COECLERICI

# ANNUAL REPORT 2021

COECLERICI

**Coeclerici SpA**

Registered Office:
Piazza Generale Armando Diaz 7, 20123 Milan, Italy

VAT Reg. No., Tax Code No. and Registered Companies No.:
00269690103

Chamber of Commerce No. 1761693

Direction and Coordination: Fincler Srl

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# COECLERICI GROUP AT A GLANCE

**653** ml
Turnover*

**128** ml
Investments over last 5 years

**12**
Countries

**1.233**
Employees*

** Figures at 31 December 2021*

## DEAR SHAREHOLDERS,

in 2021, world trade recorded strong growth, returning to the levels it had seen prior to the outbreak of the pandemic. Global demand quickly recovered and was more intense than expected, above all driven by the sharp recovery of demand for manufactured products. This generated a vigorous uplift of orders placed by companies for almost all raw materials, partly so as to resume production, but also to replenish stocks that had dwindled during the acute phase of the pandemic. The lack of supply had triggered rises in raw material prices, while demand pressure had disruptive effects on international transportation and logistics, with a marked increase in sea freight and a significant lengthening of suppliers' delivery times. All this slowed production and increased the number of unfilled orders in manufacturing.
In this regard, it is helpful to point out the increase in global steel production during the year, which was driven by the greater demand of the leading user industries (constructions, machinery and mechanical equipment), and resulted in a rise in the price of steel, also in light of the slowdown in steel production in 2020. In this context, it should be noted that the low ash coal of our mine, located in the Siberian region of Kemerovo in Russia, is used in the steel and chemical industries. This growth in steel demand significantly influenced the increase in coal prices.

The increase of the coal market indices, which began at the end of 2020, continued in 2021 reaching the maximum values of the last decade. The API2 and API4 indices witnessed an average price in the year equal to 120 USD/T and 124 USD/T, respectively, with a 140% and 91% increase compared to the average prices of 2020 which were 50 USD/T and 65 USD/T, respectively.

In light of this context, I am pleased to inform you that your Group achieved excellent operating results during the year. EBITDA, EBIT and Group net result amounted to Euro 52.7 million, Euro 42.3 million and Euro 28 million, respectively. The period was characterized by the outstanding performance of the Commodities Division, with a considerable generation of operating margins, and by the Industry Division's net result returning to positive territory.

The net financial position was Euro 49.1 million and included the Euro 4.5 million impact deriving from the application of the accounting standard 'IFRS 16 – Leases', which required the posting of existing operating leases under financial liabilities. The net financial position to equity ratio is 0.63, showing an important improvement over the ratio of 1.06 as at 31 December 2020.

The bullish trend of coal prices, which reached figures close to all-time highs, began at the end of 2020 and continued throughout 2021. It allowed the Commodities Division to post strong growth in turnover and operating profitability for both the mining and the trading activities.

The extraction activities for the period increased 3% from the prior year to reach 1,674 thousand tonnes, and benefited additionally from the full operativity of procedures implementing the certifications that had been earned at the end of 2020 under ISO 9001:2015 quality management systems, ISO 14001:2015 environmental management system and ISO 45001:2018 occupational health and safety management systems.
Management's ability to maintain historic trade relations even during the period of crisis bore fruit during the market's recovery, making existing partnerships even more solid and finalizing new ones. We can also report further progress on the feasibility study for building a coal washing plant next to our mine. We expect this to allow the quality of the product to be improved, with the goal of developing an increasingly greener quality of metallurgical coal and a more sustainable future for the next generations. In this regard, the Division has embarked on a project to measure the carbon footprint of its activities and to evaluate possible solutions for reducing carbon dioxide emissions from operating activities.
As regards the trading activity, the Division was able to promptly size the market's opportunities arising from China's restrictions on Australian coal imports, with a significant increase in turnover from 2020, without, however, increasing business risks thanks to effective risk management activities that mitigate exposure.
The Division also continued to diversify its product base, with important developments in several Asian markets, especially Vietnam; here it opened a representative office between the end of 2020 and the first half of 2021, with a team of local specialists to serve a high-margin market more in-depth.
The Commodities Division's profitability in terms of EBITDA margin grew considerably, rising to 10% compared to the 5% from 2020 and 2019. This was due to both the quality of the extracted product and the long-term commercial policies that Management had adopted well before the economic recovery began. EBIT and net result came to Euro 53.1 million and Euro 40.5 million, respectively.

As regards the Industry Division, the growth in orders intake that had begun in the fourth quarter of 2020 continued in 2021, reaching a record of Euro 99.6 million, compared to the already good figure in 2020 of Euro 67.6 million. Thanks to the Division's sales & marketing work, the contribution from orders for converting machinery was very noteworthy, particularly in plastic film, owing to an especially outstanding level of demand that was concentrated mainly in the Asian region from China to India. This is certainly an exceptional result, achieved in a period characterized by extensive travel restrictions because of the global pandemic.
Value of production for 2021 came to Euro 64 million, a 50% increase from the comparable figure, returning to a level similar to 2019. Order growth has ensured a significant backlog for all of 2022 and part of 2023, which will keep production capacity well utilized with the consequent possibility to generate more than adequate production volumes.
Profitability was positive with a contribution margin of 32% (compared to 27% in 2020 and 28% in 2019) thanks to lower job costs. The joint work of the technical office and purchasing office is guaranteeing new solutions and lower costs, thus improving the profitability from jobs.
Growth in both volumes and job profitability, together with the reduction of fixed costs thanks to the prior year's restructuring efforts, paved the way for the key economic indicators to return to positive territory, with an EBITDA equal to Euro 3.2 million and a net result of Euro 171 thousand. Concentrating production and assembly of the German machines in the Italian plants has reduced assembly time and job costs, improved operating performance and thus further confirmed that Management's strategic decision was the right one.

The operating performance of the Casale business unit, operating in the flexible packaging machinery sector, was also good; it recorded increased volumes and interesting profitability during the year.
The process aimed at obtaining Quality, Safety and Environment certifications to guarantee its ability to supply its own products and services and to cover the customers' requirements while respecting the safety and health of the workers and protection of the environment has been launched. Focus on improving processes and on technological innovation, essential guidelines for the Division's strategic develop, continues. From the organisational viewpoint, the process to renew the sales structure is continuing in order to achieve vaster coverage of the geographic areas and extend its range. To this regard, the Division officially entered into the non woven sector with the sale of a converting machine to one of the major groups of the sector. The Division is also carrying forward important collaborations with primary market players that will more generally allow volumes to be increased and the sectors in which it operates to be diversified.

I would like to take the opportunity to thank the management and employees of the Group for their constant commitment and the results obtained.

Milan, 6 May 2022

Chairman and CEO
Paolo Clerici

# COMPANY OFFICERS

**Board of Directors**

| | |
|---|---|
| Paolo Clerici | Chairman and CEO |
| Andrea Clavarino | Executive Deputy Chairman |
| Giacomo Clerici | Deputy Chairman |
| Corrado Papone | Deputy Chairman |
| Antonio Belloni | Director |
| Giorgio Cefis | Director |
| Rosa Cipriotti | Director |
| Urbano Faina | Director |
| Teresio Gigi Gaudio | Director |
| Lucio Stanca | Director |
| Giovanni Jody Vender | Director |

*The term of office of the Board of Directors will expire with the approval of the financial statements on 31 December 2021.*

**Board of Statutory Auditors**

| | |
|---|---|
| Guglielmo Calderari di Palazzolo | Chairman |
| Maurizio Dragoni | Standing Auditor |
| Isabella Resta | Standing Auditor |
| Antonino Foti | Deputy Auditor |
| Nicola Iberati | Deputy Auditor |

*The term of office of the Board of Statutory Auditors will expire with the approval of the financial statements on 31 December 2023.*

**Independent Auditors**

EY SpA

*The independent auditing firm has been appointed for the three-year period 2021/2023. The term of office of the independent auditing firm will expire with the approval of the financial statements on 31 December 2023.*

# A HISTORY OF SUCCESS

## 1895

Founded in Genoa, the company starts its activity by importing coal from the United Kingdom.

### 1910s

Coeclerici becomes the first company to import US coal into Italy and expands into the shipping sector.
In 1913, the Group buys its first dry cargo vessel: the 'Tirreno'.
In 1916 Henry Coe, a Scottish shareholder, leaves the company, selling his stake to Alfonso Clerici Senior.

### 1936-1969

Alfonso's son Jack Clerici joins the company in 1936.
After World War II, Coeclerici resumes business interrupted due to the war event, becoming an exclusive agent for coal imports from the bigger coal producers and strengthening international relations with the US, England, South Africa, Australia and the Soviet Union (at the end of the 1950s). In 1958, Coeclerici becomes the third Italian company opening an office in Moscow.
In 1964, Coeclerici signs an agreement for exclusive right to sell Soviet coal and scrap iron in the Italian market.

### 1970-1997

Coeclerici strengthens its shipping sector by designing, building and operating barges to tranship coal within port basin areas.
This solution is called and registered as 'Cavalletto'.
A strategic step towards developing the Group's logistics business.
In 1985 Bulkitalia SpA was founded, and acquires 5 dry bulk vessels; this company acquires Nedlloyd's dry bulk fleet in 1992 and in 1994 acquires Fermar, a shipping company belonging to Ferruzzi Group, and Sidermar.
In 1997, in the process of internationalization, the Logistics Division signs contracts in Venezuela, Bahrein and Morocco.

### 1998-2000

Coeclerici signs a contract with the trade port of Murmansk and finances the dredging operations for the same, necessary to allow access to ships up to 130,000 tonnes.
In 2000, in Murmansk, Coeclerici loads the first ever Capesize ship in a port of Northern Russia.
The first contracts are signed for transhipment activities on a worldwide level.

### 2002-2005

Coeclerici invests approximately 18 million USD to finance the completion of a coal mine in Kemerovo, in Russia, and signs a long-term contract, granting the company the exclusive rights to sell the two million tonnes of coal produced annually.
The Group also signs a ten-year partnership with the port of Murmansk for the exclusive use of a coal berth.
The Shipping Division concludes 16 charter contracts to build 10 new Panamax and 6 Capesize.
The Coeclerici pool operates a fleet of 47 Capesize and 44 Panamax thus becoming one of the top three dry bulk cargo operators in Europe.
Coeclerici opens offices in China and Indonesia and starts to operate transhipment activities in Indonesia with the 'Bulk Pioneer'.

### 2007-2008

In 2007 Coeclerici acquires a 60% stake - increased to 85% in 2008 and to 100% in 2010 - in RAG Trading Asia Pacific Ltd, a Singapore based company specialized in coke and coking coal with offices in Australia, Indonesia, India and China.
Through Coeclerici Asia (Pte) Ltd, the Group develops and strengthens its trading activities across the Far East.
In 2008 Coeclerici acquires 100% of Korchakol, a low volatile coal (mainly PCI) mine located in Siberia in the vicinity of the city of Novokuznetsk, becoming the first and only Western company to have acquired a coal mine in Russia.
The Logistics Division starts to operate in India with 'Bulk Prosperity', a last-generation offshore transhipper.

### 2011-2012

The Logistics Division takes delivery of the first four of six new vessels, designed to the highest standard and performance to be employed in long term service contracts signed: the 'Bulk Java' and the 'Bulk Borneo', employed in Indonesia, the 'Bulk Zambesi' and the 'Bulk Limpopo', employed in Mozambique.
Coeclerici enters the US market.
The Group's Trading Division acquires the assets of the American company Coal Network Inc.

## 2013-2014

The Group once again invests in the Shipping sector with the creation of dACC Maritime d.a.c., a joint venture with the d'Amico Group, for the purchase of four Supramax bulk carriers.
In 2013 Coeclerici Coal Network acquires full ownership of the coal trading division of Alley-Cassetty Companies, Inc. in US.
The new vessels 'Bulk Celebes' and 'Bulk Sumatra' are delivered.
Coeclerici wins the bid for the expansion of Korchacoal mine bringing reserves at 60 million tonnes.

## 2015

Coeclerici celebrates the 120th anniversary of its foundation (1895 - 2015).

dACC Maritime d.a.c. takes delivery of 'DACC Tirreno' (which inherits the name of the first vessel purchased by the Group in 1913) and 'DACC Egeo'.

## 2016-2017

Coeclerici enters into the business of manufacturing high-technology automatic industrial machineries for the converting, packaging and automotive sectors by acquiring a 100% stake in the IMS Technologies Group (formerly IMS Deltamatic Group). By doing so, it has started to implement its business diversification strategy with the creation of the Industry Division alongside the Commodities Division.

dACC Maritime d.a.c. takes delivery of the last two vessels 'DACC Adriatico' and 'DACC Atlantico'.

## 2018

Coeclerici enters into the business of manufacturing machinery for the flexible packaging sector, with the aim of completing its product line in the Industry Division, by signing a business division lease of Laem System Srl through Slitters Rewinders Machines Srl.

IMS Deltamatic is renamed IMS Technologies.

In October, the 10th anniversary of the acquisition of the Korchakol mine is celebrated.

The Group, after about a half century of operations, decides to put an end to the Logistics Division, following the sale during the first half of 'Bulk Pioneer', which operated in Indonesia, and of the two transhippers, 'Bulk Zambesi' and 'Bulk Limpopo', operating in Mozambique.

## 2019

Coeclerici gets an expansion of its mining license, increasing its coal reserves by 57 million tonnes and bringing total reserves to approximately 114 million tonnes.

With the aim of long-term business development and targeting new particularly promising markets, the Industry Division establishes the US company IMS Technologies Inc. and opens a representative office in Russia.

## 2020

Our mine obtains the certification ISO 9001:2015 quality management systems, ISO 14001:2015 environmental management system and ISO 45001:2018 occupational health and safety management systems.

Through its subsidiary Slitters Rewinders Machines Srl, Coeclerici wins the auction announced by the court of Vercelli aimed at allotting the business division of Laem System Srl, a major player in the flexible packaging industry.

## 2021

Through its subsidiary Coeclerici Far East, Coeclerici opens a representative office in Vietnam, aiming for long-term business development and to tap especially promising new markets.

The Industry Division enters into the business of manufacturing machinery for the non woven sector.

# BUSINESS AREAS

For over 120 years Coeclerici has been a point of reference in the supply of commodities, for use in the steel and chemical sectors.

Today, thanks to this consolidated business experience, it is the leading company of a Group present in different business sectors with high added value, with a constant diversification activity and a strategic-financial model aimed at development through acquisitions and organic growth.

**Business Areas**

## Commodities

**Mining**
Coal extraction from owned mine for the steel and chemistry industry.

**Trading**
Commodities trading.

## Industry

**IMS Technologies**
Mechanical excellence for the construction of machines to serve the converting and automotive sectors.

## COMMODITIES

## INDUSTRY

DECEMBER, 31 2021

# GROUP STRUCTURE

## COECLERICI SpA

### COMMODITIES

#### MINING DIVISION

- **100%** Coeclerici Commodities SA
  - **100%** LLC Scc-Rozco
  - **99%** LLC Coeclerici Russia*
  - **100%** SC Kisk
    - **100%** LLC UK PTU
    - **100%** Sel Pre Taylepskoe
    - **100%** LLC Razrez

#### TRADING DIVISION

- **97.5%** Coeclerici Far East (Pte) Ltd

### INDUSTRY

#### IMS TECHNOLOGIES

- **100%** IMS Technologies SpA
  - **100%** Kasper Machine Co
  - **100%** IMS Technologies Inc.
  - **100%** Goebel Schneid- und Wickelsysteme GmbH
    - **100%** Beijing GOEBEL Slitting Technologies Co., Ltd

- **100%** Elvezia Immobiliare SA
- **99.98%** Nuevaco Imobiliaria Srl
- **100%** Bulkguasare de Venezuela SA
- **100%** CGU Logistic Ltd

** 1% of the subsidiary LLC Coeclerici Russia is held by Coeclerici SpA*

# DIRECTORS' REPORT

# DIRECTORS' REPORT

## CONSOLIDATED RESULTS

Some of the main financial indicators and a comparison with the consolidated financial statements of 2020 and 2019 drawn up in accordance with the International Accounting Standard / International Financial Reporting Standards are shown below (figures in thousands of Euro):

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Turnover | 652,849 | 412,308 | 869,327 |
| Ebitda | 52,699 | 6,286 | 32,028 |
| Ebit | 42,332 | (4,370) | 13,133 |
| Net Result | 28,127 | (9,911) | 7,095 |
| Group Net Result | 28,039 | (9,908) | 7,095 |
| EBITDA margin | 8.1% | 1.5% | 3.7% |
| ROE | 45% | (17%) | 10% |
| ROI | 38% | (4%) | 11% |

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Fixed Assets | 109,486 | 89,589 | 101,568 |
| Working Capital | 17,758 | 6,169 | 22,508 |
| Net Capital Employed | 127,244 | 95,758 | 124,076 |
| Group Equity | 77,965 | 46,355 | 69,063 |
| Minority Interests | 168 | 67 | - |
| Net Financial Position* | 49,111 | 49,336 | 55,013 |
| Sources of Finance | 127,244 | 95,758 | 124,076 |
| | | | |
| Cash flow from operating activities | | | |
| before changes in net working capital | 42,018 | (6,555) | 23,573 |
| changes in net working capital | (8,156) | 14,190 | (6,974) |
| Cash flow from investing activities | (26,395) | (11,519) | (13,988) |
| Cash flow from financing activities | (12,507) | 9,457 | 10,268 |
| Total cash flow | (5,040) | 5,573 | 12,879 |
| | | | |
| Indice PFN/EQUITY | 0.63 | 1.06 | 0.80 |

* The application of the international accounting standard IFRS 16 – Leases resulted in a Euro 4.5 million increase in this item as of 31 December 2021, Euro 4.8 million as of 31 December 2020 and Euro 6.5 million as of 31 December 2019

28 MLN

*Euro of Group Net Result in 2021*

The Group achieved significant operating profitability during the year. EBITDA, EBIT and Group net result amounted to Euro 52.7 million, Euro 42.3 million and Euro 28 million, respectively.

The period was characterized by the excellent performance of the Commodities Division, driven by a strong increase in coal prices, by growth of about 3% in extraction activities at the mining site owned by the Group and by a 32% increase in tonnes handled compared to 2020. A further highlight was the good performance of the Industry Division, which returned to the black with a positive net result, thanks to growth in volume, an increase in order profitability and a reduction in fixed costs owing to the restructuring efforts from 2020.

On the whole, the Commodities Division generated an EBITDA of Euro 59.3 million, with a record EBITDA margin of 10.1%, an EBIT of Euro 53.1 million and a net result of Euro 40.5 million.

The Industry Division reported a contribution margin that increased from 27% for 2020 to 32% for 2021, and orders intake for the year reached a record of Euro 99.6 million, with an increase of Euro 32 million from 2020.

The uses of financial resources included Euro 15.6 million invested to improve the mining site's production efficiency.

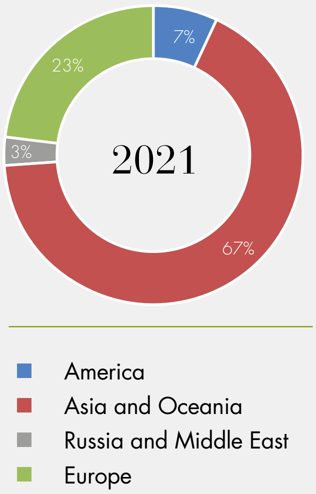
Net financial position stood at Euro 49.1 million and included the negative impact deriving from the application of IFRS 16 totaling Euro 4.5 million. The ratio of net financial position to equity came to 0.63, an improvement from the figure of 1.06 as of 31 December 2020.

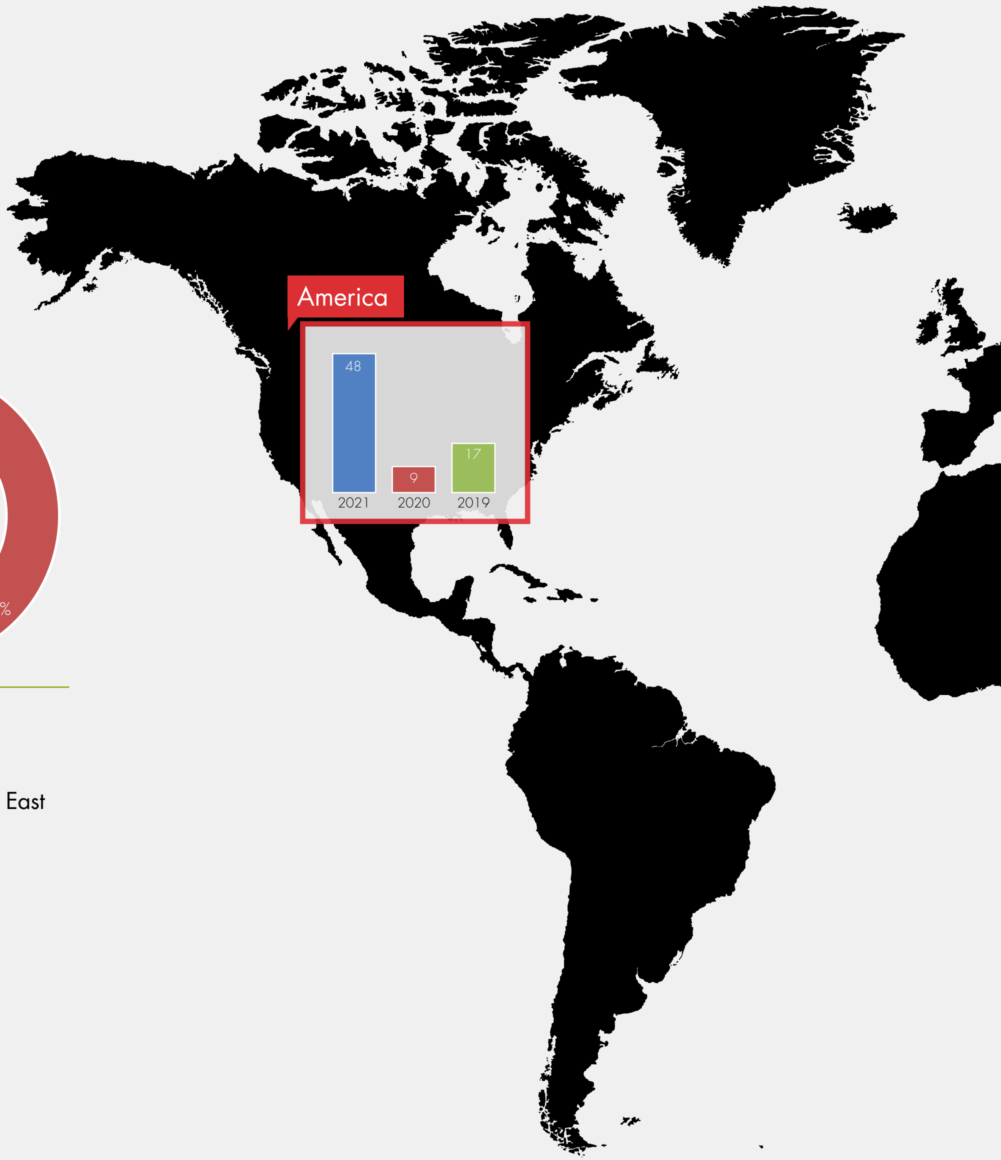
In light of a positive net result of Euro 28.1 million, several items with a positive balance were recorded during the year directly under Group's equity; these, under the same conditions, could be reclassified into the income statement in subsequent periods for a total of Euro 7.6 million. This impact was primarily attributable to changes in the translation reserve of the financial statements in currency other than Euro with a positive impact of Euro 3.9 million, mainly due to the revaluation of the Russian ruble (exchange rate of EUR/RUB 85.30 as of 31 December 2021 compared to an exchange rate of 91.47 as of 31 December 2020) and of the USD (exchange rate of EUR/USD 1.1326 as of December 2021 compared to an exchange rate of 1.2271 as of 31 December 2020) as well as the positive change of Euro 3.7 million in the reserve related to the fair value of hedging financial instruments.

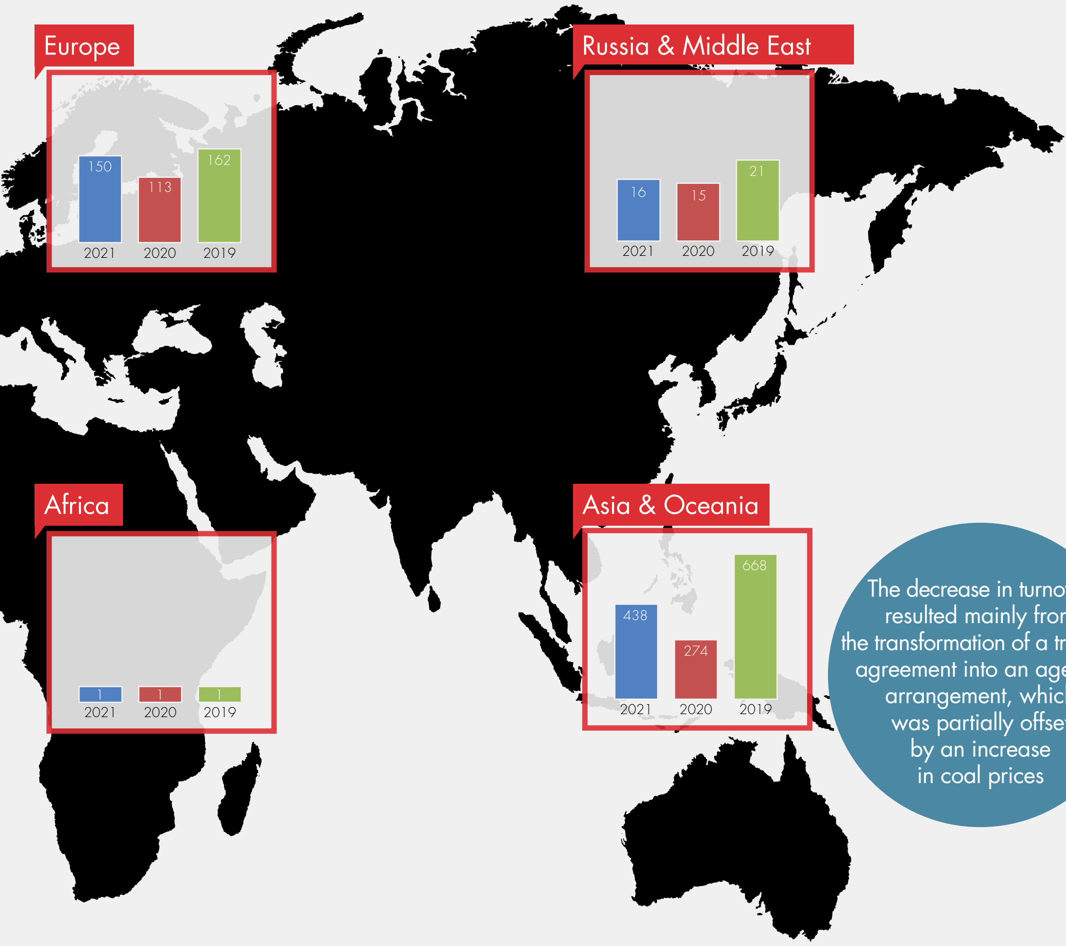
The graphs below illustrate the main financial and management information of the Coeclerici Group.

## FINANCIAL CAPITAL

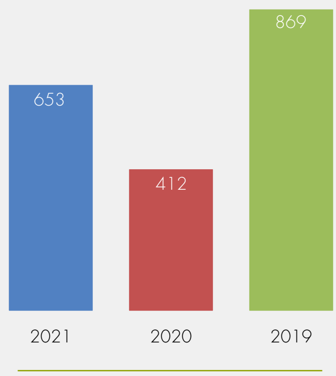
REVENUES BY GEOGRAPHICAL AREA (M/EURO)



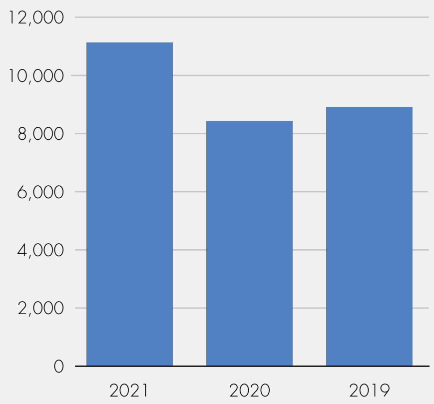



The decrease in turnover resulted mainly from the transformation of a trading agreement into an agency arrangement, which was partially offset by an increase in coal prices




Revenues

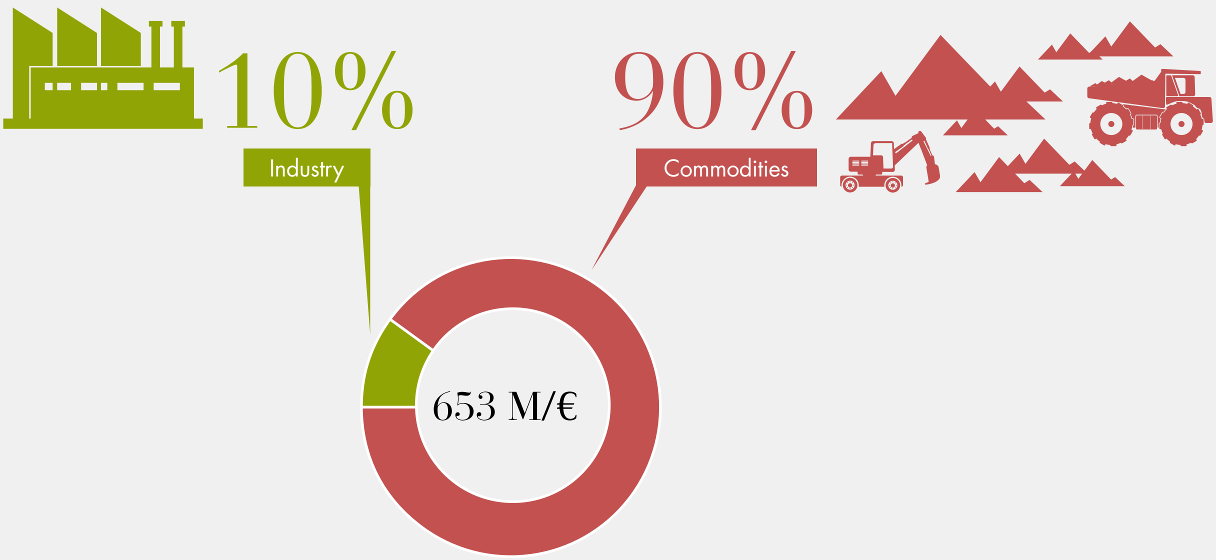
## TONNES HANDLED (THOUSANDS OF METRIC TONNES - MT) COMMODITIES DIVISION




**Increase of 2,685 thousand tonnes handled compared to 2020**

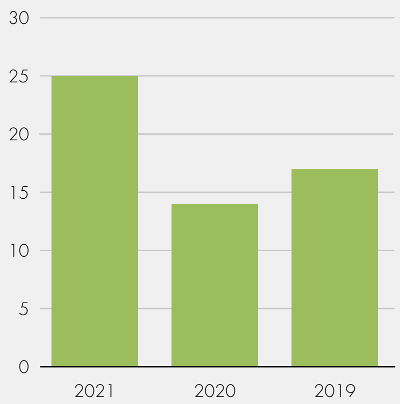
| | |
|---|---|
| 2021 | 11,126 |
| 2020 | 8,441 |
| 2019 | 8,922 |

## 2021 TURNOVER BY DIVISION



## PRODUCTIVE CAPITAL

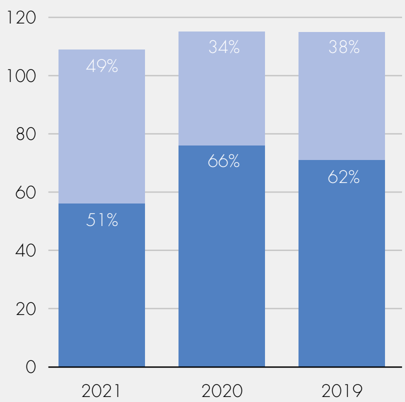
INVESTMENTS (M/EURO)




**Investments over the last 3 years equal to Euro 56 million**

| | |
|---|---|
| 2021 | 25 |
| 2020 | 14 |
| 2019 | 17 |

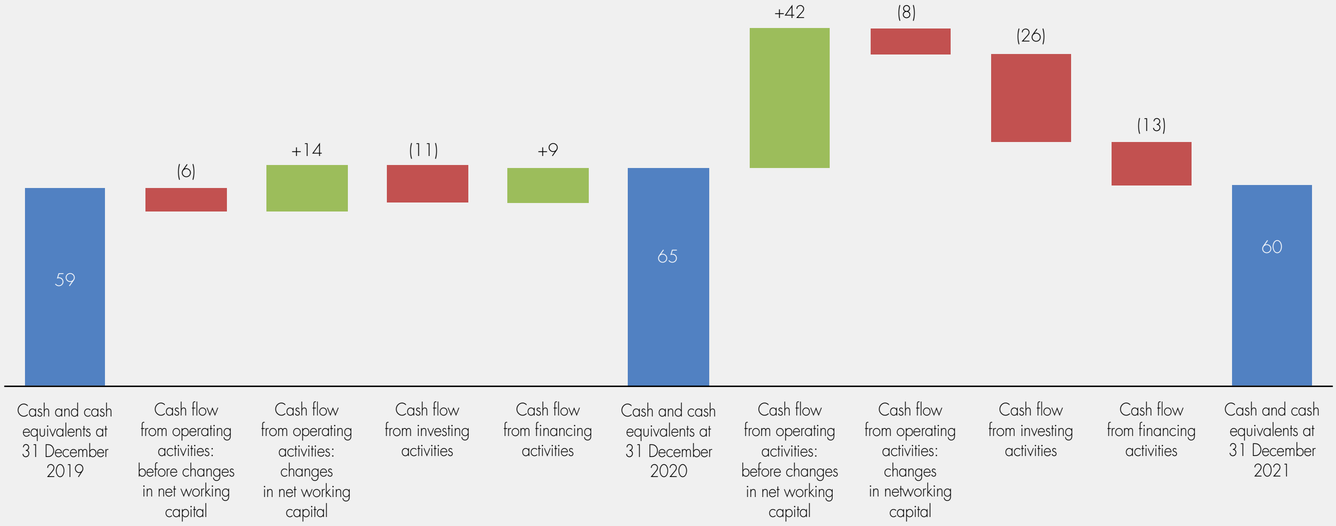
FINANCIAL LIABILITIES (M/EURO)



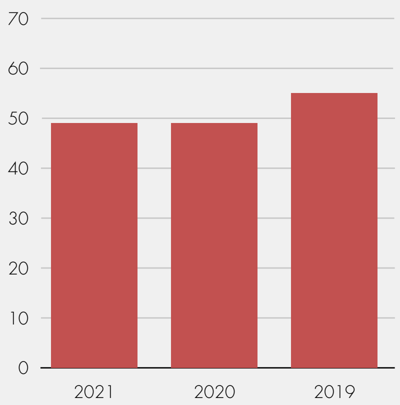

- Short term financial liabilities
- Medium-long term financial liabilities

| | |
|---|---|
| 2021 | 109 |
| 2020 | 114 |
| 2019 | 114 |

## CASH FLOW (M/EURO)




## NET FINANCIAL POSITION (M/EURO)




| | |
|---|---|
| 2021 | 49 |
| 2020 | 49 |
| 2019 | 55 |

## HUMAN CAPITAL

| N° OF EMPLOYEES | 2021 | 2020 |
|---|---|---|
| America | 8 | 7 |
| Asia & Oceania | 35 | 28 |
| Russia & Middle East | 832 | 827 |
| Europe | 358 | 358 |
| **Total** | **1,233** | **1,220** |

| | 2021 | 2020 |
|---|---|---|
| **Average age of employees** | **42** | **42** |

| | 2021 | 2020 |
|---|---|---|
| **Level of education*** | **58%** | **57%** |

* This index considers the percentage of white collar Group's employees with university degrees

## COMMODITIES DIVISION

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Tonnes handled | 11,125,973 | 8,440,954 | 8,921,655 |
| Turnover | 588,898 | 369,574 | 805,456 |
| Ebitda | 59,312 | 18,823 | 42,604 |
| Ebit | 53,111 | 12,367 | 35,043 |
| Net Result | 40,513 | 5,090 | 24,276 |

+ 40.5 MLN

*Euro of Net Result in 2021*

During 2021, the swift economic recovery that was spurred by rising demand for goods and services led to an increase of more than 31% from 2020 in the Division's tonnes handled. Most of all, the recovery of the coal market was driven by the steel market, where the use of high-quality metallurgical coal is fundamental.

In 2021 the API2, the primary reference index for the Division's core business, showed an increase of 140% from the same period a year earlier, resulting in an average of 120 USD/T for the year. The other coal indices performed similarly, with values rising substantially in 2021 from the 2020 figures.

The Division was able to take advantage of this price increase by expanding its variable-price sales in comparison to fixed-price sales.

The Division's turnover grew more than 59% in 2021 from the same period the year before (which included first-quarter volumes from a trading agreement that was later transformed into an agency arrangement).

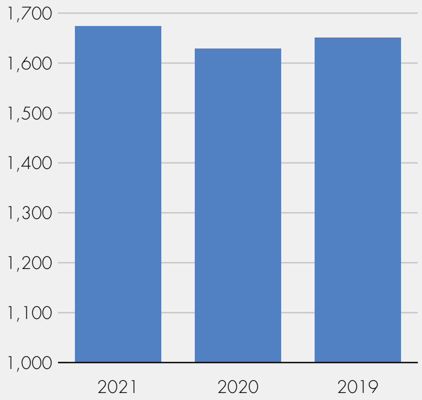
The Commodities Division's profitability in terms of EBITDA margin rose substantially to 10%, compared to the 5% from 2020 and 2019, thanks to both the quality of the product extracted and the long-term commercial policies that corporate management had put into action well before the economic recovery began.

With regard to extraction activities at the owned mine in Kuzbass, extracted volumes conformed to the multi-year plan, reaching 1,674 thousand tonnes, an increase from the prior period's 1,629 thousand tonnes and in line with the expected production plans. The further validation of the Division's ambitious production plans is a sign of the prudent investment policies that had been put into action locally, together with the Division's ongoing efforts to make production more efficient and to rationalize mining costs. Not least of all, the implementation of systems for quality control, environmental protection and occupational health and safety (ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, respectively) began yielding the first beneficial effects for the company's organization in 2021.

Finally, it can be reported that trading activity made a positive contribution to the increase in the Division's profitability, especially thanks to a consolidation in historical markets and products (such as Australian metallurgical coal going to India), but also thanks to an expansion into new markets like Vietnam and into new commercial routes, such as selling Australian steam coal on the Vietnamese market.

Here below follows quantities of tonnes extracted, turnover trend and a breakdown of turnover by geographical area:

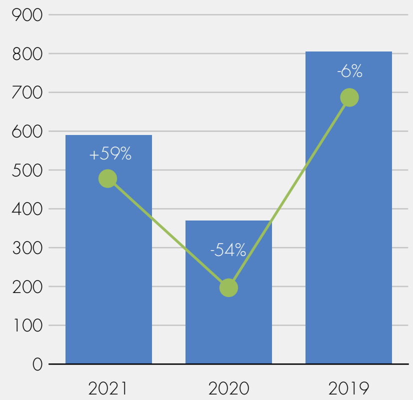
## TONNES EXTRACTED (THOUSAND OF MT)




**Increase of 45 thousand tonnes extracted compared to 2020**

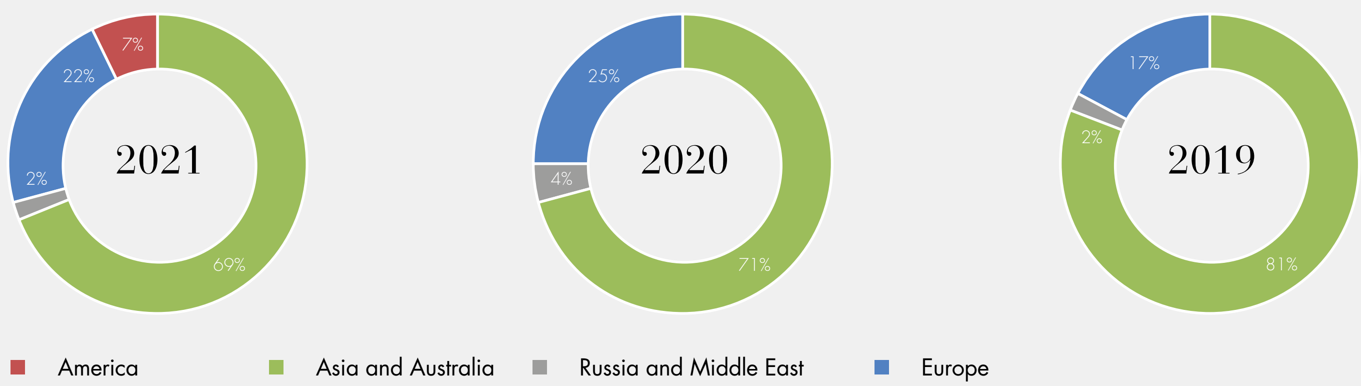
| | |
|---|---|
| 2021 | 1,674 |
| 2020 | 1,629 |
| 2019 | 1,652 |

## TURNOVER TREND (M/EURO)

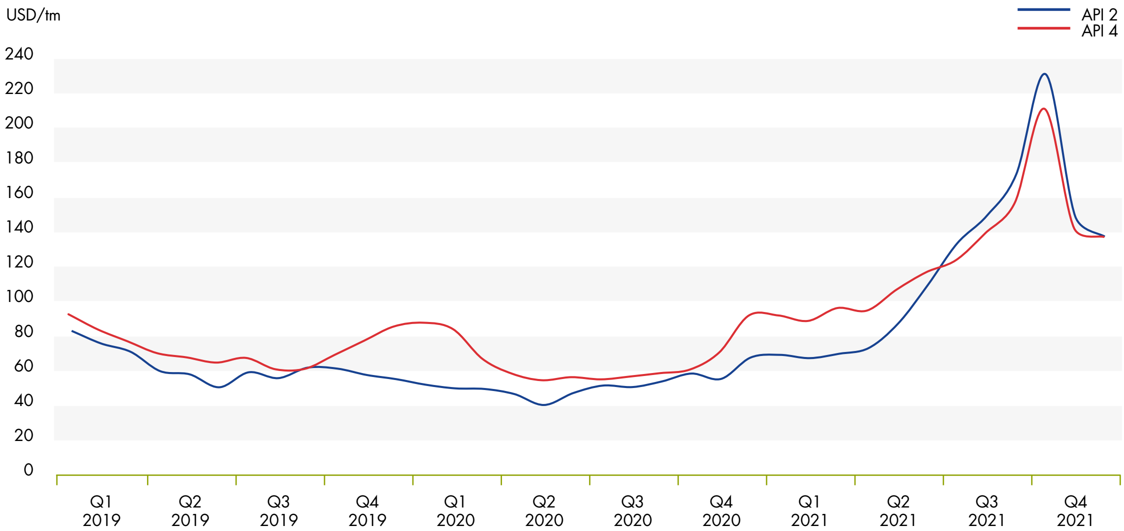



The decrease from 2019 to 2021 is mainly the result of the transformation of a trading agreement into an agency arrangement, which was partially offset by the increase in coal prices.

## TURNOVER BY GEOGRAPHICAL AREA



In 2021, the API2, the main reference index for the Division's core business, was up 140% over the previous year.
The API4 index, related to South African coal intended mainly for Asian markets, registered a considerable growth of 91% compared to 2020.
The evolution of the two main coal market indices in the previous three years is shown below, showing the sudden rise in raw material prices compared to the two previous years.




API#2 = CIF coal price (including freight cost) - unloading ARA (Amsterdam-Rotterdam-Antwerp)
API#4 = FOB coal price (without freight cost) - port of Richards Bay (South Africa)

| VALUES IN $ | 2021 | 2020 | 2019 |
|---|---|---|---|
| API#2 INDEX – average | 120 | 50 | 61 |
| API#4 INDEX – average | 124 | 65 | 72 |


PE4301

## INDUSTRY DIVISION

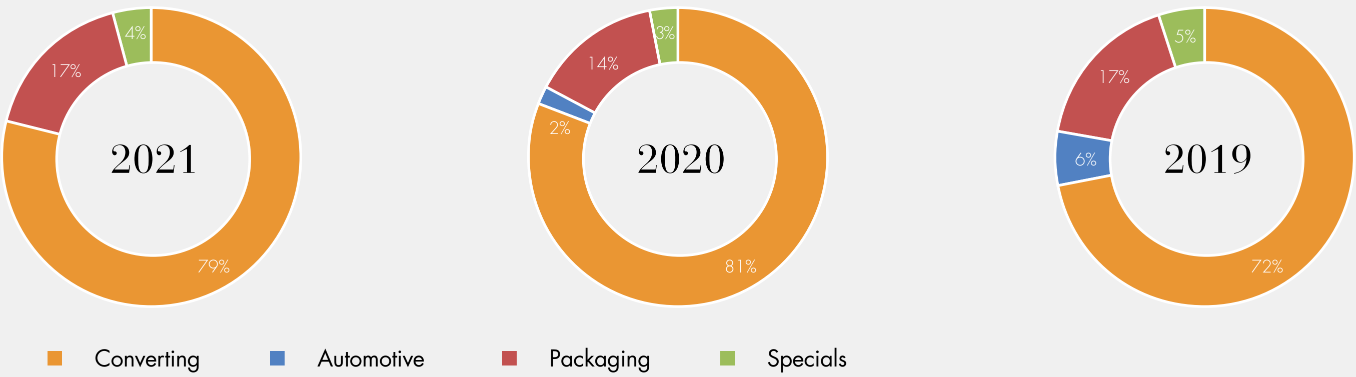
| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Turnover (Value of production) | 63,951 | 42,734 | 63,871 |
| Ebitda | 3,186 | (10,582) | (709) |
| Ebit | 139 | (13,847) | (3,953) |
| Net Result | 171 | (13,425) | (5,856) |

+50%

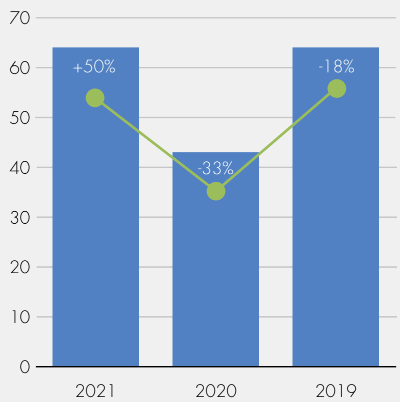
*Value of production compared to 2020*

The increase in demand for machinery for the plastic film converting sector, which began in the last part of 2020, continued in 2021 and led to an orders intake equal to Euro 99.6 million, a new record for the Division that will ensure a significant backlog for the coming year.
The increase in orders obviously had a positive influence on the Division's ability to generate a value of production of Euro 64 million, a 50% increase from the comparable figure, and a return to a level similar to that of 2019.
Profitability was especially positive, with a contribution margin of 32% (vs. 27% in 2020 and 28% in 2019), thanks to substantial savings on job costs. Work to review projects and critically analyze suppliers has yielded new, lower-cost solutions that have made it possible to lower the break even point for jobs, with a resulting increase in profitability.
The increase in volumes, the improvement in job profitability and the reduction in fixed costs resulting from the prior year's restructuring measures helped the main economic indicators return to positive territory.
Indeed, 2021 is the first year in which the Division has begun seeing the positive effects of restructuring the German subsidiary, which until 2020 had been the main reason behind the Division's negative performance. Concentrating production and assembly operations for the German machines at Italian sites has been reducing assembly times and job costs, ensuring an improvement in operating performance and thus reconfirming that management's strategic decision was the right one.
The graphs which follow disclose a breakdown of orders intake by Division, showing the preeminence of the Converting Division, the trend in value of production and the breakdown of turnover by geographical area and by Division.

## ORDERS INTAKE BY DIVISION



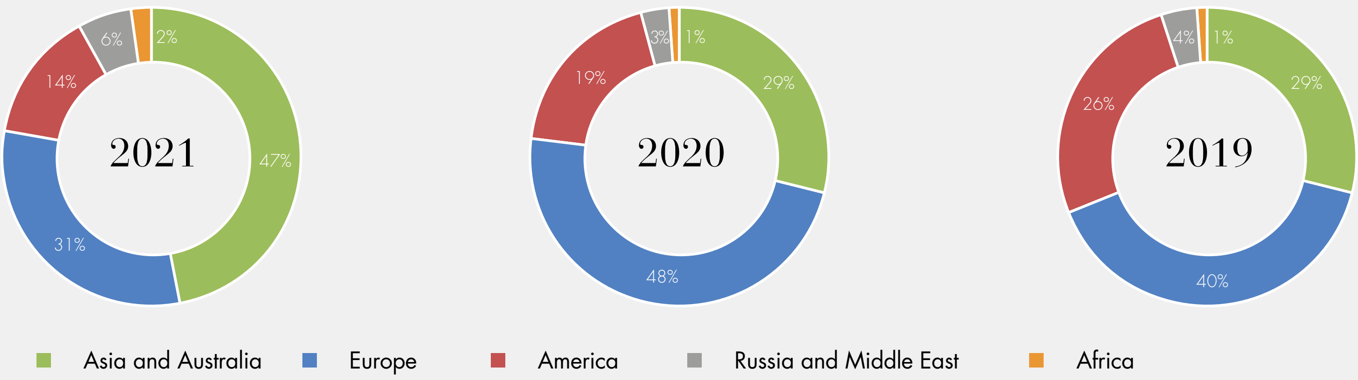

## VALUE OF PRODUCTION TREND (M/EURO)



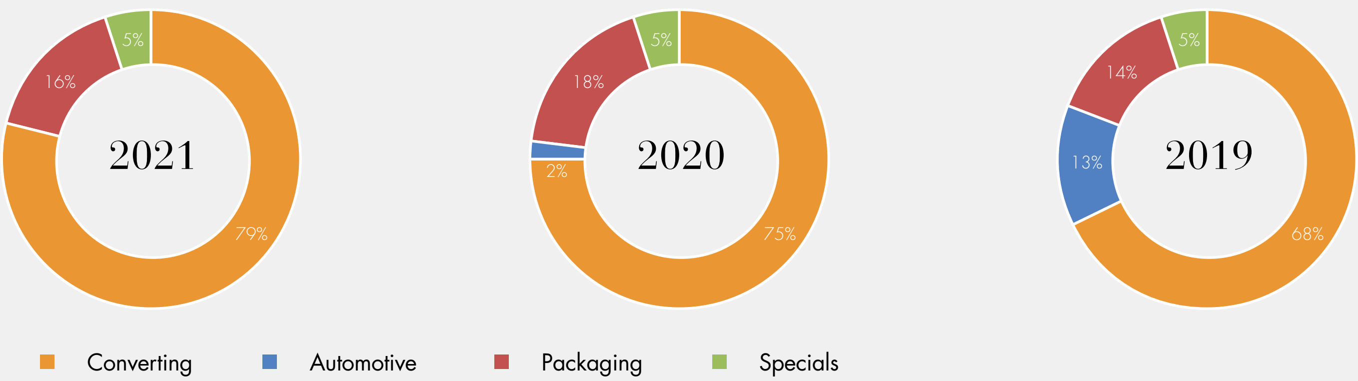


| | |
|---|---|
| 2021 | 64 |
| 2020 | 43 |
| 2019 | 64 |

## TURNOVER BY GEOGRAPHICAL AREA




## TURNOVER BY DIVISION



## HOLDING COMPANY

Following the reorganization process which gave more autonomy to the divisions by transferring personnel and structures, the Holding focused on the coordination, control and definition of the strategic guidelines of the Coeclerici Group. The Holding Company continues to offer its subsidiaries IT and Human Resource services.

## RESEARCH AND DEVELOPMENT

The Industry Division mainly carries out experimental studies and pre-competitive development activities on new technical and technological solutions aimed at the realization of new machines for automated industrial plants and the technological modernization of existing models. The research activities are booked to the income statement, the development activities are capitalized if the conditions apply, and are amortized over five years. Within the sphere of the applicable Italian legislation, the possibility of accessing the tax concession granted for the research and development activities is checked.

## STAFF TRAINING

During 2021, health and safety courses required by applicable laws were planned, as well as language courses. Overall 20,598 hours of training were provided.

## OWN SHARES AND SHARES OF THE PARENT COMPANY

The Holding Company does not hold its own shares nor those of its parent company.

## TRANSACTIONS WITH PARENT AND RELATED COMPANIES

The Group has relations for tax consolidation procedures with the parent company Fincler Srl. The Italian companies Coeclerici SpA and IMS Technologies SpA participate in tax consolidation, and Fincler Srl acts as the consolidator. The credit arising from this position at 31 December 2021 towards Fincler Srl is mentioned in the Notes to the consolidated financial statements. Furthermore, a rental contract exists between the Group and its direct parent company, Fincler Srl, referring to archives and parking places in Piazza Generale Armando Diaz, 7 – Milan.

In accordance with clause 5, article 2497 bis of the Italian Civil Code, it is hereby affirmed that relations with Fincler Srl, which conducts activities of direction and coordination of the Group, exclusively concerned a rental contract which was regulated by normal market conditions, as well as the tax consolidation, as described in the Notes to the consolidated financial statements.

Finally, the Holding Company’s articles of incorporation specify that 1% of any consolidated profit for the previous year must be transferred to the Paolo Clerici Foundation.

Below is a summary of receivables, payables, revenues and costs towards the Parent Company Fincler Srl:

| DESCRIPTION | FINCLER SRL |
|---|---|
| **RECEIVABLES** | |
| - trade receivables | 1 |
| - receivables for tax consolidation (direct taxes) | 11,302 |
| **TOTAL** | **11,303** |
| **PAYABLES** | |
| - payables for operating leases* | 1,260 |
| - trade payables | 318 |
| **TOTAL** | **1,578** |
| **INCOME STATEMENT** | |
| Commercial revenues | 26 |
| Commercial costs | (373) |
| Depreciation of right-of-use assets | (379) |
| Interest expenses on operating leases | (27) |
| Tax-related proceeds | 242 |
| **TOTAL** | **(511)** |

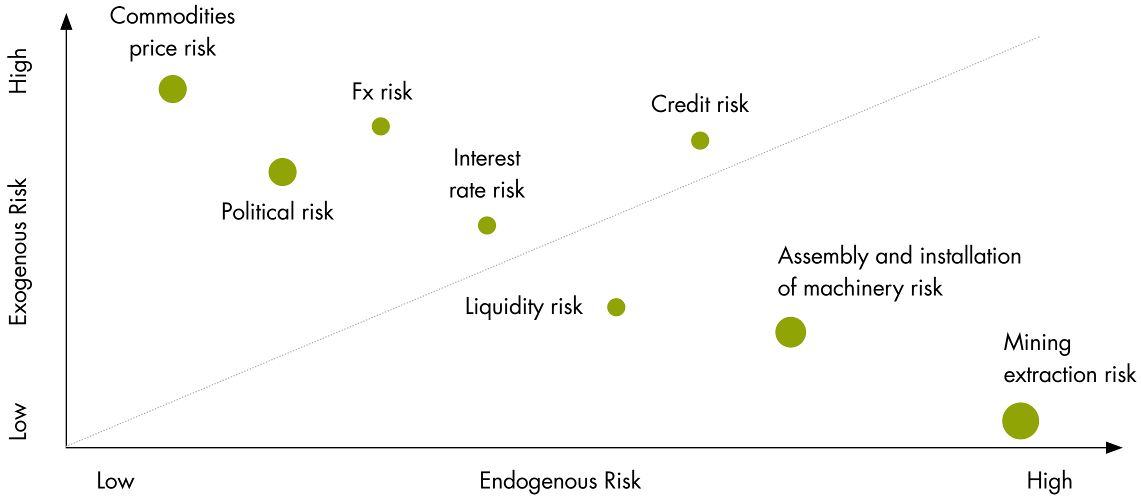
* To offset the recognition of this payable, under assets the item 'Right-of-use assets' includes Euro 1,296 thousand for archives and parking places located at Piazza Generale Armando Diaz, 7 in Milan

## MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

The main risks linked to the Group's activities, monitored and handled by Coeclerici SpA and its subsidiaries, are as follows:

- market risk resulting from exposure to the volatility of commodity prices;
- market risk resulting from exposure to fluctuations in the exchange rates;
- market risk resulting from exposure to fluctuations in interest rates;
- credit risk resulting from the possibility of insolvency of a counterparty;
- liquidity risk resulting from lack of financial resources to meet commitments undertaken;
- political risk, resulting from activities conducted in countries where from time to time elements of uncertainty arising from specific political and social conditions may be present;
- operational risk, mainly damages to persons / objects or failure to comply with machinery performance, associated with the construction, assembly, installation and testing of the machinery both at the plants used by the Group and at the customer's production sites, for the Industry Division;
- operational risk inherent to the extraction of coal, typical of open-face mining, for the Mining Division.

Refer to 'Note 28 – Risks characterizing the Group's business' for further details.



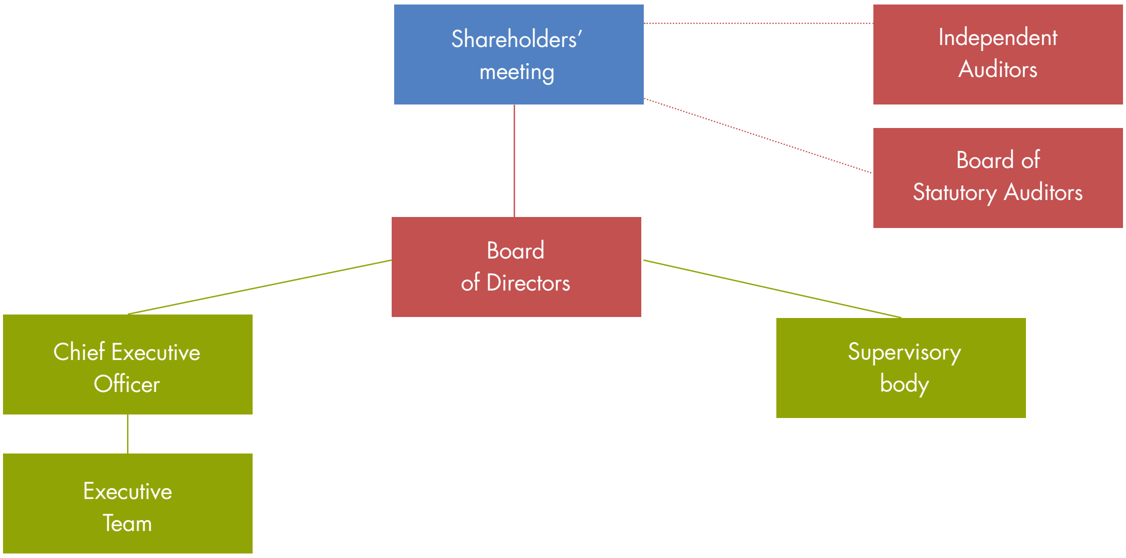

## ENVIRONMENT AND SAFETY

The Coeclerici Group is particularly sensitive to the need to protect its employees in any place where they may have to work.
With regards to the Russian mining site, the Group has put into place all the prevention activities relevant to environment and safety in compliance with the local laws in force. In 2020 we were awarded the following certifications: ISO 9001:2015 quality management systems, ISO 14001:2015 environmental management system and ISO 45001:2018 occupational health and safety management systems.
With regard to the Industry Division, there is a constant commitment to improve the health and safety conditions of its workers and to observe the environmental legislation in force in the countries in which the business activities are carried out. In particular, at the time of enforcement of new legislation or if changed operational needs render the geographic reallocation of part of the production cycle necessary, the Group makes a continual effort to adapt to the new requirements, both by means of use of internal resources and via recourse to specialized external resources, with the aim of seeking and constantly realizing the best health and safety conditions in the working environments, monitoring the safety, rightly considering the production needs.
Company management is fully involved and takes part in the commitments made, and provides resources, co-ordination and the desire to establish an ever better health and safety system.

## CORPORATE GOVERNANCE

This section seeks to give a general picture of the system of corporate governance adopted by Coeclerici.

The structure of Coeclerici's corporate governance is organized in line with the traditional Italian model which delegates: (i) company management to the Board of Directors, the fulcrum of the organizational system which is appointed for the period defined at appointment time, for a maximum of a three-year period and may be reelected, (ii) the functions of overseeing compliance with the law and articles of association to the Board of Statutory Auditors and (iii) legally-required auditing of the company accounts to an auditing firm approved at the shareholders' meeting, after hearing the opinion of the Board of Statutory Auditors.
The Board nominates one or more Chief Executive Officers, to whom it delegates, within legal and statutory limits, activities aimed at furthering the Company's objectives. Moreover, the Board can set up an Executive Committee, made up of its own members, with a decision-making role on matters concerning overall Group management.




## *Board of Directors*

### Composition

In accordance with article 17 of the Statute, the number of members of the Board of Directors may vary between a minimum of three and a maximum of fifteen. An ordinary shareholders' meeting determines the number, within these limits. The Board of Directors was appointed by the ordinary shareholders' meeting on 19 May 2021 for a one-year term of office expiring with the approval of the financial statements for the financial year 2021.

### Duties

The Board of Directors has wide powers for the ordinary and extraordinary management of the business and, consequently, may put into effect such measures as it considers necessary and opportune to meet the Company's objectives, excluding only those that by law are specifically reserved for the shareholders' meeting.

### Requisites of independence

The Board of Directors has a central role in checking and guiding the process of Company management. The efficiency and effectiveness of this organization is guaranteed by the presence within it of independent directors who pay great attention to the substance as well as the form of Company activities. In particular, the presence of independent directors guarantees (i) checks that Company management is inspired by criteria of prudence and transparency; (ii) checks of the adequacy of reporting, ensuring that information is reliable and complete; (iii) the budget review of the Group for the subsequent year, in line with strategic intentions and the financial resources available; (iv) proposals (in the light of the above) for possible corrective action and support to the owners and management of the Company in the execution of their activities; (v) maintenance, over the period of the mandate, of a careful supervision of the Company in order to identify any risks which may not have been adequately guarded against or evaluated.

## *Executive Team*

Executive Team has the task to define and put into effect the corporate strategy and assess its effectiveness; the members belonging to such body hold top roles within Coeclerici Group.

## *Internal control system*

For Coeclerici the so-called 'risk and related control' culture helps to characterize and affect the outlook and choices of management in pursuing Company objectives and reporting their results. Coeclerici has therefore for some time encouraged the increase and spread of awareness regarding internal control among all Company employees.

In order to ensure that the business's activities are managed properly, correctly and coherently with the pre-established objectives, Coeclerici supports a preventive approach to risk management which aims to orient management towards choices and activities which reduce the probability that negative events will take place and may more easily be contained if they do. To this end, Coeclerici uses risk management strategies which depend on the nature and type of those risks, and which are considered in more detail in 'Note 28 – Risks characterizing the Group's business'.

The ways in which management identifies, evaluates, manages and monitors the specific risks arising from Company processes are set out by the regulatory, procedural and organizational instruments contained in the Company's regulatory system. These instruments are permeated with risk culture and therefore geared towards risk containment.

The internal control system is reviewed and updated from time to time to guarantee its suitability for safeguarding against the main risks involved in Company activity, bearing in mind the features of its various operating sectors and organizational structure, as well as any new laws.

## *Reporting activities*

Each month the companies of the Group prepare financial reports which aim to communicate and share information. During the reporting phase, specific checks are made on the accounting procedures and the output data arising from these procedures, so that any errors may be identified and corrected which could affect the correctness and completeness of financial information. This is done both for routine processes taking place during the financial year, and for non-routine ones which generally occur when the accounts are closed at year-end.

## *Adoption of the Organization, Management and Control Model in accordance with Italian law D.lgs 231/2001*

Italian law D.Lgs. 231/2001 introduced administrative responsibility for juridical persons, companies and associations. Specifically, it introduced the criminal responsibility of organizations for certain crimes committed in their interest or to their advantage by persons who hold a representative, administrative or managerial role within the organization or within any of its sub-sections possessing administrative and functional autonomy, as well as by persons who exercise by title or in fact the management and control of the same and, finally, by persons under the direction or supervision of the entities indicated above. The important criminal actions are those against the Public Administration and in favor of the company's interests.

However, arts. 6 and 7 of Italian Legislative Decree 231/2001 envisage a form of exemption from liability, should (i) the company demonstrate that it had adopted and put into practice organizational, management and control models, before the crime was committed, suited to preventing the crimes indicated in the law; (ii) if the task of supervising the functioning and observance of the models and ensuring that they are updated has been entrusted to a department of the organization with autonomous powers of initiative and control.

The Board of Directors of Coeclerici SpA approved the organization, management and control model established by D.Lgs. 231/2001, with the purpose of creating a structured and organic system of procedures and preventive control activities having as its objective the prevention of

crimes referred to in the aforementioned decree. The supervisory body consists of one external and one internal member who were appointed by the Board of Directors on 25 March 2021; it will remain in office until the approval of the 2021 financial statements.
During the year, the supervisory body has analysed the systems of information flow which enable it to supervise the functioning and observance of the models, including similarly an examination of reports arising from audit, as well as the planning of further activities.
In order to put the checks into effect, the supervisory body has set up a series of interventions to check that the protocols adopted are respected.

### *Activity of Management and Coordination*

Coeclerici SpA is subject to management and coordination by Fincler Srl. For the purposes of article 2497 bis of the Italian civil code, the Italian subsidiary IMS Technologies SpA has indicated Coeclerici SpA as the company exercising management and coordination. This activity consists in identifying general and operational strategic indications for the Group, and takes shape in the defining and adjusting of internal control and risk management systems together with governance models and Company organization, in the issuing of a Code of Conduct adopted at Group level and in the creation of general policies for human and financial resource management, and the supply of productive, marketing and communication factors.
Management and coordination, at Group level, enables subsidiaries, which remain fully autonomous at a managerial and operational level, to enjoy economies of scale by using the professionalism and specialist knowledge available thereby raising quality levels and concentrating their energies on their core business.
Subsidiaries based abroad generally benefit from such activities.

## OUTLOOK

The two-year period just behind us witnessed sharp fluctuations in international trade and prices for goods. Likewise, 2022 began amid significant questions about the course of world trade; the answers here will depend on the trends that will become clearer as the year goes on. The most important matters concern the persistent bottlenecks in supply chains, the evolution of the Covid-19 pandemic together with expectations of a gradual lifting of social distancing measures in every country and the changes in raw material prices, including in light of the conflict in Ukraine. Regarding the latter, the current tensions in Ukraine are expected to have a greater impact on the global economy than other wars in the recent past, both because of the greater weight of the economic sanctions against Russia and because of the potential repercussions that the crisis will have on Western countries and especially European economies. Foremost among these will be an increase in prices for the raw materials for energy, and to some extent those for agriculture as well. The economic consequences will certainly depend on the duration of the conflict, but also on the policies that are adopted to counteract its effects.

According to a recent publication by the International Energy Agency, demand for coal is expected in 2022 to reach the highest level ever recorded and to remain at that level until 2024. Most of the increase in coal demand in 2021 arose in China and India, countries which will continue to support demand until 2024. The increase in demand for coal has also been influenced by the substantial increase in the prices of natural gas, which has made the cost of electric power generated from coal more competitive.

In the first two months of 2022, coal prices rose still further; during this period the API2, the main reference index for the Commodities Division, reached an average of 170 USD/T. Following the opening of hostilities in Ukraine, spot prices on the reference index passed the 400 USD/T mark.

This evolution in fossil fuel prices enabled the Commodities Division, during the first few months of 2022, to maintain the levels of operating performance that it had achieved in 2021.

As a result of the socio-political developments resulting from the conflict in Ukraine, prices for raw materials have increased, as has volatility, especially in the commodities derivatives market. There has been a consequent explosion in margin calls (demands that compensation and guarantor funds should replenish guarantee margins for the industrial and financial entities that had purchased derivative financial instruments).

It is noted that the Group's results are significantly influenced by sale activities, mainly done in Europe, of the coal sourced from the Russian mine owned by the Group. The current conflict still ongoing in Ukraine has triggered a worldwide economic and political crisis causing a number of countries, including the United States, the United Kingdom and the European Union to enact sanctions against Russia. For some industrial sectors, these have resulted in importing and/or exporting bans of some products to or from Russia, as well as limitations on financial transactions. In particular, the EU Regulation dated 8 April last, has introduced a prohibition on purchasing, importing or transferring into the European Union, directly or indirectly, coal and other fossil fuels originating from Russia or exported from Russia. This prohibition does not apply to the fulfillment until 10 August 2022 of contracts entered into before 9 April 2022.

The first few months of 2022 have been characterized by a significant increase in the coal's price, allowing the Group to achieve positive results notwithstanding a decrease in traded volumes, mainly due to logistical difficulties. To limit the financial risks associated with negative fluctuations in the market value of the hedging transactions concluded by the Group, in March and April last, the Group closed almost all of said transactions, recording a loss that was entirely compensated by the positive earnings generated to date.

In this context, it is difficult to foresee the final impacts of the economic crisis triggered by the conflict in Ukraine, even considering that the various scenarios, including sanctions, are constantly evolving. Group's activities and results depend significantly on its mining operations in Russia, and therefore any further extensions or tightening of sanctions that relate to the sector in which we operate might significantly impact on Group's expected results and profit outlook. Despite these uncertainties and in compliance with the relevant regulations, the mine continues its activities for extracting and selling coal, albeit at lower volumes, yet still with margins that benefit from the high prices of coal. These are sufficient to support the expectation that in 2022 a profit can be generated as well. Moreover, thanks in part to the commercial relationships already in existence, it is expected an increase of purchase of coal produced in Russia from customers based in countries that have not introduced import restrictions.

Notwithstanding the situation of uncertainty that characterizes the possible evolution of current scenarios, and on the basis of the expected results for 2022, the Directors believe that the coal sales targets can still be achieved, since the mine can continue to sell to countries that have not introduced import restrictions. In view of this aspect, and also in light of the Group's balance sheet and financial position, the Directors have therefore prepared the financial statements based on going concern assumption.

Management is carefully watching developments in the market and taking a prudent approach to commercial choices, especially by applying maximum coverage for all forms of risk.

It will continue its efforts to maximize the potential of extracted coal with an appropriate sales policy combined with research and analysis regarding the best production mix. Simultaneously, it will continue to work toward improving the efficiency of production and of the logistics and operations organization.

The Division is continuing a feasibility study on building a coal washing plant next to our mine, which would make it possible to improve product quality and help build a more sustainable future for coming generations.

Concerning Trading activity, work will continue on developing high-profitability markets that have just recently been tapped, without abandoning the search for new products and geographical areas. The prospect of a further growth in revenues and trading volumes will go hand in hand with the development of new agreements and risk management techniques, intended to furnish the Division with the greatest possible protection from counterparty risk, so as to maintain the stability of the performance it has achieved to date.

The semiconductor crisis, and more in general, the shortage of raw materials, with the consequent price increase, will certainly be the main challenge that the Industry Division will have to face. It may result in a slowdown in generating volumes for the value of production.

It is a difficult exogenous factor to deal with, on which the Division is focusing on to even more cautious supplier management and wiser inventory planning in order to mitigate as far as possible the risks caused by such exogenous factors and to ensure ideal management in the production processes.

The integration of the German machine production and assembly processes into Italian sites is already showing its first positive results. We expect a continuous improvement in the production process for these machines, with consequent positive effects on volumes and profitability.

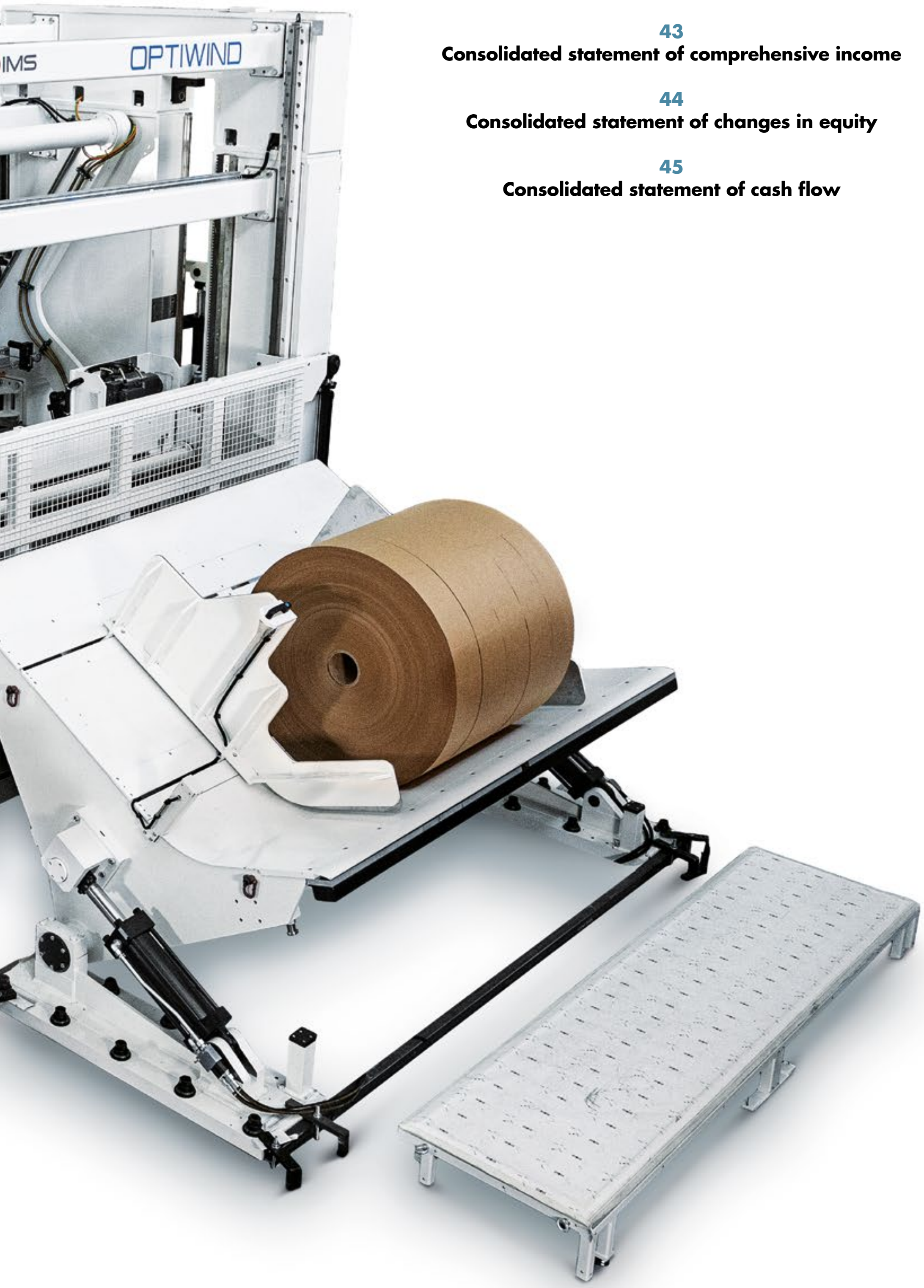
The effects of the pandemic have also led to a new global arrangement characterized by reduced travel and greater incentives to use new communication technologies. The Division is therefore updating its way of operating in its main markets: remote installations, facilitated by new technologies, are becoming the norm, while new engineering approaches are under study to improve self-commissioning by clients. The Division has also launched a process to obtain certification in quality, safety and environmental protection, so as to demonstrate its ability to deliver its products and services covering clients' needs while maintaining occupational health and safety and protecting the environment. This project is a significant challenge for the Division and also a useful moment for reviewing its operating methods so as to earn these three certifications by the end of 2023.

The Division is entering more and more into new markets as well. One example is its recent entry into the market for non woven, a sector that is steadily expanding, in part because of the global health context. More generally, important cooperation arrangements with primary market players will make it possible to increase volumes and grow the critical mass managed by the Division. Finally, new IT projects, some of them already completed during 2021, will assure a new, more efficient approach to managing job operations, as well as greater efficiency in sales & service activities.


GOEBEL
GOEBEL IMS
OPTIWIND
GOEBEL IMS

# CONSOLIDATED FINANCIAL STATEMENTS





# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2021 (thousands of Euro)

| ASSETS | (NOTE) | 31-Dec-2021 | 31-Dec-2020 | CHANGES |
|---|---|---|---|---|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 1 | 75,883 | 60,013 | 15,870 |
| Right of use assets | 2 | 18,267 | 18,765 | (498) |
| Intangible assets | 3 | 14,086 | 10,601 | 3,485 |
| Other investments | 4 | 2 | 2 | - |
| Available-for-sale financial assets | 4 | 1,248 | 208 | 1,040 |
| Deferred tax assets | 25 | 833 | 763 | 70 |
| Other non-current assets | 5 | 12,050 | 11,789 | 261 |
| TOTAL NON-CURRENT ASSETS | | 122,369 | 102,141 | 20,228 |
| | | | | |
| CURRENT ASSETS | | | | |
| Inventories | 6 | 100,504 | 80,193 | 20,311 |
| Trade receivables | 7 | 49,932 | 22,343 | 27,589 |
| Prepayments | 8 | 2,523 | 1,384 | 1,139 |
| Other receivables and current assets | 9 | 19,961 | 14,329 | 5,632 |
| Cash and cash equivalents | 10 | 59,745 | 64,785 | (5,040) |
| TOTAL CURRENT ASSETS | | 232,665 | 183,034 | 49,631 |
| | | | | |
| TOTAL ASSETS | | 355,034 | 285,175 | 69,859 |

| EQUITY AND LIABILITIES | (NOTE) | 31-Dec-2021 | 31-Dec-2020 | CHANGES |
|---|---|---|---|---|
| SHAREHOLDERS' EQUITY | | | | |
| Group equity | 11 | 77,965 | 46,355 | 31,610 |
| Minority interests | 11 | 168 | 67 | 101 |
| TOTAL SHAREHOLDERS' EQUITY | | 78,133 | 46,422 | 31,711 |
| | | | | |
| NON-CURRENT LIABILITIES | | | | |
| Interest bearing liabilities and borrowings | 12 | 55,711 | 75,605 | (19,894) |
| Provision for risks and charges | 13 | 13,985 | 6,017 | 7,968 |
| Post-employment benefits | 14 | 3,438 | 3,438 | - |
| Deferred tax liabilities | 25 | 3,623 | 2,684 | 939 |
| TOTAL NON-CURRENT LIABILITIES | | 76,757 | 87,744 | (10,987) |
| | | | | |
| CURRENT LIABILITIES | | | | |
| Interest bearing liabilities and borrowings | 12 | 53,145 | 38,516 | 14,629 |
| Provision for risks and charges | 13 | 260 | 1,513 | (1,253) |
| Trade payables | 15 | 45,318 | 26,369 | 18,949 |
| Other payables and current liabilities | 16 | 101,421 | 84,611 | 16,810 |
| TOTAL CURRENT LIABILITIES | | 200,144 | 151,009 | 49,135 |
| | | | | |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 355,034 | 285,175 | 69,859 |

## CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2021 (thousands of Euro)

| | (NOTE) | 2021 | 2020 | CHANGES |
|---|---|---|---|---|
| Revenues from sales and services | 17 | 652,849 | 412,308 | 240,541 |
| Operating costs | 18 | (543,787) | (365,577) | (178,210) |
| GROSS MARGIN | | 109,062 | 46,731 | 62,331 |
| Overhead and administrative expenses | 19 | (47,148) | (39,360) | (7,788) |
| Capital gains / (losses) on non-current assets | 20 | 160 | 25 | 135 |
| Other net operating income (costs) | 21 | (9,375) | (1,110) | (8,265) |
| EBITDA | | 52,699 | 6,286 | 46,413 |
| Depreciation, amortization and write-down | 22 | (10,367) | (10,656) | 289 |
| EBIT | | 42,332 | (4,370) | 46,702 |
| Net financial income / (expenses) | 23 | (5,255) | (5,301) | 46 |
| Profit / (loss) on foreign exchange | 24 | 940 | (2,173) | 3,113 |
| RESULT BEFORE TAXES | | 38,017 | (11,844) | 49,861 |
| Taxes | 25 | (9,890) | 1,933 | (11,823) |
| NET RESULT FROM CONTINUING OPERATIONS | | 28,127 | (9,911) | 38,038 |
| Net result from discontinued operations | | - | - | - |
| NET RESULT | | 28,127 | (9,911) | 38,038 |
| Attributable to the Coeclerici Group | | 28,039 | (9,908) | 37,947 |
| Attributable to minority interests | | 88 | (3) | 91 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2021 (thousands of Euro)

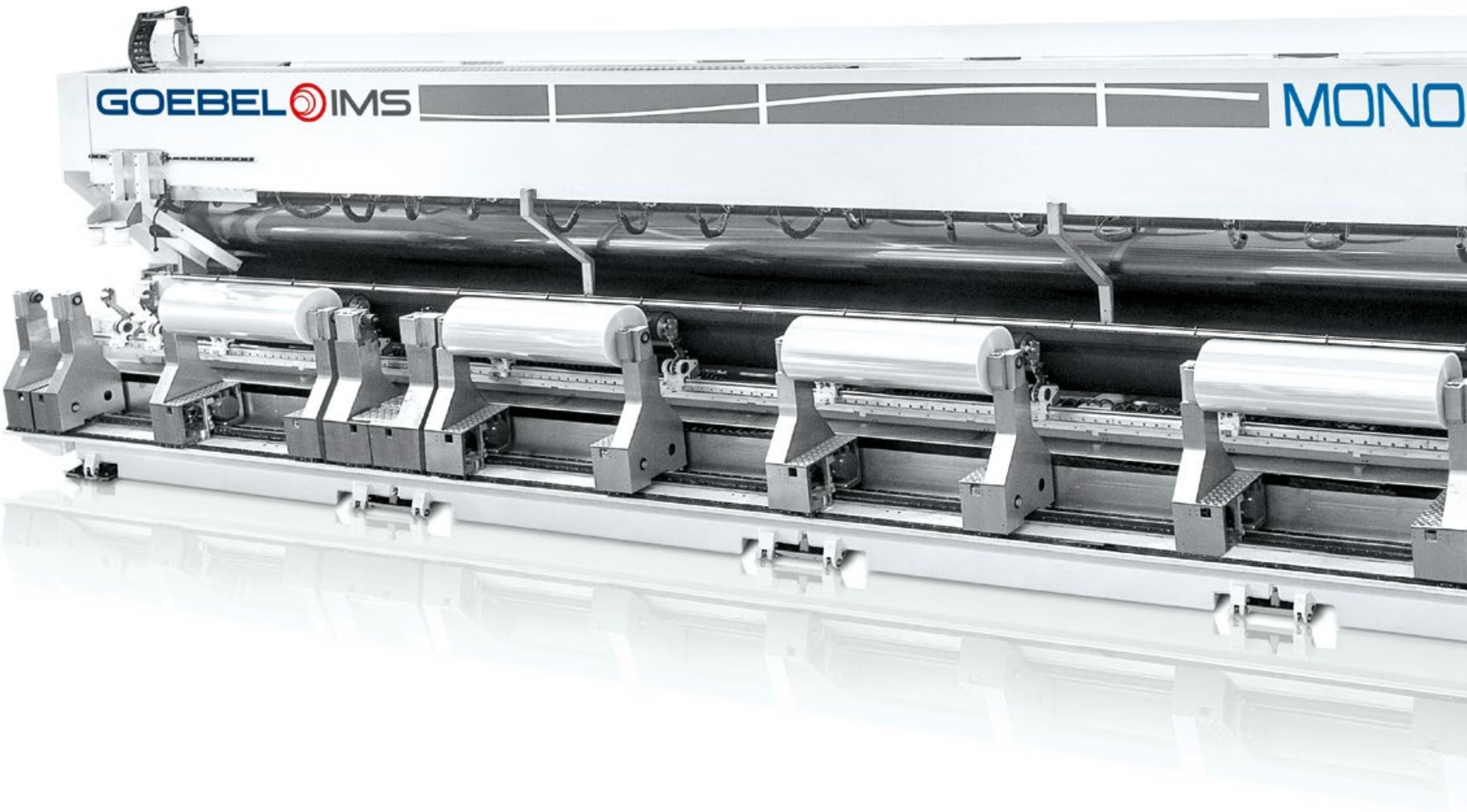
| | (NOTE) | 2021 | 2020 | CHANGES |
|---|---|---|---|---|
| NET RESULT | | 28,127 | (9,911) | 38,038 |
| Items that may be reclassified subsequently to the Income Statement: | | | | |
| - Differences from conversion of financial statements in currencies other than Euro | | 3,864 | (7,665) | 11,529 |
| - Change in the fair value of cash flow hedge financial instruments | 27 | 3,745 | (12) | 3,757 |
| Total items that may be reclassified, net of tax effects | | 7,609 | (7,677) | 15,286 |
| Items that will NOT be reclassified subsequently to the Income Statement: | | | | |
| - Change in the fair value of available-for-sale financial assets | 4 | 67 | 37 | 30 |
| - Actuarial gains / (losses) | | (92) | (90) | (2) |
| Total items that will NOT be reclassified, net of tax effects | | (25) | (53) | 28 |
| NET INCOME RECORDED DIRECTLY IN EQUITY | | 7,584 | (7,730) | 15,314 |
| TOTAL COMPREHENSIVE INCOME | | 35,711 | (17,641) | 53,352 |
| ATTRIBUTABLE TO: | | | | |
| - Attributable to the Coeclerici Group | | 35,610 | (17,634) | 53,244 |
| - Attributable to minority interests | | 101 | (7) | 108 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2021 (thousands of Euro)

| | SHARE CAPITAL | LEGAL RESERVE | TRANSLATION RESERVE | MERGER SURPLUS RESERVE | RESERVE RELATED TO THE FAIR VALUE OF FINANCIAL INSTRUMENTS | ACTUARIAL GAINS / (LOSSES) | OTHER RESERVES | RETAINED EARNINGS | NET RESULT | TOTAL CC GROUP EQUITY | TOTAL MINORITY EQUITY | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2019** | **10,000** | **2,000** | **(1,621)** | **2,896** | **(1,592)** | **(255)** | **49,198** | **1,342** | **7,095** | **69,063** | **-** | **69,063** |
| 2019 net result transferred to reserves | - | - | - | - | - | - | - | 7,095 | (7,095) | **-** | - | **-** |
| Dividends paid | - | - | - | - | - | - | - | (5,000) | - | **(5,000)** | - | **(5,000)** |
| Net income recorded directly in equity | - | - | (7,661) | - | 25 | (90) | - | - | - | **(7,726)** | (4) | **(7,730)** |
| Effect of change in consolidation area | - | - | - | - | - | 22 | - | (96) | - | **(74)** | 74 | **-** |
| Net result for 2020 | - | - | - | - | - | - | - | - | (9,908) | **(9,908)** | (3) | **(9,911)** |
| **At 31 December 2020** | **10,000** | **2,000** | **(9,282)** | **2,896** | **(1,567)** | **(323)** | **49,198** | **3,341** | **(9,908)** | **46,355** | **67** | **46,422** |
| 2020 net result transferred to reserves | - | - | - | - | - | - | - | (9,908) | 9,908 | **-** | - | **-** |
| Dividends paid | - | - | - | - | - | - | - | (4,000) | - | **(4,000)** | - | **(4,000)** |
| Net income recorded directly in equity | - | - | 3,851 | - | 3,812 | (92) | - | - | - | **7,571** | 13 | **7,584** |
| Net result for 2021 | - | - | - | - | - | - | - | - | 28,039 | **28,039** | 88 | **28,127** |
| **At 31 December 2021** | **10,000** | **2,000** | **(5,431)** | **2,896** | **2,245** | **(415)** | **49,198** | **(10,567)** | **28,039** | **77,965** | **168** | **78,133** |

## CONSOLIDATED STATEMENT OF CASH FLOWS AT 31 DECEMBER 2021 (thousands of Euro)

| | 2021 | | 2020 | |
|---|---|---|---|---|
| A CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 64,785 | | 59,212 | |
| | | | | |
| B CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES | | | | |
| BEFORE CHANGES IN NET WORKING CAPITAL | 42,018 | | (6,555) | |
| Net result | | 28,039 | | (9,908) |
| Minority interest net result | | 88 | | (3) |
| Depreciation of property, plant and equipment | | 6,883 | | 6,332 |
| Amortization of intangible assets | | 930 | | 748 |
| Depreciation of right of use assets | | 2,424 | | 3,364 |
| Write-down of tangible and intangible assets | | 130 | | 212 |
| Losses (gains) on non-current assets | | (160) | | (25) |
| Interest paid | | (3,031) | | (3,017) |
| Net change in provisions for liabilities and charges | | 6,715 | | (4,536) |
| Net change in post-employment benefits | | - | | 278 |
| CHANGES IN NET WORKING CAPITAL | (8,156) | | 14,190 | |
| Net change in deferred taxes | | 869 | | 71 |
| Change in inventories | | (20,311) | | 9,683 |
| Change in trade receivables | | (27,589) | | 7,697 |
| Change in trade payables | | 18,949 | | (31,212) |
| Change in advances from customers | | 6,032 | | 23,370 |
| Other changes in working capital | | 13,894 | | 4,581 |
| CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES (B) | 33,862 | | 7,635 | |
| | | | | |
| C CASH FLOW GENERATED (ABSORBED) FROM INVESTING ACTIVITIES | | | | |
| Investments in property, plant and equipment | (18,998) | | (8,492) | |
| Investments in right of use assets | (2,203) | | (1,285) | |
| Investments in intangible assets | (4,191) | | (3,914) | |
| Disposal of property, plant and equipment | 64 | | 87 | |
| Disposal of intangible assets | - | | - | |
| Disposal of right of use assets | 153 | | 398 | |
| Change in other non-current assets | (261) | | 1,545 | |
| Disposal / (Increase) of investments in other companies | - | | 3 | |
| Disposal / (Increase) of investments in available-for-sale financial assets | (959) | | 98 | |
| Dividends received from other companies | - | | 41 | |
| CASH FLOW GENERATED (ABSORBED) FROM INVESTING ACTIVITIES (C) | (26,395) | | (11,519) | |
| | | | | |
| D CASH FLOW GENERATED (ABSORBED) FROM FINANCING ACTIVITIES | | | | |
| Change in current and non-current financial receivables | - | | 7,148 | |
| Net change in current and non-current financial payables | (8,507) | | 7,309 | |
| Dividends paid | (4,000) | | (5,000) | |
| CASH FLOW GENERATED (ABSORBED) FROM FINANCING ACTIVITIES (D) | (12,507) | | 9,457 | |
| | | | | |
| E OVERALL CASH FLOW GENERATED (ABSORBED) (E = B + C + D) | (5,040) | | 5,573 | |
| | | | | |
| F CASH AND CASH EQUIVALENTS AT END OF PERIOD (A + E) | 59,745 | | 64,785 | |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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of the Coeclerici Group as of December 31, 2021

## PRINCIPLES USED IN DRAWING UP THE FINANCIAL STATEMENTS

The consolidated financial statements for the period to 31 December 2021 were prepared under the assumption of going concern, as the Directors have found that there are no indications of any material uncertainties about the Group's ability to meet its own obligations within the foreseeable future, and in particular over the next 12 months.

The consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union. IFRS also include the International Accounting Standards (IAS) still in place, as well as the interpretations of the IFRS Interpretations Committee, formerly called the International Financial Reporting Interpretations Committee (IFRIC) and even earlier the Standing Interpretations Committee (SIC).

The financial statements have been drawn up on the basis of historical cost, modified as requested for the evaluation of some financial instruments.

The financial statements are in euro, and unless otherwise indicated, figures are in thousands of euro.

The consolidated financial statements consist of the balance sheet, income statement, comprehensive income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements; they have been drawn up by using the accounts of the Holding Company and its subsidiaries, whether Italian or foreign, in which Coeclerici SpA directly or indirectly holds a majority of voting rights, and on which it therefore exercises control or from which it obtains benefits in virtue of its power of regulating their financial and operational policies.

For the purposes of drawing up the consolidated financial statements, the financial statements of the period to 31 December 2021 have been used. The financial statements have been adjusted where necessary to respect consolidation requirements and bring them into line with International Financial Reporting Standards (IFRS).

### *Financial statement models*

The Coeclerici Group presents its income statement by expense type, a manner regarded as more representative than classification by function.

The balance sheet has been drawn up in conformity with IAS 1 by classifying assets and liabilities as 'current / non-current'.

Current assets are classified as such when they may predictably be realized within the normal operational cycle of the business, that is within twelve months from the date of the financial statements. Inventories and trade receivables are included in current assets.

Tangible and intangible assets, as well as all assets other than current ones, are included as non-current assets.

Current liabilities are classified as such when they may predictably be discharged within the normal operational cycle of the business, that is within twelve months from the date of the financial statements.

The cash flow statement was drawn up according to the indirect method.

Some items in the financial statements and notes to the financial statements were reclassified to provide better comparisons.

## PRINCIPLES OF CONSOLIDATION

### *Subsidiaries*

These are firms that the Group controls, as defined by 'IFRS 10 – Consolidated Financial Statements', standard issued by the IASB in May 2011. Control exists when the Group has the direct or indirect power to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date control begins until such time as that control ceases to exist. The amounts of equity and profit attributable to minority shareholders are shown separately in the consolidated balance sheet and income statement. Where necessary, adjustments have been made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Group.

The book value of the shares held is eliminated against a corresponding fraction of the subsidiary's equity, calculated by attributing each asset and liability its value at the date the Group acquired control. Any remaining positive difference is included under 'goodwill'; any negative difference is recorded in the income statement, as required by 'IFRS 3 – Business Combinations'.

### *Jointly controlled entities*

These are firms over whose business the Group has joint control as defined in 'IFRS 11 – Joint Arrangements', issued by the IASB in May 2011. The consolidated financial statements include the share of the results of jointly controlled entities attributable to the Group, measured using the equity method, from the date on which joint control starts until the moment it ceases to exist. If the share of losses attributable to the Group exceeds the book value of the equity investment in the financial statements, the value of the equity investment is written off and the Group's share of any further losses is not recorded, unless and to the extent to which the Group is obliged to answer for them. Where necessary, adjustments have been made to the financial statements of jointly controlled entities to bring their accounting policies in line with those adopted by the Group.

### *Associated companies*

These are companies over whose financial and operating policies the Group has considerable influence, but not control or joint control, as defined by 'IAS 28 – Investments in associates and joint ventures'.

The consolidated financial statements include the share of the results of associated firms attributable to the Group, measured using the equity method, from the date on which considerable influence starts until the moment it ceases to exist. If the share of losses attributable to the Group exceeds the book value of the equity investment in the financial statements, the value of the equity investment is written off and the Group's share of any further losses is not recorded, unless and to the extent to which the Group is obliged to answer for them. Where necessary, adjustments have been made to the financial statements of associated companies to bring their accounting policies in line with those adopted by the Group.

### *Other investments*

Minor equity investments in other companies are entered at fair value with the effects charged to the equity reserve along with the other components of the comprehensive income; the variations in the fair value shown in the equity are never reversed in the income statement as specified in 'IFRS 9 – Financial Instruments'. When the investment is not listed in a regulated market and the fair value cannot be reliably determined, the investment is valued at cost adjusted for loss of value. Dividends received from these businesses are included in the income statement.

### *Transactions eliminated during consolidation*

When preparing the consolidated financial statements, all balances and significant transactions between Group companies are eliminated, as well as all unrealized gains and losses on intercompany transactions.

### *Foreign currency transactions*

Items originally expressed in foreign currency are converted into EURO at the historical exchange rate on the date of the transaction. Exchange rate differences upon collection of receivables and settlement of payables in foreign currency are recorded in the income statement. Foreign currency assets and liabilities are entered at the year-end spot exchange rate and the relevant exchange gains and losses are recorded in the income statement. Any net profit is set aside in a special non-distributable reserve until it is realized. The conversion of the financial statements of foreign subsidiaries using other currencies into EURO is on the basis of the year-end exchange rate for balance sheet items and the average annual exchange rate for income statement items. Exchange differences stemming from the conversion of financial statements expressed in foreign currencies are allocated directly to the 'translation reserve' item under equity.

## ACCOUNTING POLICIES

The most important criteria used for valuing when drawing up the consolidated financial statements are shown below.

### *Property, plant and equipment*

Tangible fixed assets are entered at cost price or production cost and are not re-valued.
Any costs incurred after the purchase are included only if they increase the future economic benefits inherent in the asset they refer to. All other costs are recorded in the income statement when incurred. Assets are depreciated by applying the following depreciation rates, which are designed to spread the value of the tangible assets adequately over their estimated useful life.

| | DEPRECIATION RATES |
|---|---|
| Buildings | 3% |
| Plant and equipment | 10% - 25% |
| Other tangible assets | 12% - 25% |

Land is not depreciated.
'Coal reserves' are determined on the basis of an assessment of the fair value of the coal reserves conducted at the moment the mine was purchased, in keeping with 'IFRS 3 – Business Combinations' and this item takes into account amounts paid for subsequent extensions. Mine depreciation is calculated on the basis of the production schedule taking into consideration the quantities mined during the reference period. The depreciation schedule used will write off the value of the coal reserves when the licence expires. The carrying amount of the coal reserves, which is determined on the basis of the recoverability of the book value, may be written down, as outlined in IAS 36.
The costs of dismantling and reclaiming mining sites are recorded in compliance with IAS 16 as a separate component of the reference asset and amortized over the whole remaining life of that asset. These costs are set off against a special risk provision that is used when amounts are paid out to reclaim the sites.
'Assets under construction' include all investments that have not yet become part of the production process.

### *Intangible assets*

According to 'IAS 38 – Intangible Assets', intangible assets are entered as assets when it is likely that the use of the asset will generate future economic benefits and when the cost of the asset may be measured reliably.

### Goodwill

If companies are taken over, the assets, liabilities and potential liabilities acquired and identifiable are recorded at their fair value on the takeover date.
If the difference between the takeover price and the share held by the Group at its fair value is positive, this difference is classified as goodwill and is entered in the financial statements as intangible assets.
Any negative difference (badwill) is instead recognized in the income statement at the time of acquisition.
Goodwill is not amortized but its value is tested annually, or whenever specific events or changes in circumstances suggest it may have been impaired. After initial determination, goodwill is calculated at cost less any accumulated impairment losses.
If a previously acquired company whose takeover gave rise to goodwill is partly or entirely transferred, the remaining goodwill will be taken into account in the capital gain or capital loss calculation.
When the International Financial Reporting Standards were applied for the first time, the Group chose not to apply 'IFRS 3 – Business Combinations' retroactively to company takeovers that occurred before 1 January 2006. Consequently, the allocations made on the purchase dates have not been reviewed.

### Exploration assets

Costs relating to the purchase of exploration rights, geological and topographical surveys, exploratory drilling and excavation, sampling, and the technical feasibility and commercial viability studies of a mining resource are recorded as exploration and evaluation assets, in compliance with IFRS 6.
These costs are recorded as intangible assets and amortized over the period during which it is expected the relevant mining will take place. Exploration assets may be decreased in value in compliance with the procedures laid down in IAS 36, when their book value is not recoverable.

### Other intangible assets

According to 'IAS 38 – Intangible Assets', other intangible assets (purchased or produced internally) are entered as such when it is likely that the use of the asset will generate future economic benefits and when the cost of the asset may be measured reliably.
These assets are assessed at purchase price or production cost and amortized on a straight-line basis over their estimated useful lives if they have a definite useful lifespan. Intangible assets with indefinite useful lives are not amortized, but are assessed for loss of value annually, or whenever specific events suggest they may have been impaired.
Other intangible assets acquired after taking over a company are entered separately from goodwill if their fair value can be measured reliably.

## *Leasing contracts*

'IFRS 16 – Leases' which replaced 'IAS 17 – Leases' went into effect on 1 January 2019.
The new standard provides a new definition of lease and introduces a new criterion based on the control (right of use) of an asset to distinguish lease agreements from service agreements. The discriminating factors are the identification of the asset, the right to replace it, the right to obtain substantially all economic rewards deriving from the use of the asset and the right to control the use of the asset underlying the contract.
The standard establishes a single model for recognizing and measuring lease agreements for the lessee; it calls for recording the asset covered by a lease, including an operating lease, under assets with a financial payable as a balancing entry.
The standard does not include significant changes for lessors. An agreement is classified as a finance lease or a operating lease when entered into by examining the contract requirements and/or the kind of asset being leased.

In the balance sheet, the application of the new standard to lease agreement entails initially recording a right-of-use asset pursuant to IFRS 16, equal to the present value of the minimum future mandatory payments that the tenant will have to pay, that will be amortized over the lesser of the economic-technical life of the asset and the remaining term of the agreement, and recording a financial payable equal to the present value of the minimum future mandatory payments the tenant will have to pay. The payable will later be reduced gradually as the rent payments are made. Starting in 2019, rent payments will no longer be recorded in the income statement. The depreciation of the right of use will instead be recorded as well as financial expense on the payable recorded.

When adopting IFRS 16, the Group took advantage of the exemption provided in Paragraph 5 a) in relation to short-term leases and the exemption granted in Paragraph 5 b) concerning lease agreements in which the underlying asset is a low-value asset. For these leases, IFRS 16 does not require the recognition of the financial lease liability and the related right of use, but lease payments can be recognized in the income statement on a straight-line basis over the life of the respective leases.

## *Loss of asset value*

The Group regularly assesses the recoverability of the book values of intangible and tangible assets to determine if there is any sign they may have been impaired. If there is such evidence, the book values of the assets concerned are decreased to their respective recoverable values. The recoverable value of an asset is either its fair value less any costs of sale or its value in use, whichever the greater. To determine the value in use of an asset, the Group calculates the present value of the estimated future cash flows (gross of taxation) discounted at a before-tax rate which reflects the current market time value of money and the specific risks associated with that asset.

An impairment loss is recorded if the recoverable value is lower than the book value. When an impairment loss (excluding impairment losses on goodwill) subsequently reverses or decreases, the book value of that asset or cash-generating unit is increased to the revised estimate of its recoverable amount which cannot exceed the book value that would have been determined had no impairment loss been recognized for that asset. Reversal of an impairment loss is immediately recognized in the income statement.

## *Available-for-sale financial assets*

Available-for-sale financial assets are initially recorded at purchase price and subsequently assessed at fair value. Gains and losses from changes in fair value are recognized directly in shareholders' equity, and these gains and losses are never reversed in the income statement as specified in 'IFRS 9 – Financial Instruments'.

## *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

Non-current financial assets other than equity investments, current financial assets, and financial liabilities are entered according to 'IFRS 9 – Financial instruments'.

### Financial derivatives

Financial derivatives are normally used with the intention of hedging. In line with IFRS 9, financial derivatives may be recorded according to the methods laid down for hedge accounting only when, at the beginning of the hedging, the Group formally designates and documents the hedging relationship, the nature of the risk, its objectives in managing the risk, the strategy followed and methods it will use to assess whether the hedging relationship will continue to meet the requirements of an effective hedge (including an analysis of sources of the hedge's ineffectiveness and how the hedging relationship is determined).

A hedging relationship satisfies qualifying criteria for hedge accounting if all the following conditions are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the impact of credit risk does not prevail over changes in value resulting from the above economic relationship.

All financial derivatives are measured at their fair value, as laid down in IFRS 9. When financial instruments have the appropriate characteristics to be entered according to hedge accounting methods, the following accounting principles are applied:

- Fair value hedge – if a financial derivative is designated to hedge the exposure to changes in fair value of an asset or liability shown on the financial statements and attributable to a particular risk which may affect the income statement, the gain or loss from subsequently re-measuring the hedging instrument at fair value is entered on the income statement. The gain or loss on the hedged item attributable to the hedged risk changes the book value of that item and is recognized in the income statement.
- Cash flow hedge – if a financial derivative is designated to hedge exposure to changes in the future cash flows of an asset or liability entered into the financial statements or of a highly probable forecasted transaction that may affect the income statement, the effective portion of the gains or losses on the financial derivative is recorded in equity. Accrued equity gains or losses are reversed and entered into the income statement in the same period in which the hedged transaction is recorded. Gains or losses associated with hedging (or part thereof) which becomes ineffective are recorded in the income statement immediately. If a hedging instrument or hedging relationship is closed before the hedged transaction occurs, the accrued gains and losses recorded up to that time in equity are recorded in the income statement when the relevant transaction actually occurs.

If the hedged transaction is no longer considered likely, the gains or losses that have not yet been realized and are suspended in equity are immediately recorded in the income statement. If hedge accounting cannot be applied, the gains or losses arising from the fair value assessment of the financial derivative are immediately entered in the income statement.

### *Inventories*

Inventories of commodities are entered at either the cost price of the inventories on hand, measured according to the FIFO method, or their estimated realizable value on the basis of market price, whichever the lower.

Work in progress is recorded at the value of the agreed fees, accrued with reasonable certainty, according to the percentage of completion method, having taken into account the stage of completion achieved. The stage of work completion is measured with reference to the job costs incurred as of the balance sheet date in relation to the total costs estimated for each order.

If the result of a work in progress cannot be reliably estimated, the job revenue is recognized only to the extent that the costs incurred are likewise recoverable. When the result of an order can be reliably estimated and it is probable that the contract will generate a profit, the job revenue is recognized over the duration of the contract. When it is probable that the total of the job costs exceeds the total of the job revenues, the potential loss is recognized immediately in the income statement.

The Group presents as an asset the amount owed by the customers for the contracts relating to the jobs underway in relation to which the costs incurred, plus the recognized margins (less the recognized losses), exceed the invoicing on a stage of completion basis. The amounts invoiced, but not yet collected from the customers, are included under the caption 'Trade receivables'.

The Group presents as liability the amount owed to the customers, for the contracts for all the jobs underway in relation to which the amounts invoiced on a stage of completion basis exceed the costs incurred, inclusive of the recognized margins (less the recognized losses). The liabilities are included under the heading 'Other payables and current liabilities'.

## *Trade receivables*

These are recorded at their presumed realizable value.

## *Cash and cash equivalents*

These include cash on hand, the surplus balance of current accounts, the total of bank deposits, and all high-liquidity investments with due date within the next three months.

## *Provisions for risks and charges*

The Group records provisions for risks and charges when: it has a legal or implicit obligation towards third parties, it is likely that Group resources will be needed to fulfil this obligation and when a reliable estimate of the total value of the obligation itself may be made. The provisions reflect the best possible estimate on the basis of the facts available. Estimates are updated to the date of the financial statements. Changes in the estimates are reflected in the income statement for the period during which they are made.

## *Post-employment benefits*

Post-employment benefits are calculated according to IAS 19.

The severance indemnity reserve is regarded as a 'defined benefit plan' and is measured on the basis of actuarial calculations using the 'Projected Unit Credit Method'. The actuarial gains and losses generated by applying this method are recognized under the equity caption 'Actuarial gains / (losses)'.

For Italian companies belonging to the Group with a number of employees of less than 50, the amendments made by Italian law No. 296 of 27 December 2006 (the 2007 Finance Act) and subsequent decrees and regulations issued during the first months of 2007 allow employees to keep their post-employment benefit within the company without being obliged to opt to hand it over to a supplementary pension fund or assign the post-employment benefit to the treasury fund at the Italian national social security institute (INPS).

## *Recognition of revenues and costs*

Revenues deriving from contracts with customers are recognized when control over the goods and services is transferred to the customer in an amount that reflects the consideration the Group expects to receive in exchange for such goods and services. Revenues are shown net of discounts and allowances.

Financial revenues and revenues from services are recognized on an accrual basis.

Revenues from the sale of industrial machines are accounted for when the machine is installed and tested at the customer's plant.

## *Capital grants*

Capital grants are recognized when they are definitively assigned to the Company and recorded in the income statement at the same time as the asset they refer to is depreciated.

## *Financial income and expenses*

Financial income and expenses are recognized on an accrual basis, according to the amount of time that passes and using the actual effective rate.

## *Income taxes for the period*

Income taxes include all the taxes calculated on the Group taxable income. They are recognized in the income statement, with the exception of those concerning items directly charged or credited to equity, in which case the tax effect is recorded directly in equity. Other taxes not related to income, such as taxes on property and capital, are included among the operating expenses. The taxable income is different from the amount recorded in the income statement since it excludes positive and negative components. The liability for current taxes is calculated using the rates officially or actually in force at the year-end.

Deferred taxes are set aside according to the overall liability allocation method. They are calculated on all temporary differences which may emerge between the taxable base of an asset or liability and the book value in the consolidated financial statements. Deferred tax assets on tax losses and unused tax receivables that may be carried forward, as well as on temporary differences, are recognized to the extent that it is likely that future taxable income may emerge against which they can be recovered.

## *Use of estimates*

In order to draw up the financial statements, the Directors produce estimates and assessments that affect the amounts recorded as assets, liabilities, costs and revenues, as well as on the presentation of potential assets and liabilities. The Directors periodically check their estimates and assessments on the basis of past experience and other factors considered reasonable in the circumstances. The use of estimates and assessments is particularly important in determining the following balance sheet and income statement items:

### a) Tangible and intangible assets – Useful life and recoverability estimates

The Company has significant quantities of tangible and intangible assets. Establishing the useful lives of assets and determining whether they are recoverable (in order to decide whether the company should write them down), involves assessments and estimates.

Assets are depreciated or amortized on the basis of their useful lives, which is estimated for each category (tangible and intangible). The recoverable value of tangible and intangible assets depends on the possibility the assets have of generating sufficient net cash flows to recover their book value over the course of their estimated useful life.

### b) Additional estimates

Estimates are also used to enter the presumed values of certain receivables, the fair value of derivatives and available-for-sale financial assets, the funds set aside for employee benefits, taxes and other provisions. Further details about these kinds of estimates can be found in the specific notes on each item. Generally speaking, the final figures in the following accounting period may differ from the estimates originally entered.

Changes in estimates are recorded in the income statement for the accounting period during which they actually appear.

In the absence of an established principle or interpretation applicable to a specific operation, the Group's management decides which accounting methods to adopt, through its own well thought-out and subjective evaluations, in order to provide relevant and reliable information so that the financial statements:

- paint a true picture of the company's balance sheet and financial position, net result and cash flow;
- reflect the economic substance of transactions;
- are neutral;
- are prepared on a prudent basis;
- are complete in all relevant aspects.

## CONSOLIDATION AREA

A list of companies included in the consolidation area is attached to the notes to the financial statements.

There have been no changes from the previous financial year.

## ACCOUNTING PRINCIPLES RECENTLY ISSUED

### *IFRS Accounting principles, amendments and interpretations applied starting on 1 January 2021*

- 'Amendment to IFRS 16 Leases Covid 19 – Related Rent Concessions', published on 28 May 2020 and issued by the IASB with the aim of allowing a lessee to refrain from applying the requirements of IFRS 16 to the accounting effects resulting from contractual modifications to reduce lease payments granted by lessors that are a direct consequence of the Covid-19 epidemic. The change introduces a practical expedient whereby a lessee may choose not to assess whether the reduction in lease payments constitute contractual changes. A lessee that chooses to use this expedient must record these reductions as if they were not contractual changes within the scope of IFRS 16. The changes were to be applicable by 30 June 2021, but because of the continuing impact of the Covid-19 pandemic, on 31 March 2021 the IASB extended the period for applying the practical expedient until 30 June 2022. During the 2021 financial year the Group received no reductions in lease payments in connection with Covid-19, but it expects to apply the practical expedient if the relevant circumstances arise within the permitted application period.

### *Accounting standards, amendments and interpretations issued by the IASB/IFRIC and approved by the European Commission*

The Group has not applied the following principle and amendments that have been issued but have not yet taken effect.

- On 18 May 2017, the IASB issued 'IFRS 17 – Insurance Contracts', a new standard related to insurance contracts that covers recognition, measurement, presentation and disclosures. When it goes into effect, this standard will replace 'IFRS 4 – Insurance Contracts' which was issued in 2005. It will apply to all types of insurance contracts (for example life, non-life, direct insurance, re-insurance), regardless of the kind of entity that issues them, and to some guarantees and financial instruments with discretionary participation features. The general aim of IFRS 17 is to introduce an accounting model for insurance contracts that is more useful and uniform for insurers. IFRS 17 will apply to financial years beginning on or after 1 January 2023.

- On 14 May 2020, the IASB issued 'Amendments to IFRS 3 – Reference to the Conceptual Framework'. These amendments are intended to replace a reference to the 'Framework for the preparation and presentation of financial statements' issued in 1989, with a reference to the 'Conceptual framework for financial reporting' issued in March 2018, without significantly changing its requirements. An exception was also added to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21. At the same time, it was clarified that the existing guidance in IFRS 3 for contingent assets would not be affected by updating references to the 'Framework for the preparation and presentation of financial statements'. The amendments will be effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- On 14 May 2020, the IASB published the 'Amendment to IAS 16 Property, Plant and Equipment – Proceeds before intended use' which prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products sold while bringing such asset into the location and condition necessary for it to be capable of operating in the manner intended by management. An entity must instead record the proceeds from the sale of such products and the costs for producing them in the income statement. The change will go into effect for financial years beginning on or after 1 January 2022 and must be applied retroactively to units of property, plant and equipment made available for use on or after the start date of the period before the period in which the entity applies this change for the first time.

- On 14 May 2020, the IASB published the 'Amendment to IAS 37 – Onerous contract – Costs of fulfilling a contract' to specify which costs must be considered by an entity in assessing whether a contract is onerous / at a loss. The change calls for applying an approach called the 'directly related cost approach'. Costs related directly to a contract for providing goods or services must include incremental costs as well as costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they can be explicitly allocated to the counterpart on the basis of the contract's provisions. The changes will go into effect for financial years beginning on or after 1 January 2022. The Group will apply these changes to contracts for which it has not yet met all its obligations at the beginning of the financial year in which the Group applies such changes for the first time.
- As a part of the process of annual improvements to IFRS standards for 2018-2020, on 14 May 2020 the IASB published the 'Amendment to IFRS 1 – First-time adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter". This amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent company, based on the parent's date of transition to IFRS. The amendment will be effective for annual reporting periods beginning on or after 1 January 2022.
- As a part of the process of annual improvements to IFRS standards for 2018-2020, on 14 May 2020 the IASB published the 'Amendment to IFRS 9 – Fees in the 10% test for derecognition of financial liabilities'. This change clarifies the fees that an entity includes when determining whether the conditions of a new or modified financial liability differ substantially from the conditions of the original financial liability. These fees include only those paid or received between the borrower and the lender including fees paid or received by the borrower or the lender on behalf of others. Entities must apply this change to financial liabilities that are modified or exchanged following the date of the first financial year in which the entity applies the change for the first time. The change will be effective for financial years beginning on or after 1 January 2022.

The Directors do not expect any impact from the application of such principle and such amendments.

### *Accounting standards, amendments and interpretations issued by the IASB/IFRIC and not yet approved by the European Commission*

At the date of the Consolidated Financial Statements, the relevant bodies of the European Union had not yet finished the process of ratification necessary to adopt the amendment described below.

- On 23 January 2020, the IASB published 'Amendments to IAS 1: Classification of liabilities as current or non-current'; these changes specify requirements for classifying liabilities as current or non-current. The changes clarify:
  - what is meant by the right to subordinate maturity;
  - that the subordination right must exist at the end of the financial year;
  - that the classification is not impacted by the likelihood that the entity will exercise is subordination right.

  The amendments will be effective for annual reporting periods beginning on or after 1 January 2023 and apply retrospectively.

The Directors do not expect any impact from the application of such amendments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The figures shown in these comments are expressed in thousands of Euro. Figures from the previous period or the exchange value of the amount in the currency of reference are shown in brackets.

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

The changes that occurred in property, plant and equipment during 2021 are summarized in the following table:

| | LAND AND BUILDINGS | PLANT AND MACHINERY | OTHER ASSETS | COAL RESERVES | CLEAN-UP AND RESTO-RATION COSTS | TANGIBLE ASSETS UNDER CON-STRUCTION | TOTAL |
|---|---|---|---|---|---|---|---|
| **At 31 December 2019** | **17,849** | **31,810** | **8,305** | **8,129** | **2,647** | **1,427** | **70,167** |
| Increases | 1,081 | 4,367 | 657 | 1,272 | 85 | 1,030 | 8,492 |
| Transfer from right-of-use assets | - | 750 | - | - | - | - | 750 |
| Decreases | - | - | (87) | - | - | - | (87) |
| Depreciation, write-down and revaluation | (370) | (5,256) | (1,268) | 223 | 127 | - | (6,544) |
| Exchange rate differences | (2,407) | (7,111) | (161) | (2,056) | (642) | (388) | (12,765) |
| **At 31 December 2020** | **16,153** | **24,560** | **7,446** | **7,568** | **2,217** | **2,069** | **60,013** |
| Increases | 2,711 | 7,745 | 797 | 535 | 799 | 6,411 | 18,998 |
| Transfer from right-of-use assets | - | 271 | - | - | - | - | 271 |
| Decreases | - | (4) | (19) | - | - | (41) | (64) |
| Depreciation and write-down | (346) | (5,161) | (1,418) | (49) | (39) | - | (7,013) |
| Exchange rate differences | 883 | 1,745 | 40 | 558 | 177 | 275 | 3,678 |
| **At 31 December 2021** | **19,401** | **29,156** | **6,846** | **8,612** | **3,154** | **8,714** | **75,883** |

The increase in the item 'Land and buildings' (Euro 2,711 thousand) is mainly due to the purchase of a land plot in Calcinate, adjacent to the existing plants, where industrial activities are conducted by the subsidiary IMS Technologies.

The increases in the items 'Plant and machinery' (Euro 7,745 thousand), 'Other assets' (Euro 797 thousand), 'Coal reserves' (Euro 535 thousand), 'Clean-up and restoration costs' (Euro 799 thousand) and 'Tangible assets under construction' (Euro 6,411 thousand) are mainly attributable to investments made by the Russian subsidiaries SC Kisk (Euro 15,456 thousand) necessary to improve the production efficiency of the mining site.

The item 'Transfer from right-of-use assets' refers to the reclassification under the caption 'Plant and machinery' of machinery and other assets used in mining acquired under finance leases by the Russian subsidiary SC Kisk and previously recorded under the item 'Right-of-use assets', after exercising the purchase option.

## *Right of use assets (Note 2)*

The changes that occurred in right of use assets during 2021 are summarized in the following table:

| | VEHICLES | PLANT AND MACHINERY, TOOLS | LAND, OFFICES AND INDUSTRIAL PLANTS | OTHER TANGIBLE ASSETS | TOTAL |
|---|---|---|---|---|---|
| **At 31 December 2019** | **509** | **2,616** | **19,543** | **32** | **22,700** |
| Increases | 258 | - | 1,027 | - | 1,285 |
| Decreases | - | - | (398) | - | (398) |
| Transfer to property, plant and equipment | - | (750) | - | - | (750) |
| Depreciation | (312) | (884) | (2,160) | (8) | (3,364) |
| Exchange rate differences | (30) | (358) | (320) | - | (708) |
| **At 31 December 2020** | **425** | **624** | **17,692** | **24** | **18,765** |
| Increases | 477 | 762 | 964 | - | 2,203 |
| Decreases | - | - | (153) | - | (153) |
| Transfer to property, plant and equipment | - | (271) | - | - | (271) |
| Depreciation | (322) | (299) | (1,795) | (8) | (2,424) |
| Exchange rate differences | 16 | 17 | 114 | - | 147 |
| **At 31 December 2021** | **596** | **833** | **16,822** | **16** | **18,267** |

The increases relate mainly to the signing of a finance lease by the subsidiary IMS Technologies to acquire machinery used in the mould segment, to the operating lease for a building in Darmstadt where Goebel Schneid conducts its operations and to the renewal of operating leases for offices for the Commodities Division.

The decreases relate to the early termination of the operating lease for a building previously used by the subsidiary IMS Technologies.

The item 'Transfer to property, plant and equipment' refers to the transfer of machinery and other assets used in mining and acquired under finance leases by the Russian subsidiary SC Kisk. These assets were reclassified in the caption 'Property, plant and equipment' after exercising the purchase option.

At 31 December 2021 the item 'Right of use assets' mainly included the net carrying amount of the Calcinate and Seriate plants where the subsidiary IMS Technologies carries out industrial activities (Euro 13,107 thousand).

### *Intangible assets (Note 3)*

The changes that occurred in intangible assets during 2021 are summarized in the following table:

| | GOODWILL | OTHER INTANGIBLE ASSETS | TOTAL |
|---|---|---|---|
| **At 31 December 2019** | **1,814** | **6,593** | **8,407** |
| Increases | 1,268 | 2,646 | 3,914 |
| Amortization and write-down | - | (748) | (748) |
| Exchange rate differences | - | (972) | (972) |
| **At 31 December 2020** | **3,082** | **7,519** | **10,601** |
| Increases | - | 4,191 | 4,191 |
| Amortization and write-down | - | (930) | (930) |
| Exchange rate differences | - | 224 | 224 |
| **At 31 December 2021** | **3,082** | **11,004** | **14,086** |

The opening balance of the item 'Goodwill', totaling Euro 3,082 thousand as of 31 December 2021, includes the following two components: Euro 1,814 thousand relating to the recognition in 2017 of the additional value paid for the acquisition of the majority of the IMS Technologies Group (called the IMS Deltamatic Group until 1 May 2018) in excess of the fair value of the identifiable assets purchased, net of the write-down of Euro 7,000 thousand recognized in 2019 and Euro 1,268 thousand relating to the additional value paid in 2020 by the subsidiary Slitters Rewinders Machines Srl to acquire the business division of the company Laem System Srl (an industrial operator with which a business division lease was signed enabling the Group to enter the flexible packaging business) in excess of the fair value of the identifiable assets acquired.

Increases in other intangible assets, totaling Euro 4,191 thousand, primarily included development projects carried out by the Industry Division and the purchase of software licenses.

At 31 December 2021, the heading 'Other intangible assets' mainly included the residual value of the mining license held by the Russian subsidiary SC Kisk and development projects carried out by the Industry Division.

### *Other investments and available-for-sale financial assets (Note 4)*

This item consists of the following:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Other investments | 2 | 2 |
| Available-for-sale financial assets | 1,248 | 208 |
| **Total** | **1,250** | **210** |

The heading 'Other investments' consisted of the following at 31 December 2021:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Consorzio Maturatori 2000 | 1 | 1 |
| Consortiums | 1 | 1 |
| **Total other investments** | **2** | **2** |

'Available-for-sale financial assets' consist of the following:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Illimity Bank | 1,104 | - |
| Hao Capital Fund II L.P. | 144 | 208 |
| **Total available-for-sale financial assets** | **1,248** | **208** |

During 2021 this item increased by Euro 1,040 thousand. The increase was mainly due to the acquisition of shares of the listed company Illimity Bank, for Euro 992 thousand, and its subsequent mark to market measurement as of 31 December 2021 for Euro 1,104 thousand.

The reduction in the value of the Hao Capital Fund II L.P. investment fund is mainly the result of a reimbursement received during the year.
Further information regarding the closed investment fund Hao Capital Fund II L.P. is given under 'Note 29 – Obligations and guarantees'.

## *Other non-current assets (Note 5)*

This heading consists of the following:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Other receivables | 103 | 99 |
| Tax receivables | 410 | 1,836 |
| Receivables from holding company for tax consolidation | 11,302 | 11,051 |
| Guarantee deposits | 235 | 201 |
| Provision for bad debts on other non-current assets | - | (1,398) |
| **Total other non-current assets** | **12,050** | **11,789** |

'Other receivables' refer to cash and cash equivalents in an escrow account held by the subsidiary Elvezia Immobiliare.
'Tax receivables', amounting to Euro 410 thousand, include fiscal and tax receivables recorded by the Commodities Division.
The reduction in this item is attributable to the inclusion in the prior year figure of Euro 1,398 thousand related to fiscal and tax receivables, recognized by the Holding Company, for which a request for reimbursement was made in previous years; the amounts had not been recovered and had been fully written down. These items were written off during the financial year, using the 'Provision for bad debts on other non-current assets'.
'Receivables from holding company for tax consolidation' refer to net receivables arising from the tax consolidation for IRES purposes; they represent the recoverable amount based on the Group's projected future taxable income. For further details regarding the composition of this amount, refer to 'Note 25 – Taxes'. These receivables, which arose as a result of the transfer of Group tax losses to the parent company, shall be liquidated, pursuant to the tax consolidation agreement, upon the Consolidator's use of the aforementioned tax losses.

## *Inventories (Note 6)*

Inventories, equal to Euro 100,504 thousand (Euro 80,193 thousand at 31 December 2020), are made up as follows:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Raw, subsidiary and consumable materials | 6,779 | 3,998 |
| Work in progress and semifinished goods | 72,285 | 68,855 |
| Industry Division goods | 800 | 276 |
| Goods | 20,640 | 7,064 |
| **Total inventories** | **100,504** | **80,193** |

The increase in the item 'Raw, subsidiary and consumable materials' is due mainly to the higher inventories of the subsidiary IMS Technologies and is attributable to the strong increase in orders.

The heading 'Work in progress and semifinished goods' contains the valorization of the contracts underway in relation to the Industry Division according to the percentage of completion method. The 5% increase in this item is consistent with the rise in payables for advance payments recorded by the Industry Division.

As shown in the breakdown of the item 'Goods' indicated below, referring entirely to various types of coal, the value of goods in inventory is higher than the amounts reported as at 31 December 2020 mainly due to an increase in inventories and a slight revaluation of the ruble (exchange rate of EUR/RUB 85.30 at 31 December 2021 compared to an exchange rate of 91.47 at 31 December 2020) and of the USD (exchange rate of EUR/USD 1.13 at 31 December 2021 compared to an exchange rate of 1.23 at 31 December 2020).

| | 31/12/2021 | | 31/12/2020 | |
|---|---|---|---|---|
| | TONNES | EURO/000 | TONNES | EURO/000 |
| Goods | 415,902 | 20,640 | 192,553 | 7,064 |

## *Trade receivables (Note 7)*

This heading amounts to Euro 49,932 thousand (Euro 22,343 thousand at 31 December 2020) and consists entirely of receivables resulting from normal commercial operations with customers. It is shown net of the provision for bad debts amounting to Euro 6,518 thousand (Euro 7,215 thousand at 31 December 2020).

Trade receivables at 31 December 2021 can be divided between the following expiry periods:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Invoices to be issued | 1,882 | - |
| Receivables not yet due | 33,606 | 13,570 |
| Due < 60 days | 9,810 | 5,483 |
| Due < 180 days | 1,732 | 887 |
| Due < 365 days | 1,320 | 607 |
| Due > 1 year | 8,100 | 9,011 |
| Provision for bad debts | (6,518) | (7,215) |
| **Total trade receivables** | **49,932** | **22,343** |

The increase in this item resulted mainly from the growth in trade receivables generated by normal operations in the Commodities Division and was affected by higher business volume and the sharp rise in coal prices.
It should be noted that in the months subsequent to December 2021, a large proportion of the receivables shown in the table at 31 December 2021 with an expiry of less than 60 days was actually collected.

The movement in the provision for bad debts during 2021 was as follows:

| **Provision for bad debts at 31 December 2020** | **(7,215)** |
|---|---|
| Provisions | (286) |
| Releases | 600 |
| Uses | 741 |
| Exchange rate differences | (358) |
| **Provision for bad debts at 31 December 2021** | **(6,518)** |

Releases refer to the collection of receivables written down in prior periods.

## *Prepayments (Note 8)*

The final balance of Euro 2,523 thousand (Euro 1,384 thousand at 31 December 2020), refers mainly to advances paid by the Industry Division primarily relating to the supply of goods (Euro 1,239 thousand) and the purchase of fuel for equipment used in extraction activities (Euro 816 thousand).

## *Other receivables and current assets (Note 9)*

This heading consists of the following:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Other receivables | 560 | 613 |
| Receivables relating to the fair value of financial instruments | 5,165 | 267 |
| Tax receivables | 12,199 | 11,976 |
| Accrued income and prepaid expenses | 2,037 | 1,473 |
| **Total other receivables and current assets** | **19,961** | **14,329** |

'Receivables relating to the fair value of financial instruments' mainly refer to forward transactions of coal and to forward currency purchases made by the Group, as more fully described in 'Note 27 – Information regarding financial instruments', which gives further details.
'Tax receivables' refer mainly to VAT receivables.

## *Cash and cash equivalents (Note 10)*

This heading consists of the following:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Bank and postal deposits | 59,698 | 64,726 |
| Cash in hand | 47 | 59 |
| **Total cash and cash equivalents** | **59,745** | **64,785** |

Bank deposits held with mainstream banks are managed centrally by the Holding Company's Treasury department, or under its direct supervision if held separately. Refer to the Cash Flow Statement for an explanation of the variations in cash and cash equivalents.

## *Total Equity (Note 11)*

The movements which occurred in the various elements of Group equity are indicated in the relevant notes.

The 'Share capital', wholly subscribed to and paid up, amounts to Euro 10,000 thousand and consists of 10,000,000 ordinary shares each of a nominal value of Euro 1.

The 'Legal reserve' of Euro 2,000 thousand is the legal reserve held in the Holding Company.

The 'Translation reserve' had a negative balance of Euro 5,431 thousand, related to the conversion into Euro of the financial statements of consolidated foreign subsidiaries that prepare financial statements in currencies other than the Euro; it shows a positive change of Euro 3,851 thousand, mainly because of the revaluation of the Russian ruble (exchange rate of EUR/RUB 85.30 as of 31 December 2021 compared to an exchange rate of 91.47 as of 31 December 2020).

The 'Merger surplus reserve' had a positive balance of Euro 2,896 thousand and remained unchanged compared to its value at 31 December 2020.

The 'Reserve related to the fair value of financial instruments', with a positive value of Euro 2,245 thousand, improved by Euro 3,812 thousand due to the increase in the fair value of derivative financial instruments (as more fully described in 'Note 27 – Information regarding financial instruments') totaling Euro 3,745 thousand and to the increase of available-for-sale financial assets of Euro 67 thousand.

The heading 'Actuarial gains / (losses)' with a negative balance of Euro 415 thousand, decreased by Euro 92 thousand and is related to the actuarial evaluation of defined benefit plans (TFR) at 31 December 2021 (as more fully detailed in 'Note 14 – Post-employment benefits').

The item 'Other reserves', with a positive balance of Euro 49,198 thousand, remained unchanged compared to its value at the end of the previous financial year.

The item 'Retained earnings' showed a negative balance of Euro 10,567 thousand after retaining the loss for the previous financial year for Euro 9,908 thousand and distributing dividends to the sole shareholder for Euro 4,000 thousand.

With reference to the information envisaged by IAS 1 paragraph 134, it should be noted that the objectives identified by the Group in the management of its capital are the following: the creation of value for its shareholders, the safeguarding of the company's future and support for the development of the other Group companies. For these reasons, the Group seeks to maintain an adequate level of capitalization enabling it to give its shareholders a satisfactory financial return and ensure it has access to external sources of financing, also by means of an adequate credit rating. This strategy has remained the same since the previous financial period.
The Group monitors its capital structure constantly, especially the level of net financial debt, calculated as the ratio between the net financial position and equity. This ratio, compared with that of the previous financial year, was as follows:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Net financial position | 49,111 | 49,336 |
| Equity | 78,133 | 46,422 |
| **NFP/EQUITY** | **0.63** | **1.06** |

## *Interest bearing liabilities and borrowings (Note 12)*

This heading consists of the following:

| | 31/12/2021 | | | 31/12/2020 | | |
|---|---|---|---|---|---|---|
| | CURRENT | NON CURRENT | TOTAL | CURRENT | NON CURRENT | TOTAL |
| Short term advances | 22,211 | - | **22,211** | 6,134 | - | **6,134** |
| Secured loans from financial institutions | 8,993 | 12,327 | **21,320** | 6,217 | 11,457 | **17,674** |
| Unsecured loans from financial institutions | 18,425 | 38,466 | **56,891** | 23,547 | 57,415 | **80,962** |
| Finance leases | 1,799 | 2,113 | **3,912** | 1,074 | 3,446 | **4,520** |
| Operating leases | 1,717 | 2,805 | **4,522** | 1,544 | 3,287 | **4,831** |
| **Interest bearing liabilities and borrowings** | **53,145** | **55,711** | **108,856** | **38,516** | **75,605** | **114,121** |

Short term advances, amounting to Euro 22,211 thousand (Euro 6,134 thousand at 31 December 2020), refer mainly to loans disbursed by lending institutions to finance coal trading.

Secured loans from financial institutions, totaling Euro 21,320 thousand, up by Euro 3,646 thousand compared to 2020, refer to the loan for the acquisition of the property located in Riva Paradiso, Lugano, headquarters of the holding of the Commodities Division (Euro 2,696 thousand) and loans for investments made to improve the production efficiency of the mining site obtained by the Russian subsidiaries SC Kisk and LLC Razrez (Euro 18,624 thousand). The increase in this item is due primarily to the net borrowings taken on by the company SC Kisk during the year.

Unsecured loans from financial institutions, amounting to Euro 56,891 thousand, were down by Euro 24,071 thousand compared to 2020, and refer to loans granted by leading banks to finance the Group's investment activities. It should be noted that the financial covenants included in the financing contracts were always respected.

The item 'Finance leases' mainly includes the payable resulting from the takeover of the holding company in the two finance lease agreements for the Calcinate and Seriate plants where the operating activities of the subsidiary IMS Technologies are carried out and the signing of a finance lease by the subsidiary IMS Technologies to acquire a machinery used in the mould segment.

The item 'Operating leases' includes the payable deriving from the signing of operating lease agreements as required by 'IFRS 16 – Leases' which entered into force for financial statements for years starting on or after 1 January 2019. This payable is mainly attributable to the Holding Company's offices in Milan, land and offices for the Commodities Division, offices and plants for the Industry Division and cars.

'Interest bearing liabilities and borrowings' at 31 December 2021 had the following expiry periods:

| | Within 2022 | 2023-2024 | 2025-2026 | After 2026 | TOTAL |
|---|---|---|---|---|---|
| Short term advances | 22,211 | - | - | - | **22,211** |
| Secured loans from financial institutions | 8,993 | 8,425 | 1,351 | 2,551 | **21,320** |
| Unsecured loans from financial institutions | 18,425 | 33,821 | 4,555 | 90 | **56,891** |
| Finance leases | 1,799 | 610 | 552 | 951 | **3,912** |
| Operating leases | 1,717 | 1,830 | 368 | 607 | **4,522** |
| **Interest bearing liabilities and borrowings** | **53,145** | **44,686** | **6,826** | **4,199** | **108,856** |

It should be noted that the balance expiring in 2023-2024 for the item 'Unsecured loans from financial institutions' includes the utilization of the syndicated line by the holding company Coeclerici for Euro 21 million.

In January 2022 an agreement was reached, to the full satisfaction of all parties, to extend the expiry of the syndicated line to 31 December 2026.

'Interest bearing liabilities and borrowings' consist of the following currencies:

| | 31/12/2021 | | | 31/12/2020 | | |
|---|---|---|---|---|---|---|
| | CURRENT | NON CURRENT | TOTAL | CURRENT | NON CURRENT | TOTAL |
| Eur | 17,649 | 38,110 | **55,759** | 15,971 | 62,989 | **78,960** |
| Usd | 25,375 | 4,704 | **30,079** | 15,533 | 173 | **15,706** |
| Rub | 9,460 | 9,987 | **19,447** | 6,396 | 9,614 | **16,010** |
| Chf | 177 | 2,739 | **2,916** | 173 | 2,610 | **2,783** |
| Sgd | 316 | - | **316** | 318 | 117 | **435** |
| Inr | 65 | 124 | **189** | 48 | 96 | **144** |
| Cny | 49 | 30 | **79** | 55 | 6 | **61** |
| Idr | 28 | 9 | **37** | 11 | - | **11** |
| Vnd | 13 | 8 | **21** | - | - | **-** |
| Aud | 13 | - | **13** | 11 | - | **11** |
| **Interest bearing liabilities and borrowings by currency** | **53,145** | **55,711** | **108,856** | **38,516** | **75,605** | **114,121** |

During the financial year, the changes in this heading were as follows:

| | |
|---|---|
| **At 31 December 2020** | **114,121** |
| (Reimbursements) / Drawdowns | (8,507) |
| Exchange rate differences | 3,242 |
| **At 31 December 2021** | **108,856** |

## *Provisions for risks and charges (Note 13)*

This heading comprises all the provisions made for possible liabilities arising from legal, fiscal and commercial disputes in being. It also includes the cost of dismantling and reclaiming the Russian mine; these provisions will be used when amounts are actually paid to carry out the work in question. Releases were made after previous provisions created against potential liabilities were considered no longer necessary.

At 31 December 2021, this heading consisted of the following:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Current | 260 | 1,513 |
| Non current | 13,985 | 6,017 |
| **Total provisions for risks and charges** | **14,245** | **7,530** |

During the financial year, the movements under this heading were as follows:

| | |
|---|---|
| **At 31 December 2020** | **7,530** |
| Provisions | 6,145 |
| Actuarial variation in restoration costs | 282 |
| Restoration costs | 799 |
| Releases | (719) |
| Uses | (378) |
| Exchange rate differences | 586 |
| **At 31 December 2021** | **14,245** |

During the financial year, Euro 6.1 million was set aside to meet possible liabilities which could reasonably result from previous judicial relations.
It should be noted that, in previous financial years, the company and a few Group companies were subject to tax audits.
All the verification notices received were appealed against to the appropriate taxation tribunals with the assertion that they were illegitimate and unfounded. To date, several disputes have been settled by resorting to certain tax abatement schemes of the so-called 'tax amnesty'. For the others, all decisions made by the taxation tribunals, both at the first and second level, had a positive outcome with either the acceptance of appeals or confirmation of favorable decisions at the first level.
The balance at 31 December 2021 includes costs for dismantling and reclaiming the Russian mine totaling Euro 4,840 thousand.

## *Post-employment benefits (Note 14)*

The changes in post-employment benefit provision were as follows:

| | |
|---|---|
| **At 31 December 2019** | **3,160** |
| Provisions for the period | 475 |
| Actuarial (gains) / losses | 107 |
| Exchange rate differences | (158) |
| Uses | (146) |
| **At 31 December 2020** | **3,438** |
| Provisions for the period | 345 |
| Actuarial (gains) / losses | 92 |
| Exchange rate differences | 40 |
| Uses | (477) |
| **At 31 December 2021** | **3,438** |

The main assumptions behind the actuarial valuation of the post-employment benefit provisions are as follows:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Discount rate | 0.44% | -0.02% |
| Inflation rate | 1.75% | 0.80% |
| Annual salary increase rate | 2.00% | 2.00% |
| Annual post-employment benefit increase rate | 2.81% | 2.10% |

The method of recalculating the TFR fund on an actuarial basis is set out in the accounting principles; in accordance with IAS 19, the method used is that of 'Unitary Credit Projection'. Actuarial gains and losses generated by applying this method are included in equity. As required by IAS 19, actuarial losses arising in the financial year, amounting to Euro 92 thousand, consisted of 'actuarial losses from experience' for Euro 53 thousand and 'actuarial losses from change of discount rate' for Euro 39 thousand.

There follows below an analysis of the sensitivity of each important actuarial hypothesis in order to show the effects (in absolute terms and in thousands of Euro) which would result following reasonably possible variations at that date in determining the liability at 31 December 2021:

| | Changes | 31/12/2021 |
|---|---|---|
| Inflation rate | +0.25% | 31 |
| Inflation rate | -0.25% | (31) |
| Discount rate | +0.25% | (41) |
| Discount rate | -0.25% | 42 |

## *Trade payables (Note 15)*

The balance of Euro 45,318 thousand (Euro 26,369 thousand at 31 December 2020) includes current payables for supplies linked to the Group's normal operating activities.

The change for the financial year resulted mainly from the increase in trade payables caused by normal operations in the Commodities Division, and is influenced by the larger business volume and the sharp increase in coal prices.

## *Other payables and current liabilities (Note 16)*

'Other payables and current liabilities' consist of the following:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Advances from customers | 74,074 | 68,042 |
| Other payables | 15,229 | 8,805 |
| Payables relating to the fair value of financial instruments | - | 1 |
| Tax payables | 10,054 | 6,188 |
| Payables to social security institutions | 1,545 | 1,491 |
| Accrued expenses and deferred income | 519 | 84 |
| **Total other payables and current liabilities** | **101,421** | **84,611** |

The item 'Advances from customers' includes Euro 70,396 thousand for advance payments received by the Industry Division (Euro 65,826 thousand at 31 December 2020), whose main business is the production of industrial machineries under contracts, in relation to which customers normally make an advance payment that may be followed by other payments on account upon the achievement of certain events specified from time to time in the contracts. In these cases, from an accounting standpoint, the service is completed and the related transfer of risks and rewards takes place when the industrial machine is installed and tested at the customer's facilities. Until such time, collections received are recognized as advances from customers under the balance sheet liabilities and, at the same time, under the assets are recorded gross work in progress.
The increase in this item is consistent with the rise in work in progress and semifinished goods, and was also affected by advances received on many orders signed in the year. The item also includes advances received by the Commodities Division for Euro 3,678 thousand.
The item 'Other payables' amounted to Euro 15,229 thousand (Euro 8,805 thousand at 31 December 2020), and included payables of various types falling due within 12 months.

## *Revenues from sales and services (Note 17)*

The item is composed as follows:

| | 2021 | 2020 |
|---|---|---|
| Raw material sales | 588,898 | 369,574 |
| Industrial machine sales | 63,951 | 42,734 |
| **Total revenues from sales and services** | **652,849** | **412,308** |

'Raw material sales' amounted to Euro 588,898 thousand and referred to the Commodities Division's activity relating to the sale of coal.
These revenues were up 59% thanks to the increase in volumes handled and to the sharp rise in the reference coal market indexes (the API2 index reflected an average annual price of 120 USD/T, a 140% increase from the average price for 2020, which was 50 USD/T); this increase was partially offset by the 3% weakening of the USD (average exchange rate EUR/USD 1.18 in 2021 compared to an average of 1.14 for the comparable period).
It should be noted that the revenues from 'Raw material sales' in 2020 included, for the first quarter, the revenues from a major coal trading agreement that was subsequently transformed into an agency arrangement with only the related commission being recognized in revenues.
'Industrial machine sales' amounted to Euro 63,951 thousand, included changes in work in progress, and referred to activities carried out by the Industry Division.
The increase is due to the important increase in orders and more efficient production. The figure from the comparable period was furthermore affected by the slowdown in production activity because of the lockdown, which inevitably resulted in less progress made on orders.
Information by division is shown in 'Note 26 – Information by operating segment and geographical area'.

## *Operating costs (Note 18)*

The heading is composed as follows:

| | 2021 | 2020 |
|---|---|---|
| Purchase of raw materials | 459,921 | 296,308 |
| Mine operating costs | 33,334 | 30,775 |
| Cost of mining personnel | 6,937 | 7,326 |
| Industrial machine operating costs | 33,198 | 20,639 |
| Industrial machine personnel costs | 10,397 | 10,529 |
| **Total operating costs** | **543,787** | **365,577** |

Costs related to the 'Purchase of raw materials', amounting to Euro 459,921 thousand, refer to the Commodities Division's activities; these costs increased by 55% over the comparison period.
This increase is in line with the increase seen in the item 'Raw material sales' and as already noted for that item, was mainly due to the increase in volumes handled and the large increase in coal prices, which was partially offset by the weakening of the USD.
The change in costs relating to 'Purchase of raw materials' was also affected by the transformation, in the second quarter of 2020, of a major coal trading agreement into an agency arrangement with only the related commission being recognized in revenues.
The increase of Euro 2,559 thousand in the item 'Mine operating costs' is mainly due to the tonnes extracted and a slight increase in production cost.
The items 'Industrial machine operating costs', amounting to Euro 33,198 thousand, and 'Industrial machine personnel costs', totaling Euro 10,397 thousand, refer to

the operating costs incurred for the production of industrial machines by the Industry Division. The increase in the item 'Industrial machine operating costs', as already noted for the item 'Industrial machine sales', is due to the large increase in orders and in volumes produced and to the fact that the figure for the comparable period was affected by the decrease in production because of the lockdown, which inevitably resulted in less progress made on orders.

## *Overhead and administrative expenses (Note 19)*

The item is composed as follows:

| | 2021 | 2020 |
|---|---|---|
| Personnel costs | 28,337 | 24,681 |
| Consultancies | 4,392 | 4,949 |
| Directors and Statutory Auditors' fees | 5,501 | 1,417 |
| Rents, leases and similar | 580 | 780 |
| Other costs | 3,827 | 3,283 |
| Travel expenses | 1,302 | 404 |
| Entertainment expenses – donations | 927 | 1,057 |
| Utilities – Building administration – Representative offices | 1,374 | 1,531 |
| Consumables | 205 | 202 |
| Advertising | 703 | 1,056 |
| **Total overhead and administrative expenses** | **47,148** | **39,360** |

For the heading 'Personnel costs', amounting to Euro 28,337 thousand, further details are provided in 'Note 31 – Other information'.
The 'Directors and Statutory Auditors' fees', amounting to Euro 5,501 thousand, increased by Euro 4,084 thousand. The item mainly includes fees due to Directors and Statutory Auditors of the Holding, as shown below:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number | Remuneration | Number | Remuneration |
| Directors | 11 | 5,255 | 10 | 1,181 |
| Statutory Auditors | 3 | 58 | 3 | 58 |
| **Total fees** | **14** | **5,313** | **13** | **1,239** |

The reduction in the item 'Rents, leases and similar' was mainly due to the inclusion in the previous period figure of the rent of the office of the American subsidiary Kasper, which closed in June 2020.

The increase in the item 'Travel expenses' is attributable to the economic recovery and the consequent easing of the travel restrictions that had applied in 2020.

## *Capital gains / (losses) on non-current assets (Note 20)*

The item is composed as follows:

| | 2021 | 2020 |
|---|---|---|
| Capital gains | 160 | 36 |
| Capital losses | - | (11) |
| **Total capital gains (losses) on non-current assets** | **160** | **25** |

The item 'Capital gains' mainly included the positive impact from the sale of certain tangible assets by the Russian subsidiary SC Kisk.

## *Other net operating income / (costs) (Note 21)*

The item is composed as follows:

| | 2021 | 2020 |
|---|---|---|
| **Other operating income** | | |
| Release of provisions and other liabilities | 719 | 833 |
| Insurance claims | 363 | 619 |
| Gains on derivatives | - | 332 |
| Release of provisions for bad debts | 600 | 3,038 |
| **Total other operating income** | **1,682** | **4,822** |
| **Other operating costs** | | |
| Allocations to provisions for risks and charges | (6,145) | (2,107) |
| Allocations to provisions for bad debts | (315) | (109) |
| Losses on derivatives | (4,552) | - |
| Non-recurring costs | - | (3,592) |
| Other net income (costs) | (45) | (124) |
| **Total other operating costs** | **(11,057)** | **(5,932)** |
| **Total other net operating income / (costs)** | **(9,375)** | **(1,110)** |

This item mainly included changes in the caption 'Provisions for risks and charges' already described in 'Note 13 – Provisions for risks and charges', losses on derivatives and changes in the heading 'Provision for bad debts' already described in 'Note 7 – Trade receivables'.

## *Depreciation, amortization and write-down (Note 22)*

The heading is composed as follows:

| | 2021 | 2020 |
|---|---|---|
| Depreciation of property, plant and equipment and write-downs | 7,013 | 6,544 |
| Depreciation of right of use assets: finance leases | 588 | 1,183 |
| Depreciation of right of use assets: operating leases | 1,836 | 2,181 |
| Amortization of intangible assets and write-downs | 930 | 748 |
| **Total depreciations, amortizations, and write-downs** | **10,367** | **10,656** |

The decrease in the item 'Depreciation of right of use assets: finance leases', totaling Euro 595 thousand, is due mainly to the inclusion in the comparable period figure of depreciation of machinery and other assets for mine production, acquired through finance leases by the Russian subsidiary LLC Razrez; following the exercise of the purchase option, depreciation of these assets was recognized in the item 'Depreciation of property, plant and equipment and write-downs' in 2021.

## *Net financial income / (expenses) (Note 23)*

This heading consists of the following financial income (expenses):

| | 2021 | 2020 |
|---|---|---|
| **Total financial income (expenses)** | **(5,255)** | **(5,301)** |

The category includes the following financial income:

| | 2021 | 2020 |
|---|---|---|
| Interest received | 102 | 212 |
| Dividends from other investments | - | 41 |
| **Total financial income** | **102** | **253** |

The item 'Interest received' amounted to Euro 102 thousand and mainly included interest received from banks on current and deposit accounts.

Financial expenses included the following:

| | 2021 | 2020 |
|---|---|---|
| Bank charges | (2,249) | (1,976) |
| Interest expenses | (2,936) | (3,368) |
| Interest expenses on operating leases (IFRS 16) | (172) | (210) |
| **Total financial expenses** | **(5,357)** | **(5,554)** |

The increase in bank charges is due to the greater business volume in the Commodities Division compared to 2020.

The decrease of Euro 432 thousand in the item 'Interest expenses' is mainly due to the reduction in reference bank rates.

### *Profit / (loss) on foreign exchange (Note 24)*

In addition to the exchange rate differences arising at the end of the financial period from the translation of assets and liabilities in other currencies, this heading also shows exchange rate differences realized during the financial period. The item also includes the impacts deriving from the currency hedges (Ruble). Details of exchange rate differences, both realized and not realized in 2021, and their comparison to the previous financial period, are shown in the table below:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | REALIZED | NON REALIZED | TOTAL | REALIZED | NON REALIZED | TOTAL |
| Exchange gains | 2,458 | 258 | **2,716** | 1,802 | 171 | **1,973** |
| Exchange losses | (1,689) | (87) | **(1,776)** | (2,090) | (2,056) | **(4,146)** |
| **Total exchange gains (losses)** | **769** | **171** | **940** | **(288)** | **(1,885)** | **(2,173)** |

### *Taxes (Note 25)*

The amount of the tax burden regarding the period was negative for Euro 9,890 thousand. It was calculated in conformity with existing statutory regulations and includes expected exemptions, elements of deferred taxation and, as far as Italian companies in the Group are concerned, the effects of adhesion to the tax consolidation produced by the holding company Fincler Srl.
The amount of taxation consists of the following:

| | 2021 | 2020 |
|---|---|---|
| Current taxes | (9,738) | 1,878 |
| Deferred taxes | (152) | 55 |
| **Total taxes** | **(9,890)** | **1,933** |

The amounts in the table below refer to deferred tax assets and liabilities held in the statutory balance sheets of Group companies and to the effects of consolidation recordings.

| | 2021 | 2020 |
|---|---|---|
| Deferred tax assets | 833 | 763 |
| Deferred tax liabilities | (3,623) | (2,684) |
| **Net balance of deferred tax assets (provision for deferred tax liabilities)** | **(2,790)** | **(1,921)** |

The balance of 'Deferred tax assets' and 'Deferred tax liabilities' includes deferred tax assets / liabilities resulting from the allocation of positive or negative income components with deferred taxation.

The tax assets and liabilities of Group companies, related to direct taxes, included in the taxation consolidation at 31 December 2021 were as follows:

| | RECEIVABLES | PAYABLES | TOTAL |
|---|---|---|---|
| Coeclerici SpA | 9,808 | - | **9,808** |
| IMS Technologies SpA | 1,494 | - | **1,494** |
| **Total receivables (payables) owing to tax consolidation** | **11,302** | **-** | **11,302** |

## *Information by operating segment and geographical area (Note 26)*

The information by operating segment for 2021 period is summarized in the following table:

| | COMMODITIES | INDUSTRY | HOLDING ADJUSTMENT | TOTAL |
|---|---|---|---|---|
| Revenues from sales and services | 588,898 | 63,951 | - | **652,849** |
| Operating profit (EBIT) | 53,111 | 139 | (10,918) | **42,332** |
| Net financial income / (expenses) | (3,432) | (622) | (1,201) | **(5,255)** |
| Net result | 40,513 | 171 | (12,557) | **28,127** |

The following table shows details of Group revenues from sales and services broken down by geographical area:

| | COMMODITIES | INDUSTRY | TOTAL |
|---|---|---|---|
| Africa | - | 1,169 | **1,169** |
| Americas | 38,709 | 9,012 | **47,721** |
| Asia and Australia | 408,003 | 30,342 | **438,345** |
| Russia and Middle East | 12,532 | 3,537 | **16,069** |
| Europe | 129,654 | 19,891 | **149,545** |
| **Total revenues from sales and services** | **588,898** | **63,951** | **652,849** |

## *Information regarding financial instruments (Note 27)*

### Financial derivative instruments

The Group has used hedging transactions (cash flow hedges) to cover the risks of oscillations in the RUB/USD exchange rates, the risk of fluctuating interest rates and the risk of changes in coal prices.

### Cash flow hedge

At 31 December 2021 currency transactions were in being which had the characteristics of cash flow hedges, and the variations to their fair value have been included net of the tax effects in equity under the heading 'Reserve related to the fair value of financial instruments', as shown in detail below:

| EXPIRY | AMOUNT (THOUSAND) | CURRENCY | USD/RUB FORWARD EXCHANGE CONTRACT RATE | NOTIONAL VALUE (USD/000) | FAIR VALUE AT 31/12/2021 (EUR/000) |
|---|---|---|---|---|---|
| Q1 2022 | 192,000 | RUB | 76.89 | 2,497 | 38 |
| Q1 2022 | 276,000 | RUB | 72.84 | 3,789 | (57) |
| Q1 2022 | 35,000 | RUB | 75.46 | 464 | (7) |
| Q2 2022 | 187,000 | RUB | 72.84 | 2,567 | (47) |
| Q2 2022 | 94,000 | RUB | 75.46 | 1,246 | (42) |
| **Total purchases** | | | | **10,563** | **(115)** |

| EXPIRY | AMOUNT (THOUSAND) | CURRENCY | USD/RUB OPTION STRIKE PRICE | NOTIONAL VALUE (USD/000) | FAIR VALUE AT 31/12/2021 (EUR/000) |
|---|---|---|---|---|---|
| Q1 2022 | 223,000 | RUB | 73.55 | 3,032 | 15 |
| Q2 2022 | 204,000 | RUB | 76.37 | 2,671 | 73 |
| Q2 2022 | 175,000 | RUB | 71.36 | 2,452 | 13 |
| Q3 2022 | 244,000 | RUB | 76.33 | 3,197 | 86 |
| Q3 2022 | 363,000 | RUB | 72.36 | 5,017 | 46 |
| Q4 2022 | 244,000 | RUB | 76.33 | 3,197 | 84 |
| Q4 2022 | 622,000 | RUB | 72.58 | 8,570 | 96 |
| Q1 2023 | 176,200 | RUB | 76.40 | 2,306 | 62 |
| Q1 2023 | 217,000 | RUB | 73.43 | 2,955 | 41 |
| Q2 2023 | 105,000 | RUB | 73.43 | 1,430 | 21 |
| Q3 2023 | 105,000 | RUB | 73.43 | 1,430 | 21 |
| Q4 2023 | 107,000 | RUB | 73.43 | 1,430 | 23 |
| Q1 2024 | 107,000 | RUB | 73.43 | 1,430 | 23 |
| **Total purchases** | | | | **39,117** | **604** |

| EXPIRY | AMOUNT (THOUSAND) | CURRENCY | USD/RUB COLLAR PRICE | | FAIR VALUE AT 31/12/2021 (EUR/000) |
|---|---|---|---|---|---|
| | | | LOWER MARGIN | SUPERIOR MARGIN | |
| Q1 2022 | 183,000 | RUB | 72.84 | 83.05 | 22 |
| Q1 2022 | 181,700 | RUB | 76.02 | 82.80 | 33 |
| Q1 2022 | 175,000 | RUB | 71.36 | 75.45 | (51) |
| Q2 2022 | 93,000 | RUB | 72.84 | 83.05 | (11) |
| Q2 2022 | 109,000 | RUB | 73.30 | 82.40 | (8) |
| Q3 2022 | 94,000 | RUB | 72.84 | 83.05 | (15) |
| Q3 2022 | 228,000 | RUB | 73.30 | 82.40 | (43) |
| **Total purchases / sales** | | | | | **(73)** |

Hedging transactions existed at 31 December 2021 relating to variations in the price of coal. Forward sales transactions at 31 December 2021, which displayed the characteristics of cash flow hedges, and whose variations in their fair value have been shown net of their tax effect in equity under the heading 'Reserve related to the fair value of financial instruments', are shown below:

| EXPIRY | AMOUNT (TONNES) | CONTRACT PRICE PER MT IN USD | NOTIONAL VALUE (USD/000) | FAIR VALUE AT 31/12/2021 (EUR/000) |
|---|---|---|---|---|
| Q1 2022 | 45,000 | 136.17 | 6,128 | 926 |
| Q1 2022 | 15,000 | 137.50 | 2,063 | (108) |
| Q2 2022 | 45,000 | 129.83 | 5,843 | 1,146 |
| Q2 2022 | 15,000 | 145.50 | 2,183 | 213 |
| Q3 2022 | 45,000 | 122.33 | 5,505 | 1,120 |
| Q3 2022 | 15,000 | 136.30 | 2,045 | 174 |
| Q4 2022 | 45,000 | 120.92 | 5,441 | 1,166 |
| Q4 2022 | 15,000 | 128.60 | 1,929 | 110 |
| **Total sales** | **240,000** | | **31,137** | **4,747** |

It should be noted that following the conflict in Ukraine, the prices of the reference coal price index increased significantly; therefore, in order to limit the financial risks associated with the negative fluctuations in the mark-to-market value of the existing hedging instruments (requests for integration of the guarantee margins by the clearing houses), almost all of the of hedging instruments have been liquidated, achieving a net loss of approximately USD 58 million (gross of the tax effect) that is entirely absorbed by the positive results achieved in the first four months of 2022.

To cover the risk of fluctuating interest rates on two loans to IMS Technologies, the following Interest Rate Swaps (IRS) were entered into, with the following characteristics:

| EXPIRY | AMOUNT (THOUSAND) | CURRENCY | FIXED CONTRACT RATE | NOTIONAL VALUE (EUR/000) | FAIR VALUE AT 31/12/2021 (EUR/000) |
|---|---|---|---|---|---|
| Q2 2022 | 167 | EUR | 1.75% | 167 | - |
| Q1 2026 | 2,000 | EUR | 1.50% | 2,000 | 2 |
| **Total IRS** | | | | **2,167** | **2** |

Summary of fair value of derivative financial instruments

The values and variations in the fair value of derivative instruments in existence at 31 December 2021 are shown in the table below:

| | 31/12/2020 | CHANGES IN EQUITY | CHANGES IN INCOME STATEMENT | 31/12/2021 |
|---|---|---|---|---|
| **Receivables** | | | | |
| IRS and foreign exchange market | 267 | 151 | - | 418 |
| Forward coal sales | - | 4,747 | - | 4,747 |
| **Total receivables** | **267** | **4,898** | **-** | **5,165** |
| **Payables** | | | | |
| IRS and foreign exchange market | (1) | 1 | - | - |
| **Total payables** | **(1)** | **1** | **-** | **-** |
| **Total net value** | **266** | **4,899** | **-** | **5,165** |

The fair value of all financial derivatives has been calculated on the basis of forward quotations of market indices at the reference date. The reserve in equity, which includes the fair value of financial instruments, is shown net of any taxation.

The table below shows an analysis of financial instruments at their fair value, grouped in levels from 1 to 3 on the basis of the ability to calculate their fair value:

- level 1, the fair value is determined by prices quoted in active markets;
- level 2, the fair value is determined by valuing techniques on the basis of variables which are, directly or indirectly, observable in the market;
- level 3, the fair value is determined by means of valuing techniques which are on the basis of significant variables which cannot be observed in the market.

| | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|
| **Financial assets** | | | |
| Available-for-sale | 1,104 | - | 144 |
| Hedging derivatives | - | 5,165 | - |
| **Total financial assets** | **1,104** | **5,165** | **144** |
| **Financial liabilities** | | | |
| Hedging derivatives | - | - | - |
| **Total financial liabilities** | **-** | **-** | **-** |

Financial instruments classified at level 1 are shares in listed companies, whose value is listed daily, and open investment funds.

Level 2 includes financial derivatives; in order to determine their market value, the Group uses the following model for measuring and evaluating them:

| TYPE | INSTRUMENT | PRICING MODEL | MARKET DATA USED | DATA PROVIDER | IFRS 7 HIERARCHY |
|---|---|---|---|---|---|
| **Foreign exchange / coal derivatives** | Forward / Option / Collar | Discounted cash flow | - Spot rate<br>- Zero coupon curve of reference currency | Bank of reference | Level 2 |
| **Interest rate derivatives** | IRS | Discounted cash flow | - Spot rate<br>- Reference rate curve | Bank of reference | Level 2 |

Instruments classified as level 3 refer to shares held at 31 December 2021 in closed-end investment funds.

### Other financial information

For completeness, some additional financial information is given below:

- 'Note 12 – Interest bearing liabilities and borrowings' summarizes the characteristics of the bank loans and gives their due dates;
- 'Note 23 – Net financial income / (expenses)' gives information about interest received and interest expenses relating to financial items.

## *Risks characterizing the Group's business (Note 28)*

The main risks connected with the Group's business, which are monitored and managed by Coeclerici SpA and its subsidiaries, are as follows.

### Commodity risk

The company's profit is affected by changes in the prices of the commodities and services it sells through its Commodities Division. The volatility of coal prices and freight rates generally lead to volatile operating profits and sales margins. The risks connected with the coal trading may be limited by:

- Back-to-Back transactions;
- undertaking commitments to purchase / sell coal and transport services (freight) at values mainly pegged to the API#2 and API#4 indices and partly to fixed values; prior inspection and approval of transactions according to the corporate policy.

Trading risks are assessed through:

- constant monitoring of all trading transactions, including the continuous monitoring of trading partners;
- periodic business projections and analysis of the effects of the main variables (freight rates and commodity indices).

As regards sources of coal supply, the Group has depended less on suppliers since the Group took over the Russian 'SC Kisk' mine in 2008.

### Exchange rate risk

Most of the Group's revenues and operating costs are recorded in currencies other than EUR (mainly USD and RUB). The Group manages the exchange rate risk, where it deems necessary, through forward currency transactions and foreign currency loans. In addition, loans are stipulated by the operating companies in the same currency as the revenues, where possible, in order to attenuate exchange rate oscillations.

### Interest rate risk

Funding by the Coeclerici Group is at both variable and fixed rates. The Group's policy is to monitor the trend in interest rates and the long-term forecasts in order to make sure that financial expenditure is always sustainable. In the current market situation, the Group does not consider it wise to engage in hedging transactions with the aim of stabilizing interest rates over time, with the exception of the execution of two interest rate swap contract described in 'Note 27 – Information regarding financial instruments'. In a risk sensitivity assessment, it was estimated that a 10% increase in market interest rates compared to those actually applied during 2021, would have had a negative effect of Euro 306 thousand on the 2021 income statement and of Euro 311 thousand on equity.

### Credit risk

Credit risk is the Group's exposure to potential losses deriving from the failure of trading partners to comply with their commitments. Commercial credit management is entrusted to the business units, in agreement with the Holding, on the basis of formal risk assessment procedures, including debt collection and any dispute proceedings. Furthermore, all outstanding receivables are monitored monthly by Division credit committees, including regular prospective analysis of credit limits.

The credit position of certain customers with a degree of financial risk identified by scores representing levels of risk is monitored with even daily frequency.

Credit risk hedging is mainly carried out through the following instruments:

- confirmed letters of credit (bank guarantees) in the Commodities Division;
- commercial credit insurance by leading insurance agencies (SACE B.T. SpA and Credendo), in the Commodities Division;
- collection of advances from customers to an extent appropriate to the counterparty and type of product object of the sale at the signing of the contract and, subsequently, at the achievement of specific stages of completion, in the Industry Division;
- letters of credit issued at the time equipment is shipped at the customers' plants for the Industry Division.

### Liquidity risk

Liquidity risk is the risk that financial resources may not be available or are only available at high cost. Thanks in part to the use of the credit system, the structure of the Coeclerici Group's sources of finance is diversified and makes sufficient sources of finance available to satisfy foreseeable financial needs both in the short term and in the medium-long term. Moreover, corporate liquidity risk management aims to ensure a suitable level of operational elasticity for the Group's development programmes.

The Commodities Division needs to finance its working capital, especially the down payments made to Russian suppliers for the purchase of commodities. This need is mainly met by short-term borrowing through bank loans.

With regard to the Industry Division, the financial requirements associated with the performance of the activities are satisfied initially by means of the negotiation of advances from customers to an extent in line with the counterparty and the type of product being sold, at the signing of the contract and also, subsequently, at the achievement of specific stages of completion; this solution also complies with the need to protect oneself from the risk of insolvency of the counterparty. Secondly, the Division resorts to short-term bank advances on receivables due to mature in the future or on contracts which will be achieved. With regard to the investments relating to tangible fixed assets, typically associated with those linked to the purchase of new machinery, the Division has access to medium-term unsecured loans or leasing agreements, entered into with leading financial counterparties. With a view to the optimization of the resources at Group level, intercompany loans are implemented, provided under normal market conditions.

### Political risk

The Group's business takes place through investments all over the world. In the case of investments made in a country considered to be politically 'at risk', the Group protects itself where possible with a specific investment insurance policy drawn up with a leading insurance company, SACE SpA. These investment insurance policies protect companies that set up or hold shares in foreign companies or that make indirect investments through foreign companies controlled by the Italian company. These policies cover the risk of losses in capital, earnings, interest and amounts owed to the Italian company or its subsidiaries in connection with the investment, caused by the following political events: expropriation and other acts of absolute power, currency restrictions and moratoriums, force majeure events and civil unrest.

### Industry Division operational risk

The operational risk of the Industry Division is mainly associated with the activities for the construction, assembly and testing of the machines (normally certain levels of performance are guaranteed), both in the plants used by the Group and at the time of installation at the customers' production sites. These risks, which may concern both damages to individuals involved in the production cycle and damages to machinery and structures, owned by the Group or the customers care of which the products are installed, are mitigated in the first place by means of the adoption of all the highest safety solutions, which regard both the work environment and the products sold, which observe the highest legislative standards; secondly, by means of recourse to insurance instruments taken out with leading market operators, aimed at covering the most diverse risks inherent to the various production, transportation and installation / functioning phases at the customers' production sites.

### Operational risk of extraction

As far as the Mining Division is concerned, the operational risks arising from mining activities are mitigated by the usual civil liability insurance for any damages caused by the use of equipment to move the coal once extracted, as well as the compulsory protection regarding cover for professional accidents.

## *Obligations and guarantees (Note 29)*

### Obligations relating to derivatives

The existing derivatives are shown in 'Note 27 – Information regarding financial instruments' and concern forward transactions on the foreign exchange, on API#2 and Newcastle coal market quotation and on interest rate markets.

### Obligations relating to financial investments

'Obligations relating to financial investments' are shown in the following table:

| | YEAR OF SUBSCRIPTION | OVERALL COMMITMENT | SUBSCRIBED AMOUNT | DISTRIBUTIONS | RESIDUAL COMMITMENT |
|---|---|---|---|---|---|
| Hao Capital Fund II L.P. | 2008 | 883 | 750 | 560 | 133 |
| **Total financial investments** | | **883** | **750** | **560** | **133** |

### Hao Capital Fund II L.P.

The 'Hao Capital Fund II L.P.' is a private equity fund investing in the Chinese market. During 2008, the Group took on the commitment to buy the shares, at a cost of USD 1 million equal to Euro 883 thousand at 31 December 2021. The financial investment was recorded to its market value of Euro 144 thousand, as indicated under the heading 'Available-for-sale financial assets'.

### Guarantees issued

At 31 December 2021, guarantees given to third parties stood at Euro 37,229 thousand, and are illustrated below:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Bank guarantees | 37,229 | 26,961 |
| **Total guarantees issued** | **37,229** | **26,961** |

The increase is due to a bigger number of bank guarantees issued to clients of the Industry Division to ensure proper performance of work in progress, owing to the large increase in the order intake for the year.

### Guarantees received

At 31 December 2021, guarantees received by third parties are illustrated below:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Bank guarantees | - | 3,000 |
| **Total guarantees received** | **-** | **3,000** |

## *Related party transactions (Note 30)*

During the financial period, a number of transactions were conducted with the holding company, Fincler Srl, in the tax consolidation of the Group whose holding company is also the consolidating company, as described in 'Note 5 – Other non-current assets'. Furthermore, a property lease is in effect between the Company and its direct holding company, Fincler Srl, referring to archives and parking places at Piazza Generale Armando Diaz, 7 – Milan.

The Chairman of the Board of Directors and the CEO of Coeclerici SpA is a Group's shareholder and Chairman of the Board of Directors of the subsidiary IMS Technologies. In accordance with provisions of the Parent Company's articles of incorporation, 1% of any consolidated profit for the previous year must be transferred to the Paolo Clerici Foundation.

## *Other information (Note 31)*

### Staff costs

Personnel costs for 2021 totalled Euro 45,671 thousand (Euro 42,536 thousand in 2020), of which Euro 6,937 thousand related to personnel at the Russian mine (Euro 7,326 thousand in 2020), Euro 10,397 thousand related to personnel involved in the design and production of industrial machines (Euro 10,529 thousand in 2020) and Euro 28,337 thousand related to staff personnel (Euro 24,681 thousand in 2020).
The average composition of employees was as follows:

| | 2021 | 2020 |
|---|---|---|
| Executives | 31 | 24 |
| White Collars | 397 | 405 |
| Blue Collars | 162 | 177 |
| Miners | 623 | 621 |
| **Total employees** | **1,213** | **1,227** |

### Information required by Law 124/2017

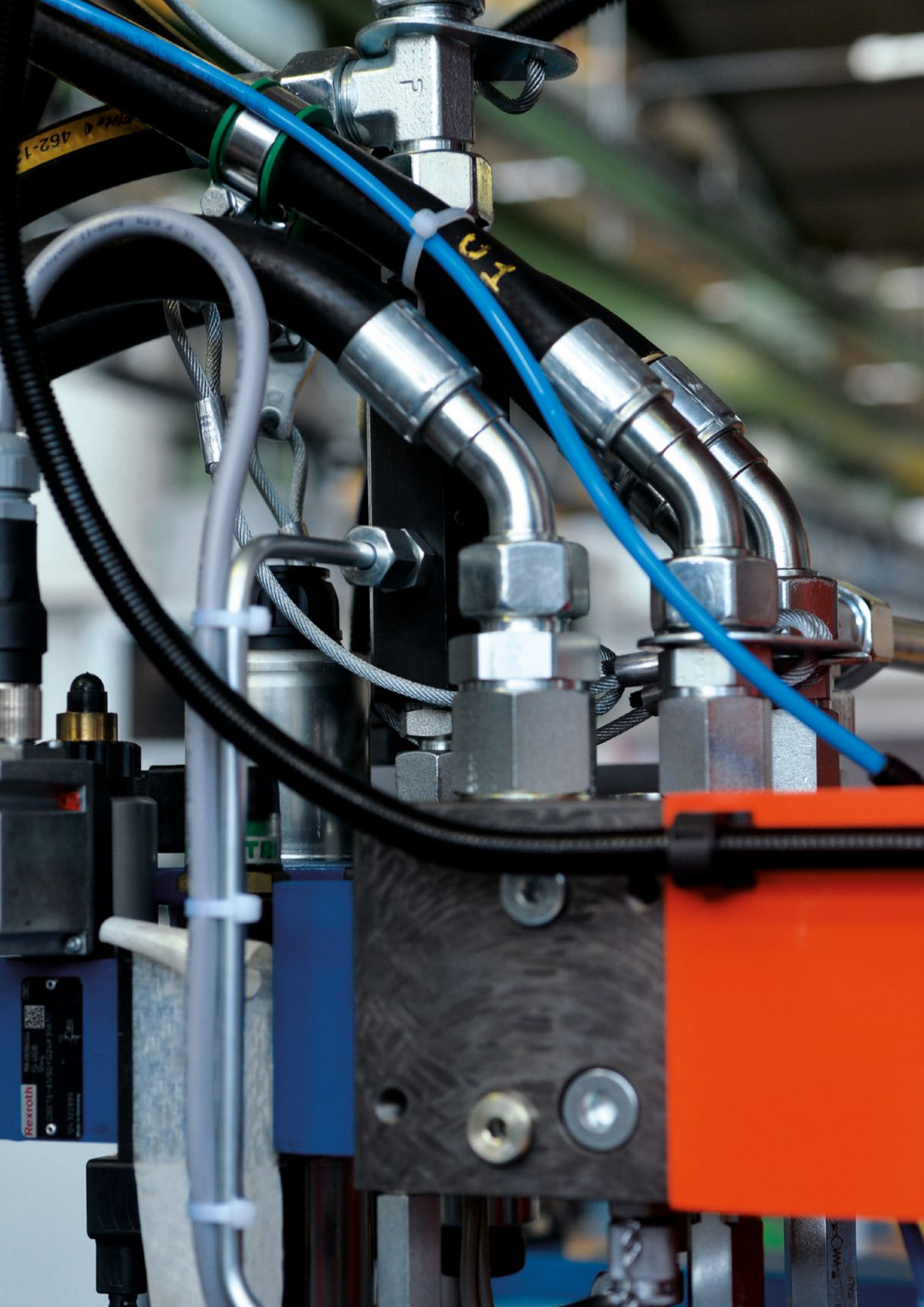
Starting with the financial statements for 2018, Law No. 124 of 4 August 2017 introduced certain transparency requirements for entities that receive 'subsidies, contributions, paid jobs and economic benefits of any kind' from public administrations or from a number of entities similar to them, with whom they have an economic relationship.
Based on the fact that this law raised interpretation and application questions that are still unresolved, the Group performed the necessary investigations, and, in addition, based on the most recent guidelines, it believes that the following do not need to be published:

- amounts received as compensation for public works, services and supplies;
- paid jobs considered to be the typical business activities;
- general measures that can be taken by all entities falling under the overall structure of the reference system determined by the state (for instance ACE);
- selective economic benefits, received pursuant to an aid mechanism available to all businesses that meet certain conditions on the basis of general predetermined criteria (for example subsidies for research and development projects and tax relief);
- public resources attributable to government entities in other (EU or non-EU) states and European institutions;
- training subsidies received from interprofessional funds (for example Fondimpresa and Fondirigenti) since they are funds in the form of an association and are of the same legal nature as entities under private law that are funded by contributions paid by such companies.

During the financial year, the Italian entities did not receive any contribution that fall into the category of gifts or other ad hoc public aid, or any donations that are not provided on the basis of a certain mechanism.

## *Subsequent events (Note 32)*

With regard to the events and situations indicated in the 'Outlook' paragraph of the Directors' Report concerning the developments in the conflict in Ukraine, it must be pointed out that the potential impact on the Group's financial situation should be regarded as an event that will not result in any changes to financial statement balances pursuant to IAS 10 – Paragraph 21.
Mention should be made of the agreement reached in January 2022, to the full satisfaction of all parties, regarding an extension of the expiry of the existing syndicated line from December 2023 to December 2026.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## APPENDIX 1
## LIST OF COMPANIES CONSOLIDATED USING FULL CONSOLIDATION METHOD

| NAME | REGISTERED OFFICES | CURRENCY | SHARE CAPITAL | EQUITY SHARE |
|---|---|---|---|---|
| Beijing GOEBEL Slitting Technologies Co., Ltd | China | Cny | 889,083 | 100.00% |
| Nuevaco Imobiliaria Srl | Dominican Republic | Dop | 90,696,000 | 99.98% |
| Goebel Schneid- und Wickelsysteme GmbH | Germany | Eur | 1,500,000 | 100.00% |
| CGU Logistic Pvt Ltd | India | Inr | 151,379,000 | 100.00% |
| IMS Technologies SpA | Italy | Eur | 4,470,000 | 100.00% |
| SC Kuznetskaya Investitsionno – Stroitelnaya Compania ("Kisk") | Russia | Rub | 1,060,000,000 | 100.00% |
| LLC Coeclerici Russia | Russia | Rub | 4,000,000 | 100.00% |
| LLC Razrez Korciakolskij | Russia | Rub | 40,000,000 | 100.00% |
| LLC Scc-Rozko | Russia | Rub | 13,381,000 | 100.00% |
| LLC Yuzhno – Kuzbasskoe promyshlenno – transportnoe upravlenie ("Ptu") | Russia | Rub | 10,000 | 100.00% |
| Selskohozyaistvennoe predpriyatie Taylepskoe | Russia | Rub | 125,600,000 | 100.00% |
| Coeclerici Far East (Pte) Ltd | Singapore | Usd | 10,000,000 | 97.50% |
| Coeclerici Commodities SA | Switzerland | Chf | 10,000,000 | 100.00% |
| Elvezia Immobiliare SA | Switzerland | Chf | 1,300,000 | 100.00% |
| IMS Technologies Inc. | United States | Usd | 10 | 100.00% |
| Kasper Machine Co | United States | Usd | 399,000 | 100.00% |
| Bulkguasare de Venezuela SA | Venezuela | Vef | 24 | 100.00% |

## APPENDIX 2
## COMPARISON OF EQUITY OF COECLERICI SPA AND THAT OF GROUP

| | NET RESULT | EQUITY |
|---|---|---|
| **Coeclerici SpA at 31 December 2021** | **3,565** | **78,152** |
| Net result and equity recorded by consolidated companies | 38,755 | 120,887 |
| Consolidation adjustments: | | |
| - elimination of transactions between consolidated companies with exception of intercompany dividends and holdings in subsidiaries | (7) | (128,381) |
| - application of IAS/IFRS international accounting principles | 1,253 | 7,307 |
| - elimination of intercompany dividends | (15,527) | - |
| **Coeclerici Group at 31 December 2021** | **28,039** | **77,965** |

## TECHNICAL GLOSSARY

**API#2 (cif ARA):** Average Coal Price Index (cost insurance freight on the Amsterdam-Rotterdam-Antwerp route). Average weekly coal price index including cost of freight on Amsterdam-Rotterdam-Antwerp route.

**API#4 (fob Richards Bay):** Average Coal Price Index (free on board on the Richards Bay port). Average weekly coal price index without freight cost referring to port of Richards Bay (South Africa).

**IRS:** Interest Rate Swap, a contract with which two parties agree to exchange payments, calculated on the basis of differing and pre-defined interest rates applied to a notional capital, for a period of time previously defined at the moment the contract is drawn up.

**PCI:** Pulverized Coal Injection. Coal used in steelworks, whose main characteristics are a low ashes content and a high heatproducing power.


COMPOSITES & ROLLS

# AUDITORS' REPORT

Building a better working world

EY S.p.A.
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ey.com

## Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

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

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Coeclerici Group (the Group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of Coeclerici S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

We draw your attention to paragraph "Outlook" of the Director's Report where it is disclosed that the Group's results are significantly influenced by the commercial activity, mainly in Europe, of the coal produced by the mine owned by the Group located in Russia, and where the Directors illustrate both the actions they intend to implement in response to the sanctions introduced by the European Regulation dated 8 April 2022, which provide for the prohibition to purchase, import or transfer to the European Union, directly or indirectly, coal and other fossil fuels either they are produced in or are exported from Russia, and the reasons on which basis they prepared the financial statements adopting the going concern assumption.
Our opinion is not qualified in respect to this matter.

EY
Building a better working world

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Coeclerici S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## Report on compliance with other legal and regulatory requirements

### Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Coeclerici S.p.A. are responsible for the preparation of the Director's Report of Group Coeclerici as at 31 December 2021, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Director's Report, with the consolidated financial statements of Coeclerici Group as at 31 December 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Director's Report is consistent with the consolidated financial statements of Coeclerici Group as at 31 December 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milano, 9 May 2022

EY S.p.A.
Signed by: Renato Macchi, Auditor

*This report has been translated into the English language solely for the convenience of international readers.*

# BOARD OF STATUTORY AUDITORS' REPORT

**Report of the Board of Statutory Auditors pursuant to article 2429, second paragraph, of the Italian Civil Code.**

**To the Sole Shareholder of Coeclerici S.p.A.**

**Introduction**

During the financial year ended at December 31, 2021, the Board of Statutory auditors carried out the functions provided for by Article 2403 et seq. of the Italian civil Code, and those provided for by Article 2409 - bis of the Italian Civil Code were carried out by the auditing firm EY SpA.

During the year ended December 31, 2021 our activity was inspired by the provisions of the law and the Rules of Conduct of the Board of Statutory Auditors issued by the National Council of Chartered Accountants and Accounting Experts, in respect of which we carried out the self-assessment, with a positive result, for each member of the statutory auditor board.

**Supervisory activities pursuant to Article 2403 et seq. of the Italian Civil Code**

We have monitored compliance with the law and the articles of association as well as compliance with the principles of correct administration.

We have attended the shareholders' meetings and the meetings of the Board of Directors, in relation to which, on the basis of available information, we have not found violations of the law and the articles of association, nor operations manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of corporate assets.

During the meetings held, the Board of Directors and the Chief Executive Officer provided us with information on the general management trend and its foreseeable evolution, as well as on the most significant transactions, due to their size or characteristics, carried out by the company and its subsidiaries; based on the information acquired, we have no particular observations to report.

We have met the supervisory board and no critical issues emerged regarding the correct implementation of the organizational model that should be highlighted in this report.

We have acquired knowledge and supervised, as far as we are responsible, on the adequacy and functioning of the company's organizational structure and of the measures taken by the administrative body to deal the emergency situation related to the Covid -19 pandemic, also by collecting information from the heads of the departments and in this regard we have no particular observations to report.

We examined and monitored, within the scope of our responsibilities, the adequacy and functioning of the administrative and accounting system, also with reference to the impacts of the emergency Covid-19 on the computer and telematic systems, as well as its reliability in correctly representing the management situation, by obtaining information from managers and the examination of company documents, and in this regard, we have no particular observations to report.

No complaints were received from the shareholders pursuant to Article 2408 of the Italian Civil Code.

The Board of Auditors did not issue the opinions envisioned by the law during the financial year.

During the carrying out of supervisory activities, as described above, there were no other significant events that would require mention in this report.

**Comments regarding the statutory financial statements and the consolidated financial statements**

Given the company's nature as an holding company, particular attention must be given to the consolidated financial statements that are presented for appropriate information and knowledge.

In this regard, we point out that the Group has voluntarily adopted the IAS/IFRS international accounting standards for the preparation of the consolidated financial statements.

With regard to the consolidated financial statements of the Group as at 31.12.2021, we specify the following.

Since we are not responsible for analytical control of the content of the consolidated financial statements, we have monitored the general approach given to it and its general compliance with the law as regards its formation and structure and in this regard we have no particular observations to report.

In the meetings held with the statutory auditor EY SpA we have examined the analytical list of the companies included in the scope of consolidation, we have gathered information on the various levels of control and examined the main consolidation principles adopted. Regarding the possible existence of weaknesses found in the instructions provided to the investee companies and of differences with the accounting principles of the parent company, the auditing company did not report any findings.

The statutory auditor EY S.p.a. has released the report pursuant to art. 14 of Legislative Decree no. 39/2010 stating that both the staturory financial statements and the consolidated financial statements provide a truthful and correct representation of the financial position of the COECLERICI S.p.a. and of the COECLERICI Group, of the economic result and of the cash flows for the year ended December 31, 2021, in compliance with OIC accounting principles, as regard the statutory financial statements and, in compliance with IAS/IFRS, as regard the consolidated financial statements and on the consistency of the directors' reports related to the statutory financial statements and the consolidated financial statements, expressing a positive opinion for both.

We want to pay attention to the paragraph "Outlook" of the directors' reports, both for the statutory financial statements and for the consolidated financial statements, in order to the actions that the directors intend to take to deal with the sanctions introduced by the European Union, containing restrictions on the trading of coal produced by the coalmine owned in Russia.

To the best of our knowledge, the directors, in drafting the financial statements, did not derogate from the provisions of the law pursuant to Article 2423, paragraph 4, of the Italian Civil Code.

**Observations and proposals regarding the approval of the financial statements**

Considering the results of the activity carried out by us the board of Statutory Auditors proposes to the shareholders to approve the financial statements for the year ended December 31, 2021, as prepared by the directors.

The board of Statutory Auditors agrees with the proposed allocation of the operating result made by the directors in the explanatory notes.

Milan, May 9th 2022

The Board of Statutory Auditors

Guglielmo Calderari

Maurizio Dragoni

Isabella Resta

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