

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

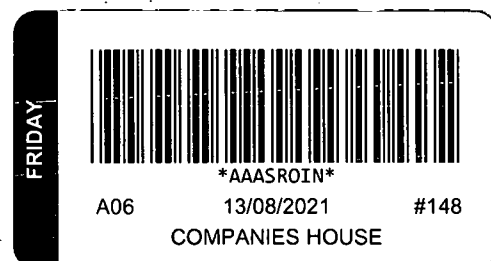
Economic and Administrative Index of Milan no. 1374835

Consolidated financial statements for the financial year ended on 30 November 2020

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

5th July 2021

C. Tortelli
CEO



Corporate Positions and Company Top Management

BOARD OF DIRECTORS

President	Mr. Roger McMahon
Director	Mr. Mario Cesari
CEO	Mr. Cristiano Tortelli
Director	Mr. Giorgio Milite

BOARD OF STATUTORY AUDITORS

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

LEGAL AUDITOR

Auditing Firm	Ria Grant Thornton
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COMPANY TOP MANAGEMENT

Chief Executive Officer	Mr. Cristiano Tortelli
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Consolidated Income Statement

Consolidated Income Statement

<i>(in thousands of EUR)</i>	Notes	Financial year ended on 30 November	
		2020	2019
Revenues	5	196,902	200,397
Costs for raw materials, consumables and goods	6	(77,723)	(72,955)
Costs for services	7	(51,227)	(51,376)
Costs for staff	8	(48,087)	(49,283)
Other operating expenses	9	340	(2,928)
Net write-downs of trade and other receivables	10	(29)	(741)
Depreciation	11	(27,637)	(39,778)
Operating income		(7,461)	(16,664)
Net financial income (charges)	12	(4,922)	(2,238)
Profit before tax		(12,383)	(18,902)
Income taxes	13	21,209	10,596
Net financial result		8,826	(8,306)
<i>of which:</i>			
- Net profit (loss) for the financial year in charge of the Group		9,059	(8,380)
- Profit (loss) for the financial year in charge of Third Parties		(233)	74

Comprehensive Consolidated Income Statement

<i>(in EUR)</i>	Notes	Financial year ended on 30 November	
		2020	2019
Net profit/loss for the financial year		8,826	(8,306)
Actuarial profit/(loss) for employee benefits		(249)	(181)
Actuarial profit/(loss) for employee benefits - tax effect		47	44
Other income items that will not be reclassified to the Income Statement in subsequent financial years		(202)	(137)
Profit/(loss) from exchange differences on the conversion of assets and liabilities of consolidated companies into functional currencies other than EUR		53	119
Profit/(loss) from exchange differences on the conversion of assets and liabilities of consolidated companies into functional currencies other than EUR - tax effect		(20)	-
Other income items that will be reclassified to the Income Statement in subsequent financial years		33	119
Other items of the total income		(169)	(18)
Total overall net profit (loss) for the financial year		8,657	(8,324)
<i>of which:</i>			
- Overall net profit (loss) for the financial year in charge of the Group		8,891	(8,518)
- Overall net profit (loss) for the financial year in charge of Third Parties		(233)	74

PetrolValves S.p.A. – Consolidated Financial Statements for the financial year

	Notes	Financial year ended on 30 November
(in EUR)		2019
Net profit for the financial year		(8,306)
Actuarial profit/(loss) for employee benefits		(181)
Actuarial profit/(loss) for employee benefits - tax effect		44
Other income items that will not be reclassified to the Income Statement in subsequent financial years		(137)
Profit/(loss) from exchange differences on the conversion of assets and liabilities of consolidated companies into functional currencies other than EUR		119
Profit/(loss) from exchange differences on the conversion of assets and liabilities of consolidated companies into functional currencies other than EUR - tax effect		-
Other income items that will be reclassified to the Income Statement in subsequent financial years		119
Other items of the total income		(18)
Total overall net profit (loss) for the financial year of which:		(8,324)

Overall net profit (loss) for the financial year in charge of the group
 Overall net profit (loss) for the financial year in charge of Third Parties

(233)

10,319

Consolidated Balance Sheet and Financial Position Statement

(in thousands of EUR)	Notes	As at 30 November	
		2020	2019
Property, plant and machinery	14	46,125	49,683
Goodwill	15	256,977	256,977
Intangible assets	16	73,176	93,419
Total non-current assets		376,278	400,079
Inventories	17	42,511	44,442
Trade receivables	18	132,566	102,605
Current deferred tax receivables	19	6,442	5,781
Other current	20	5,056	8,017
Cash and cash equivalents	22	89,005	53,801
Total current assets		275,580	214,646
Non-current assets held for sale	21	4,859	1,044
Total financial assets		656,717	615,769
Share Capital	23	2,500	2,500
Reserves and retained earnings	23	428,534	437,083
Net profit (loss) for the financial year in charge of the Group	23	257	-8,380
Total Group equity		431,291	431,203
Third party Shareholders' equity	23	24	279
Total net equity		431,315	431,482
Non-current financial liabilities	24	42,361	83,516
Employee benefits	25	3,296	3,496
Provisions for risks and charges	26	13,214	7,055
Liabilities for deferred taxes	27	(19,581)	4,011
Other non-current liabilities	29	5,429	33
Total non-current liabilities		44,719	98,111
Trade payables	28	56,844	41,566
Current deferred tax payables	31	2,037	
Other current liabilities	29	121,802	44,610
Total current liabilities		180,683	86,176
Total liabilities		225,402	184,287
Total liabilities and equity		656,717	615,769

Consolidated Cash Flow Statement

<i>(in thousands of EUR)</i>	Financial year ended on 30 November	
	2020	2019
Profit before tax	(21,186)	(18,902)
Adjustments for:		
Depreciation	27,637	39,778
Provisions for risks and write-downs	9,099	2,069
Net financial (income)/charges	4,862	2,151
Other non-monetary changes	66	338
Cash flow generated/(absorbed) from operating activities before changes in net working capital	20,478	25,434
Change in inventories	1,931	12,360
Change in trade receivables	(30,250)	17,845
Change in trade payables	15,278	(3,549)
Current taxes	(661)	(459)
Deferred tax	(23,592)	-
Changes in other assets and liabilities	32,850	(21,443)
Changes in provisions for risks and charges	(614)	(5,009)
Change in other assets/liabilities	7,983	(26,911)
Payment of Employee benefits	(396)	(807)
Interest paid	(1,014)	(3,001)
Paid taxes	-	(2,065)
Net cash flow generated/(absorbed) from operating activities	14,010	19,306
Investments in tangible assets	(13,312)	(6,167)
Investments in intangible assets	(126)	(7,870)
Disposals of tangible and intangible assets	5,787	3,990
Investments in shares	-	-
Dividends received	-	-
Net cash flow generated/(absorbed) from investment activities	(7,651)	(10,047)
New issues of long-term loans	35,000	237
Repayments of long-term loans	(348)	(114)
(Decrease)/increase in short-term loans	(5,807)	-
Increase/(decrease) in leasing liabilities	-	-
Dividends paid	-	-
Net cash flow generated/(absorbed) from financial activities	28,845	123
Total change in cash and cash equivalents	35,204	9,382
Cash and cash equivalents at beginning of year	53,801	44,419
Cash and cash equivalents at end of year	89,005	53,801

Statement of Changes in Consolidated Shareholders' Equity

<i>(in thousands of EUR)</i>	Share Capital	Reserves and retained earnings	Net profit (loss) for the financial year in charge of the Group	Total Group net equity	Third party Shareholders' equity	Total net equity
As at 30 November 2018	2,500	427,173	17,258	446,931	354	447,285
Net financial profit/loss	-	-	(8,380)	(8,380)	74	(8,306)
Other items of the income complessivo	-	-	-	-	-	-
Total net equity profit/loss complessivo dell'esercizio	-	-	(8,380)	(8,380)	74	(8,306)
Profit (loss) allocation	-	17,258	(17,258)	-	-	-
Dividends paid	-	-	-	-	-	-
Other changes	-	(7,348)	-	(7,348)	(149)	(7,497)
As at 30 November 2019	2,500	437,083	(8,380)	431,203	279	431,482
Net financial result	-	-	257	257	(233)	24
Other items of the income complessivo	-	(169)	-	(169)	-	(169)
Total net equity profit/loss complessivo dell'esercizio	-	(169)	257	88	(233)	(145)
Profit (loss) allocation	-	(8,380)	8,380	-	-	-
Dividends paid	-	-	-	-	-	-
Other changes	-	-	-	-	(22)	(22)
As at 30 November 2020	2,500	428,534	257	431,291	24	431,315

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 Company, equal to € 2,500,000, is held by TBG Holdings (Energy) BV.

These Consolidated Financial Statements have been approved by the Company's Board of Directors on 28 April 2021, 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 year ended on 30 November 2019, the Company 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**") for the preparation of its Consolidated Financial Statements, 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.

IFRS mean all the IFRSs, all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Standard Interpretations Committee (IFRIC), previously called "Standard Interpretations Committee" (SIC). For the preparation of these Consolidated Financial Statements, the Group has provided complete disclosure, thus applying the IFRSs consistently to all the periods shown in these Consolidated Financial Statements.

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 real economy and the still uncertain forecasts made with reference to the short/medium term due to the COVID 19 Pandemic situation,

taking into account the information provided on several occasions by various regulatory bodies, the Group 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 2019 Consolidated Financial Statements, with the exception of the amendments deriving from the mandatory application, starting from 1 January 2019, of the new international accounting standard IFRS 16 "Leasing" and the new international accounting standard IFRS 15.

The description of the methods by which the Group manages financial risks is contained in the below Note 3 relating to "Management of financial risks".

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.

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 Abbext 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.

An investor controls an entity when it is: i) exposed to, or has the right 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 those returns. The existence of control is verified every time facts and/or circumstances indicate a change in one of the above-mentioned elements 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) Business combinations

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 (the "**Acquisition Date**"), 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 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* 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) Joint control agreements

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 "business plan", used for the execution of the impairment test, conceptually represents the most prudent scenario among the various ones deemed likely. All the different scenarios developed as part of this analysis were prepared also considering the indications of the reference international market wherein the Group works and was shared with the external support of the strategic consulting firm McKinsey & Company.

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.

While formulating the cash flow forecasts, we confirm that both the current context influenced by events and phenomena related to the pandemic and the "actual/budget" results have been considered to support the capacity and the level of accuracy of the Top Management forecasts, as well as the previous economic and financial projections and the analysis of major scenarios in terms of backlog/long-term economic and financial projections.

The business plan represents the result of the best estimate and that the economic and financial projections contained therein represent the most prudent projection within the possible scenarios.

As already reported 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 for the financial year ended on 30 November 2020. In this regard, as indicated by the Board of Statutory Auditors, the Group has prepared an economic-company simulation that also represents a "worst" - "stand alone" scenario.

This financial year would be based on the assumption of a prospective situation of continuing economic crisis due to the ongoing health emergency that, however, economic indices and market signals do not seem to reflect.

In greater detail, the "worst" scenario would represent "stand-alone" the perpetration of the effects of the economic crisis making this assessment unreliable in terms of economic and market prospects.

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 the book value shown in the Consolidated Financial Statements. 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 impairment deriving from the *impairment test* is greater than the value of the goodwill allocated to the CGU, the residual excess is allocated to the assets included in the CGU in proportion to their carrying value. This allocation has as a minimum limit the highest amount between:

- the *fair value* of the asset net of selling costs;
- the use value, as defined above;
- zero.

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 reference date of the Consolidated Financial Statements, a check is carried out to ascertain whether there are indications that the tangible and intangible assets may have suffered a reduction in value. 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.

Assets under leasing

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 this 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 fulfill 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 service does not create an asset that presents an alternative use for the Group and the Group has the due right to the payment of the service completed up to the date considered.

when they are incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained.

The transition to the international accounting standard IFRS 15

As regards the IFRS 15 accounting standard, the analyzes carried out revealed that the accounting treatment of the types of revenues is already in line with the provisions of the new standard; therefore, no significant impacts have emerged.

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 asset that presents an alternative use for the Group, so the latter has the due right to the payment of 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.

With regard to the IFRS 15 accounting principle, the Group with the help of an external consultant carried out a merit analysis on the accounting of revenues deriving from performance obligations.

In concert with all corporate functions, the Group is implementing an automatism capable of capturing the beginning and conclusion of each performance obligation and automatically, objectively and unambiguously detecting the reference share of revenues.

Cost recognition

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.

Currency transactions

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 currencies other than the functional currency valued at cost are entered at the initial exchange rate; when the measurement is made at fair value or at recoverable or realizable value, the exchange rate current at the date of determination of this value is adopted.

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.

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.

Paragraph 8 of Article 110 of Law Decree No. 104/2020 (the so-called August Law Decree), referring to Article 14 of Law

No. 342/2000, proposes the possibility of the so-called "Realignment" also for subjects who adopt international accounting standards. This option allows you to adjust the tax values of the assets to the highest value expressed in the Financial Statements, paying the substitute tax of 3 percent on the "realigned" difference. The objective purpose concerns the assets that have discrepancies between their book value and the tax value and that are recorded in the Financial Statements for the current year as at 31 December 2019. The realignable value is to be considered net of depreciation for the year and any other reduction in value that occurred during the 2020 year and the entire gap between net tax value and net statutory value of the assets must be bridged. The tax registration will take effect from the 2021 tax period.

The realignment does not generate increases in shareholders' equity. However, it is required that a tax suspension constraint is placed on an available equity reserve for an amount corresponding to the higher realigned values net of the substitute tax. This reserve can be released by paying the substitute tax equal to 10 percent.

The Company, within the regulatory context outlined by paragraph 8 of Article 110 of the August Decree, has identified some intangible assets whose book value is not registered for tax purposes. In particular, the values subject to realignment refer 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.

In addition to what has just been reported, the Company has adopted the international accounting standards starting from the Financial Statements ended as at 30 November 2019. The first time adoption resulted in some adjustments to the values attributed to intangible assets in the context of the above-mentioned merger. Both of the aforementioned events did not change the tax irrelevance of the values recorded in the Financial Statements of the Company that, with the option of realignment, also proposes to register them fiscally. Based on the data provided by the Company, the net book values of the assets selected for realignment as at 30 November 2020 are shown in the table.

<i>(in thousands of EUR)</i>	PPA patents and trademarks	PPA customer portfolio	PPA know how	Total
Balance as at 30 November 2019	15,642	57,268	10,259	83,169
<i>of which:</i>				0
- Historical cost	27,420	73,895	102,597	203,912
- Sinking fund	-11,778	-16,627	-92,338	-120,743
Increases	-	-	-	-
Disposal	-	-	-	-
Write-downs	-	-	-	-
Depreciation	-2,611	-3,684	-10,259	-16,554
Balance as at 30 November 2020	13,031	53,584	0	66,615
<i>of which:</i>				0
- Historical cost	27,420	73,895	102,597	203,912
- Sinking fund	-14,389	-20,311	-102,597	-137,297

With reference to the identification of the assets on which it is possible to opt for realignment, Art. 14 of Law No. 342 of 2000 establishes, in principle, that discrepancies in the value of assets that are recorded in the Financial Statements as at 31 December 2019 (30 November 2019 for the Group) can be released. In particular, the assets characterized by such differences must also be present in the Financial Statements for the following financial year (i.e., 30 November 2020) and the realignment option must relate to the consistency of these divergences at the end of the 2020 period, thus taking into account the decreases that occurred in that last financial year. Therefore, the differential in question is derived from the comparison between the net book value and the net tax value of the same asset at the end of the financial year in which the realignment takes place (i.e., 2020) in order to achieve full coincidence between accounting and tax residual values at the end of the financial year.

Article 110 of Legislative Decree No. 104/2020 allows for the tax registration of the greater value attributed to the assets during realignment through the payment of a substitute tax of IRES (Corporate Income Tax), IRAP (Regional Income Tax) and any additional taxes in the amount of 3%. This registration starts from the financial year following the one with reference to which the realignment was performed (i.e., 30 November 2021). Against tax registration, the Group will obtain a tax benefit in the form of higher deductible depreciation over the residual useful life of the realigned assets. The deadline for the payment of the substitute tax is that established for the payment of the balance of income taxes relating to the 2020 tax period (i.e., 31.05.2021). In case of installments, the ones following the first follow the same deadline for the payment of the balance of income taxes relating to the subsequent tax periods, 2021 and 2022 (i.e., 31.05.2022 and 31.05.2023).

<i>(in thousands of EUR)</i>	Realignment	Gross tax benefit 27.9%	Substitut ive tax	Net Tax Benefit
Balance as at 30 November 2020	66,615	18,586	1,998	16,587

The higher book value registered for tax purposes does not provide for a relative increase in equity reserves. However, the application of a tax suspension constraint on an available equity reserve for an amount corresponding to the higher realigned values net of the substitute tax is required. This reserve can be released by paying the substitute tax equal to 10 percent. On the basis of the indications provided by the Revenue Agency, repeated, most recently, in the Circulars 13/e of 2014 and 14/e of 2017, it is possible to benefit from the realignment even if the restriction on the reserve is placed during the following

in which the realignment option is exercised (i.e., 30 November 2020) refers, by means of a specific Shareholders' resolution, provided that in the reference year there are sufficient Shareholders' equity reserves. In the event of inadequacy of usable reserves, a corresponding share of the share capital may be restricted, which will therefore be subject to tax suspension. The application of the restriction has a strictly tax nature and does not involve the modification or reclassification from a statutory point of view of the reserves submitted to it.

<i>(in thousands of EUR)</i>	Realignment	Substitutive tax	Constraint on the Reserve
Balance as at 30 November 2020	66,615	1,998	64,617

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

On 31 October 2017, the EU Regulation No. 2017/1986 that implemented the new accounting standard IFRS 16 - Leases at EU level, has been issued. IFRS 16 replaces IAS 17 - Leases and the related Interpretations IFRIC 4 (Determining whether an agreement contains a lease), SIC 15 (Operating leasing - Incentives), SIC 27 (The evaluation of the substance of transactions in the legal form of a lease), with reference to the accounting of leasing and long-term rental contracts.

The new 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 Company 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 has applied the new standard using the prospective method and excluding short-term contracts, i.e., with a duration of less than 12 months and low-value contracts, or contracts involving an asset with a value of less than EUR 5 thousand.

The effects of the application of IFRS 16 by a lessee consist of:

- the increase in assets due to the registration of the rights of use;

- the increase in liabilities deriving from the registration of the financial debt for leasing against the payment of fees;
- the reduction in operating costs, relating to lease payments;
- the increase in financial charges attributable to interest on the lease liability and the increase in depreciation relating to the right of use.

Here are the effects of the first application of the principle:

Additional information - Right of use

<i>(in thousands of EUR)</i>	Vehicles for employees	Buildings for employees	Office s	Industrial and commercial	Buildings	Total
Balance as at 01 December 2019	423	588	478	1,447	3,497	6,432
<i>of which:</i>	-	-	-	-	-	-
- Historical cost	423	588	478	1,447	3,497	6,432
- Sinking fund	-	-	-	-	-	-
Increases	784	4	-	226	25	1,039
Disposal	-	-	-	-	-	-
Depreciation	(255)	(108)	(247)	(169)	(354)	(1,133)
Write-downs	-	-	-	-	-	-
Exchange rate differences	-	-	(36)	-	(5)	(43)
Balance as at 30 November 2020	952	484	193	1,504	3,163	6,295
<i>of which:</i>	-	-	-	-	-	-
- Historical cost	1,207	592	440	1,673	3,517	7,428
- Sinking fund	(255)	(108)	(247)	(169)	(354)	(1,133)

Additional information

- Lease liabilities

Current / non-current
liabilities by asset class

<i>(in thousands of EUR)</i>	Vehicles for employees	Buildings for employees	Office s	Industrial and commercial	Buildings	Total
Leasing liabilities - Current quota	317	105	36	205	311	974
Leasing liabilities - Non-current quota	637	379	145	1,323	2,922	5,406
Balance as at 30 November 2020	954	484	181	1,528	3,233	6,380
Changes in the leasing liability						
<i>(in thousands of EUR)</i>	Vehicles for employees	Buildings for employees	Office s	Industrial and commercial	Buildings	Total
Balance as at 01 December 2019	(423)	(578)	(478)	(1,447)	(3,496)	(6,422)
New contracts	(784)	-	-	(226)	-	(1,010)
Paid	254	101	265	145	300	1,064

Other changes in cash *	(1)	(7)	(0)	(0)	(41)	(49)
Contracts closed for amendments/reass.	-	-	-	-	-	-
Foreign currency conversion	-	-	32	-	5	37
Balance as at 30 November 2020	(954)	(484)	(181)	(1,528)	(3,233)	(6,380)

* Including indexing

2.5. Recently issued accounting standards

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

The following new standards, amendments and interpretations have been issued by the International Accounting Standards Board ("IASB") and have not been adopted by the European Union. The following new principles, amendments and interpretations have not been applied in the preparation of the Consolidated Financial Statements.

At the date of the Consolidated Financial Statements, the competent bodies of the European Union have not yet concluded the approval process necessary for the adoption of the following accounting standards and amendments:

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. IFRS 17 will come into force from 1 January 2021 and early adoption is allowed if IFRS 15 - Revenue from contracts with customers and IFRS 9 - Financial instruments - are also applied.

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.

In January 2020, the IASB issued amendments to IAS 1 - Presentation of the Consolidated 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.

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 Company does not expect significant impacts from the adoption of these amendments.

*Amendments to IAS 16
Property, Plant and
Equipment*

In May 2020, the IASB issued amendments to IAS 16 - Property, plant and equipment. The amendments prohibit an enterprise from the cost of property, plant and equipment from deducting the amounts received from the sale of items produced while the enterprise is preparing the asset for its intended use. Instead, a company should register such sales proceeds and the related cost in the income statement. These changes are effective as of 1 January 2022. The Company is evaluating the impact of adopting the amendments.

*Amendments to IAS 37
Provisions, Contingent
Liabilities and Contingent
Assets*

In May 2020, the IASB issued amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, which specify which costs a company includes when evaluating whether a contract will be loss-making. These changes are effective from 1 January 2022. The Company is evaluating the impact of adopting the amendments.

*Annual Improvements 2018-
2020*

In May 2020, the IASB issued the Annual Improvements to IFRSs 2018 - 2020 Cycle. The improvements modified four principles with effective on 1 January 2022: i) IFRS 1 - First-time adoption of the International Financial Reporting Standards in relation to the possibility for a subsidiary to evaluate the cumulative translation differences using the values reported by its parent company, ii) IFRS 9 Financial instruments in relation to which considerations an entity includes when applying the "10 per cent" test for the deregistration of financial liabilities, iii) IAS 41 - Agriculture in relation to the exclusion of tax cash flows in the valuation of the fair value of a biological asset, and iv) IFRS 16 - Leasing in relation to an illustrative example of reimbursement for improvements to leased assets. The Company does not expect significant impacts from the adoption of these amendments.

*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 Consolidated 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.

The Group believes that it has no economic and financial impact with reference to the provisions deriving from the entry into force of the aforementioned principles.

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

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB issued a package of 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.

These changes are effective as of 1 January 2021, with early adoption permitted.

In June 2020, the IASB issued amendments to IFRS 4 - Insurance Contracts that postpone the expiry date of the temporary exemption from the application of IFRS 9 to annual periods starting on 1 January 2021 or later.

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)

Interpretations have not been applied in advance, the application of which would be mandatory for financial years starting after 1 January 2021.

New accounting principles, amendments and interpretations adopted by the Company

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.

Amendments to IFRS 3 Business Combinations (issued on 22 October 2018)

In October 2018, the IASB adopted limited amendments to IFRS 3 - Business combinations. The amendments are intended to help companies to determine whether an acquisition made is of a business or group of assets, thus emphasizing that the result of a business is to provide goods and services to customers, while the previous definition is focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. There have been no effects since the adoption of these amendments.

Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)

In October 2018, the IASB adopted the amendments to IAS 1 - Presentation of the Consolidated Financial Statements and to IAS 8 - Accounting standards, changes in accounting estimates and errors. The amendments clarify the definition of "significant", as well as the way in which significance should be applied by including in the definition a guide that is included elsewhere in the IFRS standards. There have been no effects since the adoption of these changes.

Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019)

In September 2019 the IASB adopted the amendments to IFRS 9 - Financial instruments, to IAS 39 - Financial instruments: Registration and Measurement and IFRS 7 - Financial Instruments: Disclosure, collectively the "Reference Interest Rate Reform". These amendments modify some hedge accounting requirements in order to provide relief from the potential effects of uncertainty caused by the reform of the interbank rates offered (IBOR) and require companies to provide additional information to investors on their hedging relationships that are directly affected by such uncertainties. There have been no effects since the adoption of these changes.

Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)

In March 2018, the IASB adopted the changes required by the revision of the Conceptual Framework for Financial Reporting, which applies to companies that use the Conceptual Framework to develop accounting policies when no IFRS standard applies to a particular transaction. Key changes include (i) the increased relevance of management to the financial reporting objective; (ii) the restoration of prudence as a component of neutrality, defined as the exercise of caution in making assessments in conditions of uncertainty; (iii) the definition of reporting entity; (iv) the revision of the definitions of assets and liabilities; (v) the removal of the registration likelihood threshold and the addition of a guide on cancellation; (vi) adding guidance on the information provided by the different valuation bases and explaining the factors to consider when selecting a valuation base; and (vii) stating that profit or loss is the primary performance indicator and that revenues and costs in the other components of comprehensive income should be recycled when the relevance or faithful representation of the Consolidated Financial Statements would be improved. There has been no immediate effect since adoption, however the Top Management will apply changes in the future as required.

Amendment to IFRS 16 Leases Covid 19- Related Rent Concessions (issued on 28 May 2020)

In May 2020, the IASB issued an amendment to IFRS 16 - Leasing for rental concessions linked to COVID-19. The amendment allows lessees, as a practical expedient, not to consider whether particular lease concessions that occur as a direct consequence of the Covid-19 pandemic are lease changes and instead account for such lease concessions as if they were not changes in the lease. The Company adopted this amendment starting from its effective date, 1 June 2020. There have been no effects since 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, evaluates and executes

hedging of financial risks in close collaboration with the operating units of the Group. The Company Top Management provides indications for monitoring risk management.

Interest rate risk

Given the context of low interest rates and the financial debt profile of the Group, the Top Management has decided not to use any financial hedging instrument.

Exchange rate risk

The Group works in foreign markets mainly through its subsidiaries, invoicing mainly in EUR. Although the current exchange risk is reasonably contained, the long-term durability of some supply contracts exposes the Company to moderate foreign exchange risks. Evaluations are systematically implemented on the opportunity to prepare exchange risk hedging instruments where the conditions require it.

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 2020	Expired								Total
	A To expire	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%	
<i>(in thousands of EUR)</i>									
Gross book value - trade receivables	131,429	902	100	76.5	297	143	85	1,136	134,169
Gross book value - contractual assets									
Total write-down	-	(135)	(25)	(27)	(134)	(86)	(60)	(1,136)	(1,603)

As at 30 November 2019	Expired					Total
	To expire	< 30 days	30-60 days	61-90 days	> 90 days	
Expected Loss Rate	0%	0%	10%	10%	10%	
<i>(in thousands of EUR)</i>						
Gross book value - trade receivables	40,476	47,247	3,326	6,890	6,320	104,259
Gross book value - contractual assets	-	-	-	-	-	-
Total write-down	-	-	(333)	(689)	(632)	(1,654)

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 2020 and 30 November 2019:

<i>As at 30 November 2020</i> <i>(in thousands of EUR)</i>	Valore di Bilancio Consolidated amount	Entro 12 mesi	Tra 1 e 5 anni	Oltre 5 anni
Non-current financial liabilities	42,361		41,415	946
Total	42,361	0	41,415	946

Capital risk

The Group's goal in the area of capital risk management is mainly to safeguard business continuity in order to guarantee Shareholder returns and benefits to other Stakeholders. The Company also aims at maintaining an optimal capital structure in order to reduce the cost of debt.

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 2020 and 30 November 2019:

<i>As at 30 November 2020</i> <i>(in thousands of EUR)</i>	Total financial assets /liabilities at amortized cost	Total financial assets/liabilities at fair value	Non-financial assets/liabilities	Total
Activity				
Other current and non-current assets	5,056	-	-	5,056
Trade receivables	132,566	-	-	132,566
Cash and cash equivalents	89,005	-	-	89,005
Total financial assets	226,627	-	-	226,627
Liabilities				
Non-current financial liabilities	42,361	-	-	42,361
Trade payables	56,844	-	-	56,844
Other current and non-current liabilities	127,231	-	-	127,231
Total liabilities	226,436	-	-	226,436

As at 30 November 2019 <i>(in thousands of EUR)</i>	Total financial assets/liabilities at amortized cost	Total financial assets/liabilities at fair value	Non- financial assets/liabilities	Total
Activity				
Other current	8,017	-	-	8,017
Trade receivables	102,605	-	-	102,605
Cash and cash equivalents	53,801	-	-	53,801
Total financial assets	164,423	-	-	164,423
Liabilities				
Non-current financial liabilities	83,516	-	-	83,516
Trade payables	41,566	-	-	41,566
Non-current financial liabilities	-	-	-	-
Other current and non-current liabilities	33	-	-	33
Total liabilities	125,115	-	-	125,115

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 Company 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. Provisions have been made for expected credit losses, estimated on the basis of past experience with reference to loans with similar credit risk, current and historical outstanding amounts, as well as careful monitoring of the quality of the loan portfolio and current and expected conditions of reference economy and markets. The estimates and assumptions are periodically reviewed and the effects of each change are reflected in the Income Statement in the financial year in which they are charged.

- **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* assumptions and estimates, deriving from the experience of the same and the historical results achieved.
- **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.
- **Income taxes** The determination of the Group's tax liability requires the use of assessments by the *Top Management* with reference to transactions whose tax implications are uncertain at the Consolidated Financial Statements end date. 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 in the Consolidated Financial Statements 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 Consolidated 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 Consolidated Financial Statements, thus adjusting the sales revenues by the amount of the sale price reduction to be accounted for.

5. Revenues

The below table shows the detail of the revenues from contracts with Customers, for the financial years ended on 30 November 2020 and 30 November 2019:

(in thousands of EUR)	Financial year ended on 30 November	
	2020	2019
Valves and actuators	124,967	145,717
Accessories and spare parts	67,505	40,310
Chargeback of extra costs	3,588	
Other sales and services	842	14,370
Total	196,902	200,397

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 2020, there were revenues registered with the percentage of completion method of contractual obligations equal to EUR 41.8 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:

(in thousands of EUR)	Financial year ended on 30 November	
	2020	2019
New Units	126,358	148,856
Service	70,544	51,541
Total	196,902	200,397

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 2020 and 30 November 2019:

(in thousands of EUR)	Financial year ended on 30 November	
	2020	2019
Costs for purchasing raw materials and goods	76,203	61,930
Change in inventories	3,909	13,433
Write-down of inventories	(2,389)	(2,408)
Total	77,723	72,955

7. Costs for services

The below table shows the changes in the "Cost for services" item for the financial years ended on 30 November 2020 and 30 November 2019:

(in thousands of EUR)	Financial year ended on 30 November	
	2020	2019
Works carried out by Third Parties	26,481	19,606
Certificates and final testing	5,436	5,647
Commission expense	2,517	4,847
Legal and administrative costs	2,357	3,817
Travel expenses	1,032	2,766
Maintenance	2,861	2,317
Customer support and assistance	1,049	1,202
Insurance policies	601	712
Remuneration of Directors and External Auditors	167	609
Other costs for services	8,726	9,853
Total	51,227	51,376

The significant increase is mainly due to the material carry-over processing and the external actuator processing made necessary to meet the technical specifications of part of the 2020 order book mainly in the Subsea area.

The "Other operating costs" item as at 30 November 2020 is included

Marketing	772
Pc and Printer Rentals	574
Tolls, fuel and car and vehicle rental	349
Utilities	1,313
Staff Bodies Consultancy	2,016
Training and recruitment courses	263
Canteen integration	783
Other costs by type of different services	2,656
Total	8,726

The reduction of some costs for services, including those related to travel and travel expenses and external assistance to customers, is mainly attributable to the pandemic situation that has imposed severe mobility restrictions.

The Group continues with the saving policy promoted by the Top Management, with the aim of increasing efficiency by rationalizing the costs incurred; however, there is instead an increase in outsourcing that shall be considered in line with the expectations of the Top Management and that reflects the particular mix of sales volumes in 2020 compared to 2019.

8. Costs for staff

The below table shows the changes in the "Cost for Staff" item for the financial years ended on 30 November 2020 and 30 November 2019:

(in thousands of EUR)	Financial year ended on 30 November	
	2020	2019
Wages and salaries	34,048	37,345
Social charges	9,816	9,274
Severance indemnities	2,477	2,068

Other staff costs	1,746	596
Total	48,087	49,283

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

Due to the Pandemic situation due to Covid-19, during the only weeks of lock-down, in which the Company was unable to open the fully functional production plants, the Company granted its employees to be able to spend the holidays and permits accumulated and, in their absence, the Company has advanced the redundancy fund.

The following table shows the average number of employees of the Group, divided by category, as at 30 November 2020 and 30 November 2019:

(In units)	As at 30 November 2020	
	2020	2019
Manager	27	32
Executives	29	30
Employees	315	333
Workers	226	199
Total	597	594

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 2020 and 30 November 2019:

(in thousands of EUR)	Financial year ended on 30 November	
	2020	2019
Charges (income) from the sale of fixed assets	(409)	1,516
Net provisions for risks fund	8,810	1,328
Other operating expenses	61	84
Total	8,462	2,928

During 2020, the Group decided to put up for sale a number of owned properties, located in Milan not strictly connected to the business and, therefore, not considered strategic. This disposal process will end in the course of the future financial year (2021).

In addition, it should be noted the sale of the production company in Kazakhstan, for which there is an exhaustive discussion in the Top Management Report accompanying these Consolidated Financial Statements.

It should also be noted that the Directors decided to make a provision to the fund for risks equal to € 8,802,321, an amount determined with the help of an independent third-party consultant, as a consequence of what was stated in the significant events subsequent to the end of the financial year (Note 33).

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 2020 and 30 November 2019:

(in thousands of EUR)	Financial year ended on 30 November	
	2020	2019
Net write-downs of trade and other receivables	29	741
Total	29	741

The write-down of trade receivables represents the adjustment of the provision for risks on trade receivables, prudently allocated on the basis of the analysis of the positions deemed of doubtful recoverability at the end date of the financial year, given the delay on the contractual expiry date and, above all, on the geographical area on which the credit is accrued, in line with the adoption of the IFRS 9 accounting standard.

It should also be noted the continuous effort and attention that the Top Management places in the optimization of the cash register. In fact, several credits deemed to be of doubtful recoverability from the previous financial year were collected in the year ended on 30 November 2020.

11. Depreciation

The below table shows the changes in the "Depreciation" item for the financial years ended on 30 November 2020 and 30 November 2019:

(in thousands of EUR)	Financial year ended on 30 November	
	2020	2019
Property, plant and machinery depreciation	6,135	6,659
Intangible assets depreciation	20,369	33,119
Amortization of right of use	1,133	
Total	27,637	39,778

Depreciation for the financial year is mainly composed of depreciation of intangible assets. We also decided to trace on a separate line, the depreciation charge relating to the adoption of the IFRS 16 accounting standard.

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 2020 and 30 November 2019:

(in thousands of EUR)	Financial year ended on 30 November	
	2020	2019
Net profits/(losses) on foreign exchange rates	(1,740)	764
Other income (financial charges)		(3,002)
Interest on the vendor loan	(1,014)	
Interest, charges, commissions, expenses and bank insurance	(1,904)	
Interest deriving from the application of IFRS16	(264)	
Total	(4,922)	(2,238)

13. Income taxes

The following table shows the detail of the "Income taxes" item for the financial years ended on 30 November 2020 and 30 November 2019:

(in thousands of EUR)	Financial year ended on 30 November	
	2020	2019
Current taxes	(2,293)	(186)
Deferred taxes	23,502	10,782
Total	21,209	10,596

The below table shows the reconciliation of the theoretical tax burden with the effective one for the financial years ended on 30 November 2020 and 30 November 2019:

(in thousands of EUR)	Financial year ended on 30 November	
	2020	2019
Profit before tax	(12,383)	(18,902)
Theoretical tax charges	3,455	5,274
Theoretical tax charges %	27.90%	27.9%
IRAP (Regional Income Tax)	(251)	(426)
Other differences	21,460	11,022
Effective tax burden	21,209	10,596

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 on 30 November 2020 and 30 November 2019:

(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 2018	25,500	15,290	2,234	1,172	6,600	-	50,796
<i>of which:</i>							
- Historical cost	38,033	47,506	24,778	9,648	6,600	-	126,565
- Provision	(12,533)	(32,216)	(22,544)	(8,476)	-	-	(75,769)
Increases	41	7,019	1,117	565	318	-	9,060
Reclassification	444	251	1,822	-	(5,500)	-	(2,983)
Disposal	-	-	(73)	(4)	(544)	-	(621)
Write-downs	-	-	68	3	-	-	71
Depreciation	(1,248)	(3,508)	(1,593)	(315)	-	-	(6,664)
Cumulated exchange rate difference	(96)	41	(35)	(13)	127	-	24
Balance as at 30 November 2019	24,641	19,093	3,540	1,408	1,001	-	49,683
<i>of which:</i>							
- Historical cost	38,518	54,776	27,713	10,226	1,000	6,432	138,665
- Provision	(13,877)	(35,683)	(24,172)	(8,805)	-	-	(82,537)
Increases	165	2,530	494	18	-	1,039	4,246
Disposals of the Fund	4,085	1,317	30	-	-	-	5,432
Disposals Cost	(10,882)	(1,317)	(30)	-	(189)	-	(12,418)
Write-downs	-	-	-	-	-	-	-

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Depreciation	(693)	(3,508)	(1,593)	(341)	-	(1,133)	(7,268)
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Cumulated exchange rate difference				(2)	50	(43)	5
Balance as at 30 November 2020	17,316	18,115	2,442	1,096	861	6,295	46,125
of which:							
- Historical cost	27,801	55,989	28,177	10,242	861	7,428	130,498
- Provision	(10,485)	(37,874)	(25,735)	(9,146)	-	(1,133)	(84,373)

During 2020, the Group decided to put up for sale a number of owned properties, located in Milan not strictly connected to the business and, therefore, not considered strategic. This disposal process will end in the course of the future financial year (2021).

The table above shows the effect of the adoption of the IFRS16 accounting standard.

15. Goodwill

The below table shows the detail of the "Goodwill" item as at 30 November 2020 and 30 November 2019:

(in thousands of EUR)	As at 30 November	
	2020	2019
Goodwill	256,977	256,977
Total	256,977	256,977

"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.

Impairment test related to goodwill

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 assumption used in this process represents the best estimate of management for the period in question. 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 covering the period from 2021 to 2025 were taken from the Group's industrial plan. In particular, the estimate considers the expected EBITDA adjusted to reflect the cost of the expected investments.
These cash flows refer to the CGU in its condition at the time the Consolidated Financial Statements are prepared and exclude the estimated cash flows that could derive from restructuring plans or other structural changes.
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 expected future cash flow includes a *normalized terminal period* used to estimate the residual value or results beyond the period of time explicitly considered, which were calculated using the specific medium/long-term growth rate for the industries equal to 2.2%
- The expected future cash flow was estimated in EUR and discounted using a WACC of 10.1%. The WACC used reflects the current market assessment of the time value of money for the period under consideration and the specific risks of the CGUs under consideration.

The recoverable amount of the CGUs is greater than their book value. Furthermore, their historical profitability and their future earnings prospects indicate that the carrying amount of goodwill will continue to be recoverable.

For an exhaustive discussion of the Impairment Test relating to goodwill, reference is made to the Top Management Report accompanying these Consolidated Financial Statements.

16. Intangible assets

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

<i>(in thousands of</i>	Other intangible assets	Fixed assets from PPA	Total
Balance as at 30 November 2018	12,191	109,846	122,037
<i>of which:</i>			
- Historical cost	12,789	203,912	216,701
- Sinking fund	(597)	(94,066)	(94,663)
	6,161	-	6,161
Increases	(2,009)	-	(2,009)
Disposals	-	-	-
Write-downs	(6,094)	(26,677)	(32,771)
Depreciation	10,250	83,169	93,419
Balance as at 30 November 2019	16,941	203,912	220,853
<i>of which:</i>			
- Historical cost	(6,691)	(120,743)	(127,434)
- Sinking fund	2,317	-	2,317
Increases	(2,191)	-	(2,191)
Disposals	-	-	-
Write-downs	(3,815)	(16,554)	(20,369)
Depreciation	6,561	66,615	73,176
<i>of which:</i>			
- Historical cost	17,067	203,912	220,979
- Sinking fund	(10,506)	(137,297)	(147,803)

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

<i>(in thousands of EUR)</i>	Develop ment costs	Patents and tradema rks	Fro m thir d part ies	Software	Total
Balance as at 30 November 2019	262	1,656	534	7,798	10,250
<i>of which:</i>					
- Historical cost	2,439	2,804	559	11,139	16,941
- Sinking fund	(2,177)	(1,148)	(25)	(3,341)	(6,691)

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Increases	762	741	(68)	882	2,317
Disposal	-	-	(130)	(2,061)	(2,191)
Write-downs	-	-	-	-	0

Depreciation	(137)	(89)	(50)	(3,539)	(3,815)
Balance as at 30 November 2020	887	2,308	286	3,080	6,561
<i>of which:</i>					
- Historical cost	3,201	3,545	361	9,961	17,067
- Sinking fund	(2,314)	(1,237)	(75)	(6,880)	(10,506)

The "Fixed assets from PPA" item refers to the following categories:

<i>(in thousands of EUR)</i>	PPA patents and trademarks	PPA customer portfolio	PPA know how	Total
Balance as at 30 November 2018	18,255	60,964	30,627	109,846
<i>of which:</i>				
- Historical cost	27,420	73,895	102,597	203,912
- Sinking fund	(9,165)	(12,931)	(71,970)	(94,066)
Increases	-	-	-	-
Disposal	-	-	-	-
Write-downs	-	-	-	-
Depreciation	(2,613)	(3,696)	(20,368)	(26,677)
Balance as at 30 November 2019	15,642	57,268	10,259	83,169
<i>of which:</i>				0
- Historical cost	27,420	73,895	102,597	203,912
- Sinking fund	(11,778)	(16,627)	(92,338)	(120,743)
Increases	-	-	-	-
Disposal	-	-	-	-
Write-downs	-	-	-	-
Depreciation	(2,611)	(3,685)	(10,259)	(16,554)
Balance as at 30 November 2020	13,031	53,583	0	66,615
<i>of which:</i>				0
- Historical cost	27,420	73,895	102,597	203,912
- Sinking fund	(14,389)	(20,312)	(102,597)	(137,297)

17. Inventories

The below table shows the detail of the "Inventories" item as at 30 November 2020 and 30 November 2019:

<i>(in thousands of EUR)</i>	As at 30 November	
	2020	2019
Raw materials	32,687	22,534
Products under machining	3,313	27,035
Finished products	13,325	4,010
Inventory write-down provision	(6,814)	(9,137)
Total	42,511	44,442

The below table shows the changes in the inventory write-down fund for the financial years ended on 30 November 2020 and 30 November 2019:

<i>(in thousands of EUR)</i>	Inventory write-down provision
As at 30 November 2019	9,137
Provisions	4,156
Used in the year	(5,830)
Releases	(702)
As at 30 November 2020	6,814

During 2020, the inventory write-down provision was used to cover scrapped goods, and a further provision was set aside in line with the Company policy. It should also be noted that the Company has perfected the physical inventory of the entire warehouse during the year under analysis.

18. Trade receivables

The below table shows the detail of the "Inventories" item as at 30 November 2020 and 30 November 2019:

<i>(in thousands of EUR)</i>	As at 30 November	
	2020	2019
Receivables from customers	134,169	104,259
Provision for depreciation of credits	(1,603)	(1,654)
Total	132,566	102,605

The below table shows the changes in the receivables write-down fund for the financial years ended on 30 November 2020 and 30 November 2019:

<i>(in thousands of EUR)</i>	Receivables write-down fund
Balance as at 30 November 2019	(1,654)
Provisions	(542)
Uses/Releases	593
Balance as at 30 November 2020	(1,603)

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

<i>(in thousands of EUR)</i>	Trade receivables	
	2020	2019
Italy	4,471	9,806
Europe (including former USSR)	30,942	53,527
Africa	4,477	4,438
America	13,528	18,242
Asia	18,451	5,012
Middle East	54,600	11,116
Oceania	7,700	2,117

Total	134,169	104,258
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19. Current deferred tax receivables

The below table shows the detail of the "Current tax receivables" item as at 30 November 2020 and 30 November 2019:

(in thousands of EUR)	As at 30 November	
	2020	2019
Current deferred tax receivables	6,442	5,781
Total	6,442	5,781

20. Other current assets

The below table shows the detail of the "Other current assets" and "Other non-current assets" item as at 30 November 2020 and 30 November 2019:

(in thousands of EUR)	As at 30 November	
	2020	2019
Advances to suppliers	1,650	3,127
Tax receivables	1,423	2,481
Prepaid expenses and accrued income	1,983	2,409
Total	5,056	8,017

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 2020 and 30 November 2019:

(in thousands of EUR)	As at 30 November	
	2020	2019
Buildings	4,859	1,044
Total	4,859	1,044

The Group's Top Management has decided to sell some portions of its real estate, which are not strategic for the Group's activities. At present, there are several Stakeholders and the sales agreement is expected to be concluded before 31 October 2020. The value of these properties has therefore been reclassified under the "Non-current assets held for sale" item. The fair value of the property was determined using the comparative market criterion (level 2 of the fair value hierarchy).

22. Cash and cash equivalents

The below table shows the detail of the "Cash and cash equivalents" item as at 30 November 2020 and 30 November 2019:

(in thousands of EUR)	As at 30 November	
	2020	2019
Cash and cash equivalents	89,005	53,801
Total	89,005	53,801

The significant increase in cash is given by a loan of 35 million EUR taken out in July 2020. Given the situation caused by the epidemiological emergency from the COVID-19 virus, measures to support businesses become operational with the publication in the Official Journal, where the Council of Ministers approves the **Liquidity Decree** to facilitate the restart of the Italian production system.

It should be noted that on 26 May 2021, the Company received notification of a preventive seizure order and a provision by which the Milan Court, Autonomous Prevention Measures Section, 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, a figure that would coincide - according to the accusatory prospect - with the "margin" of profit connected to the execution of the contract entered into by the previous owners of the Company.

More information is shown in significant events subsequent to the end of the financial year (Note 33).

23. Equity

Share Capital

As at 30 November 2020 the share capital of the Group is fully subscribed and paid up and amounts to EUR 2,500 thousand, consisting of #[25,000] ordinary shares, whose nominal value is equal to EUR [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 2020 and 30 November 2019 are highlighted below:

<i>(in thousands of EUR)</i>	Values as at 30.11.2019	Attribuzione risultato esercizio	Altre variazioni	Risultato di esercizio	Valori as at 30.11.2020
Share Capital	2,500	-	-	-	2,500
Reserve for revaluation of assets	20,738	-	-	-	20,738
Legal reserve	500	-	-	-	500
Other reserves	-	-	-	-	-
Exceptional reserve	22,498	-	-	-	22,498
Merger surplus reserve	142,601	-	-	-	142,601
Various other reserves	32,927	-	(151)	-	32,776
Actuarial reserve	(184)	-	(18)	-	(202)
Profits (losses) brought forward	218,003	(8,380)	-	-	209,623
Profit (loss) for the year	(8,380)	8,380	-	257	257
Third party Shareholders' equity	279	-	(255)	-	24
Total	431,482	0	(424)	257	431,315

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:

<i>(In migliaia di Euro)</i>	Riserva attuariale	Riserva di conversione
As at 30 November 2019	(184)	(3,454)
Actuarial profit/(loss) for Employee benefits	(249)	-
Actuarial profit/(loss) for Employee benefits - tax effect	47	-
Other income items that will not be reclassified to the Income Statement in subsequent financial years	(202)	-

Profit/(loss) from exchange differences on the translation of company assets and liabilities consolidate in valute funzionali diverse dall'Euro	-	53
Profit/(loss) from exchange differences on the translation of company assets and liabilities consolidate in valute funzionali diverse dall'Euro - effetto fiscale	-	(20)
Altre componenti di reddito che saranno riclassificate a conto economico in esercizi successivi	-	33
Al 30 Novembre 2020	(386)	(3,421)

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 2020 and 30 November 2019:

(in thousands of EUR)	As at 30 November	
	2020	2019
Financial liabilities to third parties	41,789	
Current financial liabilities to the Ministry	572	83,516
Total	42,361	83,516

The item includes the residual debt owed to the assignors by the investment in Land Lad S.p.A., merged into TBG Energy Italy S.p.A. in previous financial years, which in turn was merged into PetrolValves S.p.A. through the reverse merger operation with effect from 29/11/2017.

Shown in the table is only the non-current portion due in February 2022 equal to 50% of the debt.

The remaining part of the debt, equal to the additional 50%, is included in current liabilities (Section 29 of these Notes) as the maturity is due in February 2021.

25. Employee benefits

The below table summarizes the change in the severance indemnity fund for the financial years ended on 30 November 2020 and 30 November 2019.

(in thousands of EUR)	Severance indemnity
Balance as at 30 November 2019	3,496
Interest on bonds	
Service cost	
Uses and advances	(366)
Actuarial loss/(profit)	166
Balance as at 30 November 2020	3,296

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

	As at 30 November	
	2020	2019
Economic assumptions:		
Annual discount rate	0.50%	0.53%
Annual inflation rate	0.40%	0.72%
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%	0.70%
Turnover frequency	3.00%	7.75%

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:

As at 30 November 2020	
Turnover rate + 1%	3,190,825
Turnover rate - 1%	3,047,091
Inflation rate + 0.25%	3,074,882
Inflation rate - 0.25%	3,162,134
Discount rate + 0.25%	3,117,629
Discount rate - 0.25%	3,117,629
Mortality rate +10%	3,117,629
Mortality rate -10%	3,117,629

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 2020 and 30 November 2019:

(in thousands of EUR)	Fund for guarantees	Fund for disputes	Fund for tax disputes	Total
As at 30 November 2019	1,726	3,414	1,915	7,055
Provisions	251	9,172	-	9,423
Used in the year	-	(2,581)	-	(2,581)
Releases	(189)	(494)	-	(683)
As at 30 November 2020	1,788	9,511	1,915	13,214

It should also be noted that the Directors decided to make a provision to the fund for risks equal to € 8,802,321, an amount determined with the help of an independent third-party consultant, as a consequence of what was stated in the significant events subsequent to the end of the financial year (Note 33).

27. Liabilities for deferred taxes

The below table shows the changes in the "Deferred tax assets" item for the financial years ended on 30 November 2020 and 30 November 2019:

(in thousands of EUR)	As at 30 November	
	2020	2019
Initial balance	4,011	14,716
of which:		
- Deferred tax assets	-19,541	-11,555
- Deferred taxes liabilities	23,552	26,271
Effects on the Income Statement	-23,592	-10,705
Effects on the Comprehensive Income Statement		-
Final balance	-19,581	4,011
of which:		
- Deferred tax assets	-21,036	-19,541
- Deferred taxes liabilities	1,455	23,552

As at 30 November 2020 the "Deferred tax liabilities" item amounted to EUR -19,581 thousand (EUR 4,011 thousand as at 30 November 2019), and refers to temporary differences mainly relating to (i) provisions not deducted in the reference periods, (ii) ACE subsidy for the period and excess of previous years.

The following tables show the details and changes in deferred tax assets and deferred tax liabilities for the financial years ended on 30 November 2020 and 30 November 2019:

Deferred tax assets

(in thousands of EUR)	Tangible and intangible assets	Fund for risks and charges	Financial assets	Employee severance pay	Other	Total
Balance as at 30 November 2019	589	4,965	-	59	13,928	19,541
Adjustments from changes in accounting principles						
Impact on the Income Statement	141	(1,977)	-	35	3,296	1,495
Impact on the Comprehensive Income Statement						
Balance as at 30 November 2020	730	2,988	-	94	17,224	21,036

The "Other" item mainly relates to the ACE subsidy for the period and the excess from previous years (EUR 12,162 thousand).

Liabilities for deferred taxes

(in thousands of EUR)	Tangible and intangible assets	Financial instruments	Investments in associated companies	Other	Total
Balance as at 30 November 2019	23,197	-	-	355	23,552
Adjustments from changes in accounting principles					
Impact on the Income Statement	(23,197)			1,100	(22,097)
Impact on the Comprehensive Income Statement					
Balance as at 30 November 2020	0	0	0	1,455	1,455

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With reference to the "Tangible and intangible assets" item, as required by Legislative Decree No. 104/2020, Art. 110 and supplemented by the Consolidated Budget Law of 2021, the Group has chosen to realign the tax values as at 30 November 2020 to the higher values of the assets that are recorded in the Consolidated Financial Statements, specifically the value of patents and trademarks of EUR 13,031 thousand and the customer portfolio of EUR 53,583 thousand, for a total of EUR 66,614 thousand.

Reference is made herein to the values attributed to some balance sheet assets as a merger deficit resulting from the reverse merger with the parent company TBG Energy Italy S.p.A. that took place in November 2017. As per fiscal regulations, the merger deficit is a fiscally neutral item and the amortization calculated on the higher values is consequently not deductible. Therefore, in 2017, the Group set aside a deferred tax provision relating to these differences.

This choice will determine, against the payment of a substitute tax equal to 3% of the realigned value (EUR 1,998 thousand), the deduction in future years, starting from 2021, of the tax amortization of the realigned value of EUR 66,614 million.

These deductions will generate benefits in terms of IRES and IRAP, making it possible as at 30 November 2020 to release the residual deferred tax provision mentioned above for an amount of EUR 18,574 thousand.

28. Trade payables

The following table shows the details of the "Trade payables" item as at 30 November 2020 and 30 November 2019:

(in thousands of EUR) As at 30 November

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 2020 and 30 November 2019:

(in thousands of EUR)	As at 30 November	
	2020	2019
Other non-current liabilities	5,429	33
Other non-current liabilities	5,429	33
Advances from customers	18,391	17,525
Deferred income	14,851	12,087
Payables to social security	10,369	11,082
Other current liabilities	78,191	3,916
Other current liabilities	121,802	44,610
Total	127,231	44,643

The other current liabilities include, as mentioned in the comment to Note 24, the 50% portion of the debt relating to former Shareholders due in February 2021 equal to approximately EUR 41 million.

Given the situation caused by the epidemiological emergency from the COVID-19 virus, measures to support businesses become operational with the publication in the Official Journal, where the Council of Ministers approves the **Liquidity Decree** to facilitate the restart of the Italian production system which the Group decides to join by requesting a loan of EUR 35 million with a one-year maturity included in the "Other current liabilities" item.

Thanks to the significant streamlining of bureaucratic procedures envisaged by the legislation, the Group accesses the SACE guarantee granted by the Fund, and obtains the loan in the second half of the Consolidated Financial Statements in question.

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 payables" item as at 30 November 2020 and 30 November 2019:

<i>(in thousands of EUR)</i>	As at 30 November
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This item includes the substitute tax payable of 3% arising from the tax realignment of approximately EUR 2 million.

32. Other information

Guarantees

There are no debts secured by collateral on Group assets.

Commitments

<i>(in thousands of EUR)</i>	As at 30 November	
	2020	2019
Guarantees given to third parties	60,738	49,318
Total	60,738	49,318

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.

It should be noted that on 16 June 2016, by deed of the Notary Public Giovannella Condò from Milan, the parent company TBG Holdings (Energy) BV pledged the shares of the then TBG Energy Italy S.p.A. to HSBC Corporate Trustee Company (UK) Limited to guarantee the loan agreement granted on the same date by a pool of Banks to the Parent Group. Following the reverse merger by incorporation of

TBG Energy Italy S.p.A. in PetrolValves S.p.A., the shares of PetrolValves S.p.A. are burdened with the same pledge.

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 2020 and 30 November 2019 of the Group:

<i>(in thousands of EUR)</i>	As at 30 November	
	2020	2019
Statutory audit of annual accounts	368	374
Fees to the Director	10	
Auditors fee	79	59
Total	457	433

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

In the period between the date of approval of the Financial Statements by the Board of Directors (28 April 2021) and the General Shareholders' Meeting called for 28 May 2021, more precisely 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.

More specifically, the scope of application of the latter provision is restricted to the examination of certain contractual relationships, as well as to the verification of the internal control system of the Company.

Furthermore, it should be specified, as it is of focal importance, how the above-mentioned preventive measure provides verbatim that the role of the Judicial Administrator must not in any way interfere with the activities of the Board of Directors, which, the latter, will be free to continue in the ordinary and normal performance of the typical corporate activity.

Both of the aforementioned provisions are issued as part of an investigation currently pending in the preliminary investigations phase against, however, former officers and former employees of the Company (of which some of the above-mentioned have qualifications within the Company), with respect to which PetrolValves SpA would be liable only pursuant to and for the purposes of Legislative Decree No. 231/2001, precisely, in the same way as the conduct implemented by the former managers and employees of the Company.

None of the current directors, managers and employees were the recipients of measures by the Judicial Authority, and therefore, appears to be subjected to investigations in the same proceedings.

In truth, on the other hand, the Company has collaborated extensively with the Investigating Authority precisely in order to clarify the conduct that may have been implemented by the old ownership and management of the Company.

It should be noted that the seizure order pursuant to Legislative Decree No. 231/2001 is equal to, € 11,568,949.21, a figure that would coincide - according to the accusatory prospect - with the "margin" of profit connected to the execution of the contract entered into by the previous owners of the Company.

The Company, with the assistance of its external lawyers, reserves the right in the continuation of the lawsuit to assess the validity of the provision, as well as the correctness of the accusatory statement regarding the amount subjected to ablative measure.

It must be anticipated how the Company, precisely by virtue of the change in ownership and management, had already implemented and is continuing to periodically verify the compliance of all internal audits, as well as and specifically the model pursuant to Legislative Decree No. 231/2001.

Based on the analyzes carried out, the Company's external lawyers believe that the potential risks associated with the continuation of the ongoing investigation are relatively low, and in any case not prejudicial to the continuation of the typical corporate activity as well as to the Company's financial solidity.

In particular:

a) the Company has duly adopted the OMM, and all the relevant and connected policies, to protect and guarantee the risk of committing crimes such as those in question, the circumstance referred is compliant with the provisions of Legislative Decree No. 231/2001 regarding the exclusion of the application of disqualification measures;

b) with regard to the preventive measure coinciding with the appointment of the Judicial Administrator, in the matter in question, the same Court decided to mitigate and to limit it to a narrow and very specific context, thus assuming verbatim that the appointment of the judicial administrator will not interfere in any way with the regular continuation of the activity the Company, which will be managed continuously by the current Board of Directors.

c) none of the members of the Board of Directors, or of the top management of the company, is subject to investigation and not even reached by provisions of the Judicial Administrator.

Give the above and with reference to the IAS10 accounting standard, the Directors decided to make a provision for risks equal to € 8,802,321, an amount determined with the help of an independent third-party consultant.

Due to the events set out above, the Company therefore decided to modify the data approved by the Board of Directors on 28 April 2021 and to add some items to the information provided.

Based on the above and taking into account that:

- the role of the Judicial Administrator is limited to a well-defined area and does not determine any conditioning on the continuation of the Company's core business; therefore, the business activity is continuing regularly and continues to be in line with the contractual obligations assumed with customers and suppliers;
- as of today, the Company has not received any request for cancellation of contracts in progress and none of the strategic suppliers has communicated the interruption of commercial relations with the Company;
- following the documentation and the telephone conversations made with the main customers, the Company was able to give full evidence of the facts and therefore the commercial activities continue to exist; exclusively for three customers we are waiting for their internal analyzes to be completed but it is believed that they should not be critical for the Company.
- on 18 June 2021, by means of a certified email communication, BPM, as lead bank of the pool of banks that assists the Company, while acknowledging the current situation of the company, has confirmed that the loan agreements in place with the Company continue regularly according to the original agreements;
- finally, the orders already acquired and in the acquisition phase will guarantee coverage of the business activity at least until the first months of 2022.

Therefore, there are no particular elements that may significantly affect the general system and the assessments made by management regarding the business plan and the prospects for financial sustainability in the current financial year.

It should also be noted that the emergency linked to the pandemic spread of COVID-19, as we have been able to analyze, has had consequences not only from the health side, but also from the economic side.

As predicted by the algorithms of epidemiologists, the third wave reaches its third peak exactly one year after the first wave disrupted the global health and macroeconomic scenarios.

PetrolValves has managed, thanks to the appropriate choices of the Top Management and the worldwide reputation now consolidated over time, to withstand this profound crisis throughout the course of 2020.

As at the date of the drafting of these Consolidated Financial Statements, the Group has already implemented all the strategies to ensure a thriving 2021 in line with expectations.

The Group has also decided not to pursue the merger by incorporation project of its subsidiary VSI CONTROLS, THUS leaving the Group free to adopt more streamlined flows and procedures than those present in PetrolValves.

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 EUR 50,000,000, of which EUR 30,000,000 granted as a loan with disbursement on the same date, and EUR 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.

This loan will allow the Company to fulfill its commitments but, above all, to be able to explore new territories and expand its business by locating itself in strategic countries.

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

Milan, 21 June 2021

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 office	Registered	Owner ship %	Book value in EUR
PetrolValves (G.B.) Ltd.	18–22 Church Street, Hampton, Middlesex, TW12 2EG, United Kingdom	100.00%	24,266
PetrolValves AS	Luramyrvæien 57 N-4313 Sandnes Norway	100.00%	112,762
PetrolValves LLC	6000 Sam Houston Parkway North, 77041 Houston Texas	100.00%	1,079
VSI CONTROLS S.r.l.	viale Luigi Majno 17/a Milano	100.00%	3,744,401
Suzhou PetrolValves Trading Co. Ltd.	Room 1040 Nisheng Building, No.205 Suzhou Avenue West, Suzhou Industrial Park, Suzhou, PRC.	100.00%	30,000
PetrolValves Kazakhstan LLP	36 Al Farabi Ave, Almaty, 050059, Republic of Kazakhstan	100.00%	23,292
Immobiliare Vecchia Pavia S.r.l.	Via della Moscova, 3 - 20121 MILAN	100.00%	6,800,000
PetrolValves do Brasil Comércio de Válvulas e Controle de Fluidos Ltda.	Rua Voluntários de Pátria, 45 - Botafogo 2270900 - Rio de Janeiro	100.00%	110,625
PetrolValves Saudi Arabia LLC	81 Street, Dammam 2nd Industrial City, Dammam 34331, Saudi Arabia.	75.00%	182,909

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)