cash and cash equivalents risks

There are no risks in this area. The Group repaid during the year the "Liquidity Decree" loan of € 35 million and the debt to the previous shareholder of € 41 million equal to 50% of the residual debt. At the same time, the Group obtained a loan of € 30 million by way of a bank loan and € 20 million by way of a revolving credit line from a pool of banks.

In order to satisfy operations, the Group obtained prior to the approval of these Financial Statements a resolution by the pool of banks for a loan of € 37.5 million as a bank loan and € 20 million as a revolving credit line. This loan is expected to be finalized in June 2022.

Credit risk

The Top Management and personnel of the Group systematically measure and control the balance of the receivables, with the aim of identifying any critical issues. Furthermore, it should be noted that the customer profile of the Group and the Group is also made up of operators of primary "standing" characterized by a high level of credit "rating".

Exchange rate risk

The Group works in foreign markets operation invoicing mainly in EUR. Although the current exchange rate risk is reasonably contained, the multi-year duration of some supply contracts signed by the Group exposes it to moderate exchange risks. The Group monitors the exchange rates of the main currencies held liquid on bank accounts, carrying out transactions for the purchase and sale of currencies to hedge exchange rates at times of particular fluctuation, to protect the persistence of the value of liquidity. For particularly strategic and particularly large orders, the Top Management has approved an internal policy for establishing foreign exchange hedging contracts with bank Counterparties. Starting from the financial year in question, the Group has adopted the use of exchange hedges for sales orders to customers expressed in currencies other than the EUR (typically USD and GBP) with a unit value greater than the sum of 500,000 EUR equivalent, in accordance with hedging procedures approved by the Group. The nominal value of the hedges is adjusted on a monthly basis based on the invoices issued and the payments received from customers for contracts subject to hedging. This value is expressed among the assets, as the fair value of the hedging derivative. The fluctuations in the value of the instrument are registered as an adjustment to the hedged revenue to adjust it, at the time the revenue is realized. Shareholders' equity includes the reserve representing the unrealized part inherent in the fair value of the derivative at the end of the period.

Price risk

The Group *Top Management* monitors and constantly mitigates the price risk thanks to a careful analysis of project profitability.

Legal risks from product liability

The Group adopts quality control procedures in order to eliminate the possibility that the products present defects that could cause damage to third parties and has put in place insurance coverage to mitigate any risks deriving from civil liability for defective products and damages that could derive from such defects. In its more than ten-year history, the Group has never had damages caused to third parties that imply the producer's civil liability.

Risks associated with delivery times and product quality

The Group operates with the aim of streamlining production flows also in order to minimize any inefficiencies and avoid delays in delivery, which may lead to the emergence of contractual penalties. The Group recorded an increase in delivery times, mainly with reference to certain orders of particular relevance from the point of view of technology and innovation. As for the quality of the products, the Group operates in a context of constant quality assurance, with the aim of constantly increasing the quality standards of the product, which are nevertheless at the level of the best competition in the sector. Nevertheless, a small percentage of products manufactured and delivered to customers can present quality challenges by the end user. To deal with these risks, to cover penalties and extra costs due to the management of the quality of the product, the Top Management has decided to allocate an adequate provision for risks in past years that is assessed and monitored on a quarterly basis.

9. Financial instruments

Pursuant to Art. 2428 no. 6bis of the Italian Civil Code, with reference to the information relating to the Group's use of financial instruments and to the data relevant to the assessment of the equity and financial situation and the economic result for the financial year, it is certified that as of 30 November 2021 the Group holds financial hedging instruments of a currency nature.

10. Research and development

Pursuant to and for the purposes of what is indicated in section 1) of paragraph 3 of Art. 2428 of the Italian Civil Code, it should be noted that research and development activities are a fundamental characteristic for the Group, as they allow it to further increase and strengthen its sector leadership and to be able to assert its competitiveness on the market.

The Group is constantly engaged in research and development activities for technological innovation and it confident that the positive outcome of these innovations can generate good results in terms of turnover with favorable repercussions on the Group's economy. Some important projects completed and/or undertaken in 2021 are described below:

Characterization of components and materials
At the product level, constant efforts are underway to improve the efficiency and customization of products. In this context, thanks to huge investments, it was possible to further characterize the behavior of the materials and components that are used in the valves, thus leading to the definition of new guidelines that would allow to improve even more their performance in extreme conditions of operation always guaranteeing the safety, reliability and quality standards required by the regulations.

"BRAVA" technology
In 2021 the new "BRAVA" technological platform was completed and, thanks to its design, it allows a competitive positioning both in terms of cost and installation and maintenance. Thanks to the completion of the activities, it was possible to sell the first application that will be installed in a gas plant in Europe in the second half of 2022.

"VALVE NEW LIFE" technology
In 2021, the "VALVE NEW LIFE" technology was developed and allows the valves existing in the plants (supplied by PetrolValves or third parties) to be renewed and updated, thanks to the reverse engineering capabilities of the PetrolValves Group, thus allowing a reduction in CAPEX and/or OPEX investments up to 40% as well as optimizing commissioning times.

Hydrogen
In the context of the energy transition to sustainable economies through the use of renewable energy, that of hydrogen as the main energy vector is our choice. The step may consist in the replacement of production plants, or in their conversion or repowering, in order to obtain

a more efficient production with a lower environmental impact. The Group is engaged in characterization and tests on metallic and non-metallic materials, in order to verify the compatibility of the materials used in the manufacture of its products in the production plants in question. However, the safety issues relating to hydrogen energy systems make it necessary to formulate new regulations, new codes and international standards. The Group, in fact, participates in this activity with its representatives active in the various committees.

IoT

Through the Internet of Things (IoT) technology, which is based on the idea of "smart" interconnected objects, the Group is developing a platform that acquires the data of its products that operate in the Oil & Gas production plants. This information is acquired in real time from heterogeneous devices and smart sensors, and allows the management of the life cycle, thus offering value-added services for both the Group and its customers, such as monitoring, scalable predictive analysis, and Digital Twin.

11. Investments

The financial year under review, consistent with the policy introduced by the Group for several years, was characterized by new investments in the area of production efficiency and safety, in order to maintain and increase the level of competitive excellence that the Group has always had as its primary goal. Still in the context of the constant renewal of information systems, further functions related to the ERP system have been developed and new vertical application platforms have been implemented aimed at optimizing and rationalizing existing production processes. With a view to continuously improving the security and soundness of information systems, steps were taken both to expand the scope of the *Cyber Security* service and to develop the *Business Continuity* project, with the completion of the *Disaster Recovery* site. Finally, we note the continuation of the company trademark registration process in various Countries around the world and the increasing presence in strategic points for the market.

12. Extraordinary Operations

During the financial year in question, the company Merlion Development Group, a company incorporated under Kazakh law, entered the capital of PetrolValves Kazakhstan LLP by acquiring a majority stake. The capital of the Kazakh company is therefore divided as follows: PetrolValves S.p.A. holds a 49.9% stake, while Merlion Development Group holds a 50.1% stake. Nonetheless, the Company is consolidated in the PetrolValves Group using the line-by-line method, having de facto control by holding the full know-how of the technology. This transaction, which was completed in June 2021, confirms that Kazakhstan remains a strategic Country for the Company.

With reference to the company under Saudi law PetrolValves Saudi Arabia LLC (initially 75% owned by PetrolValves S.p.A. and 25% by Dynamic Energy Engineering Services Company), the shareholders signed a binding agreement in April 2021 by virtue of which PetrolValves S.p.A. acquired the minority stake held by the Saudi partner, thus becoming the sole shareholder. The completion of this transaction took place in June 2021.

During the summer of 2021 a tender was then launched for the selection of a new partner for the Saudi market and in the month of August 2021 a term-sheet was signed with the company Al Othman Industrial Marketing Company LLC for the sale to this company of a 25% stake in the share capital of PetrolValves Saudi Arabia LLC. Negotiations on the economic conditions of entry to the capital and governance of the joint venture are underway and are expected to be completed by the first half of the 2022 financial year.

13. Dividends

It should be noted that during the financial year under review, the Group did not distribute any dividends.

14. Group structure and scope of operations

The Group works in the design and manufacture of valves, actuators and accessories for the petroleum, chemical and petrochemical industries as well as provides maintenance services on its own valves and those supplied by third parties.

Group companies controlled by PetrolValves S.p.A. appear to be those included in the following table:

Company name	Registered office	% of ownership	Load value in EUR
PetrolValves (G.B.) Ltd.	Fountain House, Holbrooke Place, 28-32 Hill Rise, Richmond TW10 6UD, England	100.00%	24266
PetrolValves AS	Luramyrveien 57 N-4313 Sandnes, Norway	100.00%	112762
PetrolValves LLC	6000 Sam Houston Parkway North, 77041 Houston Texas	100.00%	1079
VSI CONTROLS S.r.l.	viale Luigi Majno 17/a Milan	100.00%	3744401
Suzhou PetrolValves Trading Co. Ltd.	Room 1040 Nisheng Building, No.205 Suzhou Avenue West, Suzhou Industrial Park, Suzhou, PRC.	100.00%	30000
PetrolValves Kazakhstan LLP	office 901, Almaty Street 7, Nur-Sultan City, Republic of Kazakhstan	49.90%	23292
Immobiliare Vecchia Pavia S.r.l.	Via della Moscova, 3 - 20121 MILAN	100.00%	6800000
PetrolValves do Brasil Comércio de Válvulas e Controle de Fluidos Ltda.	Rua Voluntàrios de Patria, 45 – Botafogo 2270900 - Rio de Janeiro	100.00%	0
PetrolValves Saudi Arabia LLC	81 Street, Dammam 2nd Industrial City, Dammam 34331, Saudi Arabia	100.00%	1127457

Following an analysis of the group's structure, we would like to point out that, during the first half of 2022, the relevant liquidation will be approved by the shareholders' meeting of the Brazilian company PetrolValves Do Brasil Comercio de Válvulas and Controle de Fluidos Ltda. This company no longer responds to the needs of the Company.

The commercial branches of Abu-Dhabi (United Arab Emirates) and Kuala Lumpur (Malaysia) continue in their activity of overseeing the strategic markets for the Group.

15. Management and coordination activities

Pursuant to paragraph 5 of Aart. 2497-bis of the Italian Civil Code, it should be noted that the Group is not subject to management and coordination by another party, and therefore no indication is due in this management report.

16. Own shares and shares of parent companies

Pursuant to and for the purposes of sections 3) and 4) of the third paragraph of Art. 2428 of the Italian Civil Code, it should be noted that the Group does not own, either on its own or through a trust company or intermediary, treasury shares or shares or holdings of parent companies; in addition, the Group has neither purchased nor sold, during the financial year, treasury shares or shares or holdings of parent companies, either on its own or through a trust company or third party.

17. Outlook

The first months of the 2022 financial year were characterized by an important series of events, first of all the explosion of the conflict between Russia and Ukraine.
Following the war initiative undertaken by Russia against Ukraine that began at the end of February 2022, the NATO Countries have inflicted a number of very heavy economic sanctions on Russia that have generated a significant economic and social impact as follows:

- sanctions significantly restrict the movement of people and capital to and from Russia and Belarus. As at the date of preparation of this Report, all commercial exchanges with Russia and Belarus (with a few exceptions, mainly related to the supply of Russian gas in Europe) are substantially prohibited and blocked. In this context, it can reasonably be assumed that the hypothesized sales in Russia and Belarus may at least be subject to a delay. In this regard, however, it should be noted that Russian and/or Belarusian customers working in Russia and/or Belarus represent a limited portion of the Group's backlog at the date of this Report (approx. 6%);
- Russia and Ukraine are among the main steel exporters. These sanctions, in addition to the substantial current impossibility by international steel industry operators (such as, for example, Arcelor Mittal and Metinvest) to manage their plants located in Ukraine, have resulted in a shock in the steel supply. This shock is added to an unprecedented increase in the prices of steel (and more generally of raw materials) recorded in 2021. This situation determines (for all market operators) both a significant increase in the costs of raw materials and the possible delay in delivery times by some suppliers. At the date of this Report, PetrolValves has implemented all possible measures aimed at containing the impacts deriving from the "*shortfall*" of materials;
- the cost of energy in the early months of 2022 is characterized by inflationary phenomena similar to those described for raw materials.

It is noted that the Company sells/buys in the Russian territory. At the start date of the conflict, the Company stopped all sale/purchase activities and continues to monitor the governmental and sanctioning provisions. The Company constantly monitors possible impacts on management, thus paying attention to the continuity of strategic supplies, the assessment of economic impacts and cost recovery actions as well as the implementation of investments in the short- and medium-term to reduce energy consumption. With regard to financial risks, the company assesses the exposure to Russia and Ukraine as irrelevant.

In continuity with previous financial years, the Group continues the initiatives aimed at consolidating its efficiency and production capacity, placing ever greater emphasis on the issues of quality and safety. In particular:

- consolidation of commercial relations with historical customers;
- intensification of commercial initiatives aimed at increasing and strengthening the maintenance business;
- rationalization and consolidation of the Group's regional model, thus seeking to strengthen synergies with strategic partners;

- improvement and efficiency of business processes, in particular with greater emphasis on quality and the testing process within the production process.

These commercial initiatives, added to the positive conclusion of the widely described procedure, have led to an important, albeit partial, commercial response, with an important acquisition of orders already in the first quarter of 2022, thus laying the foundations for the achievement of the medium-long term objectives of the Group.

On the financial front, as anticipated, it is confirmed that discussions are proceeding regularly with the pool of banks aimed at a financing operation that provides

(i) the granting of € 37.5 million as a bank loan (with SACE guarantee) and the simultaneous repayment of the outstanding loan of € 30 million and (ii) the granting of a revolving credit line of € 20 million in replacement of the revolving credit line of the same amount currently in place.

The formalization of the transaction is expected by June 2022.

. As part of the transaction in question, TBG Holding Energy B.V. ("TBGHE") by sending a communication addressed to the Company, the Independent Auditors and the Board of Statutory Auditors, confirmed its economic and financial support, should this support become necessary, relating to the 12 months following the approval of these Financial Statements.

18. Other offices

Pursuant to the last paragraph of Article 2428 of the Italian Civil Code, it should be noted that the Parent Company's activities are carried out at the local units in Arconate, Castellanza, Legnano, Rescaldina, Piantedo and Piacenza.

The local branch in Kuala Lumpur (Malaysia) and the local branch in Abu Dhabi (UAE) are also operational at the date of drafting.

The subsidiaries, on the other hand, carry out their activities at the offices in Richmond and Aberdeen (Great Britain), Houston (Texas), Sandnes (Norway), Suzhou (People's Republic of China), Rio de Janeiro (Brazil) Nur Sultan (Kazakhstan), Dammam (Saudi Arabia) and Castellanza (VSI Controls S.r.l.)

19. Financial Statements approval

We propose you to approve the Financial Statements as at 30 November 2021 as submitted, and we propose to cover the loss for the financial year of € 252,000,271 by using the equity item called "Retained earnings".

[Handwritten signature]
On behalf of the Board of Directors
The CEO
Eng. Tortelli Cristiano

PETROLVALVES S.p.A. ***with Sole Shareholder***

Registered Office in Milan, Viale Luigi Majno 17/A

Share Capital € 2,500,000.00 fully paid-up

Taxpayer' Code, VAT Registration Number and Register of Companies of Milan no. 00214740128

Economic and Administrative Index of Milan no. 1374835

Report of the Board of Statutory Auditors on the Consolidated Financial Statements as at 30 November 2021.

To the Shareholders' Meeting of

PetrolValves SpA

Shareholder,

we examined the draft Consolidated Financial Statements of the Company as at 30 November 2021, drawn up by the Directors pursuant to the law and forwarded by them to the Board of Statutory Auditors on 26 April 2022.

The Draft Consolidated Financial Statements, consisting of the Statement of the financial and economic results, the Comprehensive Income Statement, the Cash Flow Statement, the Notes to the accounts and accompanied by the Report on Operations as at 30 November 2020 was approved by the Board of Directors on 28 April 2022.

The Draft Consolidated Financial Statements - showing a loss for the financial year of € 252.0 million (the Group showed a profit for the financial year equal to € 24 thousand as at 30 November 2020) and a net equity of the Group amounting to € 179.229 million as at 30 November 2021 (the same amounted to € 431.291 million as at 30 November 2020) - were drawn up in accordance with the IAS/IFRS international accounting standards.

This report is issued today after having read the report of the Statutory Auditor, Ria Grant Thornton S.p.A., pursuant to Art. 2429 of the Italian Civil Code and Art. 14 of Legislative Decree no. 39/2010.

Our activity has concerned:

- the check of the correctness of the method followed in identifying the consolidation area;
- the compliance with the consolidation principles regarding the elimination of receivables and payables, income and expenses, profits and losses originating from transactions carried out between companies included in the consolidation. The Financial Statements of the subsidiaries are consolidated on a line-by-line basis;
- the compliance with the law concerning the formation and layout of the Consolidated Financial Statements;
- the adequacy of the organization with regard to the flow of information and consolidation procedures;
- the correspondence of the consolidated financial statements to the facts and information of which the Board of Statutory Auditors became aware within the scope of its supervisory duties;
- the check that the Notes to the accounts clearly represent the criteria for preparing the Financial Statements and the specific accounting principles of valuation applied, considering that the principle of clarity required by law is met;
- the observance of the legal provisions concerning the preparation of the management report, which appears consistent with the consolidated financial statements.

As described in the Notes, the Financial Statements have been drawn up on the assumption of business continuity, as the Directors have verified that "there are no financial, managerial or other indicators that could report critical issues regarding the capacity of the Company to meet its obligations in the foreseeable future and, in particular, in the next 12 months".

Furthermore, as a further element in favor of business continuity, the sole shareholder TBG Europe NV, by sending a communication addressed to the Company, the Independent Auditors and the Board of Statutory Auditors, confirmed the économic and financial support to the Company by the shareholder as necessary.

On 23 May 2021, the Statutory Auditor, Ria Grant Thornton S.p.A., issued the report on the Consolidated Financial Statements ended on 30 November 2021. This report does not highlight any findings except for the reference to the information relating to business continuity as described by the Directors in the Notes to the Financial Statements in the paragraph titled "Significant events subsequent to the end of the financial year" and in the paragraph titled "Foreseeable development of operations" of the Report on Operations following the loss for the financial year as at 30 November 2021 equal to € 252 million and the reduction in shareholders' equity equal to € 179 million. In particular, in the reference to the information, the following is detailed:

> "The Directors point out that the continuation of the initiatives aimed at consolidating efficiency and production capacity, in conjunction with the positive conclusion of the criminal proceedings against the Company (the so-called "Crystal" project), "have an important, albeit partial, commercial response, with an important acquisition of orders already in the first quarter of 2022, thus laying the foundations for the achievement of the Group's better-long-term objectives".
> The same also inform that discussions are in progress with the Financial Institutions to agree "(i) the concession of € 37.5 million with as a bank loan (with SACE Guarantee) and the contextual repayment of the loan of € 30 million in place and (ii) the granting of a revolving credit line of € 20 million in replacement of the revolving line of the same amount currently in place. The formalization of the transaction is expected by June 2022". As part of the same operation, TBG Holding Energy B.V. ("TBGHE") "confirmed its economic and financial support, in the event that this support should become necessary, in relation to the 12 months assisted by the "updating of these Financial Statements".
> The Directors conclude that, although as more fully reported in the above-mentioned paragraphs, the economic and political context is problematic; they have drawn up the Financial Statements as at 30 November 2021 on the assumption of business continuity, based on the relaunch on the market of the company in consideration of the first quarter of 2022 and of the full financial support provided by the Investing Shareholder".
> Our opinion is not expressed in relation to these aspects.

The Board of Statutory Auditors finds that the following have been registered, with its consent, in the assets respectively:

- development costs with multi-year utility registered in assets for a total amount of € 771 thousand, net of amortization as at 30 November 2021;

- goodwill - general and subsequent to the merger by incorporation and reverse of TBG Energy Italy S.p.A. in PetrolValves S.p.A. - for a total value of € 23.447 million.

Conclusions

The Consolidated Financial Statements, drawn up in compliance with the applicable laws and accounting standards, appears in the aforesaid context a useful tool of information added to the financial statements, on which we have no reservations to express.

The Shareholder's Meeting must take into account of the above only for information purposes, being an act not subject to approval.

Milan, 23 May 2022

The Board of Statutory Auditors:

Mr. Emilio Corrà - Chairman
[Handwritten signature]

Mr. Massimo Gentile
[Handwritten signature]

Mr. Quirino Walter Imbimbo
[Handwritten signature]