ROSETTI MARINO

Consolidated Financial Statements

31 December 2020

Approved by the BoD on 31/03/2021

I N D E X

1. DIRECTORS' REPORT ON OPERATIONS,

ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

Dear Shareholders,

The consolidated financial statements of the Group for 2020 report a net loss of Euro 32,604 thousand after depreciation and amortisation of Euro 6,200 thousand and impairment adjustments/writedowns of Euro 2,315 thousand.

The result for the year clearly reflects the overwhelming impact of the Covid-19 market on the market. The Energy segment has been hit particularly badly with the heightening of the price war between oil producing countries as they sought to make up for the slump in revenues by increasing production but were faced with stagnant demand. The consolidated loss for the year is the combination of the losses reported by all Group companies, in Italy and abroad, with the sole exception of subsidiary Fores Engineering S.r.l. The result was influenced, in particular, by an increase in costs to manage the pandemic emergency, by the need to renegotiate contractual terms and delivery dates with clients and, finally, by the temporary suspension of investment on new Energy facilities imposed on the oil companies by market conditions which underwent sudden, drastic change to an extent previously unseen. We also note that a hefty loss was recorded notwithstanding the important cost containment measures – for both indirect and direct costs – that were adopted. These included a suspension on recruitment and general cuts in external costs for all Group companies, accessing of social safety nets in Italy, salary reductions for expatriates who worked from home for foreign companies, significant utilisation of accumulated holidays by management and cuts to investment/capex. Although the reported results are clearly unsatisfactory, unexpected and far off the forecasts that were being made until last January, the loss is much smaller than it would have been without the exceptional efforts of personnel and Management who proved highly capable of reacting to the difficulties and demonstrated a great spirit of sacrifice that we believe merits your and our gratitude.

OPERATING PERFORMANCE

The year ended 31 December 2020 was greatly conditioned by the Covid-19 pandemic which triggered a 39.46% slump in volume of production (GIP of Euro 205 million in 2020 against Euro 339 million in 2019). The decrease was recorded in all operating segments but, most significantly, in the Energy Business Unit which, alone, recorded a Euro 124 million decrease.

The measures taken by Group Management to contain the negative economic effects of the pandemic have been greatly effective in reducing the general expenses of the various Group companies compared to their original Budgets. However, in general, these efforts were insufficient to cover the increase in operating costs which excluded because of the restrictions that were imposed and the precautions that had to be taken in response to the various waves of Covid-19. These factors hit the various geographical areas where the Group operates to an increasing extent throughout 2020.
A range of measures have been adopted by the various Group companies to contain fixed costs. These have mainly involved accessing social safety nets where available, encouraging maximum use of accumulated leave entitlement and major cuts to external costs.
Moreover, we highlight two extraordinary actions that will produce positive, structural effects going forward: the absorption of subsidiary Basis Engineering S.r.l. of Milan into the Parent Company in the reporting period just ended and the decision to withdraw from several geographical areas of limited strategic importance with steps already taken to close or sell local companies or branches. With the sole exception of subsidiary Fores Engineering S.r.l., the containment of general expenses was insufficient to cover the sharp increases in operating costs due to significant delays in the design and shipment of materials by suppliers, the startling slump in productivity of blue collar workers (aggravated by the effort to reduce delays over engineering and materials), a series of burdensome issues regarding movements of personnel and vendors abroad and to sites because of travel restrictions and quarantine requirements, a significant increase in costs because of extra time required for projects and, also, the multiplication of additional expense items – albeit to a minor extent – regarding the management and procurement of personal protective equipment, access controls and social distancing in operating areas.
The oil price slump and uncertainty on the energy market had an adverse effect on the volume of new projects acquired for all Group companies.
In some countries of interest to the Group, this situation had to be

viewed against the background of difficult dialogue between major investing oil companies and local governments. This was the case in Kazakhstan and, even more so, in Nigeria where the activities of the local subsidiary Rosetti Pivot Ltd were effectively put on hold. This led to a significant reduction in the Group's order backlog (Euro 124 million at 31 December 2020 against Euro 246 million at 31 December 2019). However, Management can highlight a new development that lets us look ahead with greater confidence to the Group's near future. In fact, the suspension of investment in energy facilities during the last year and the resulting fall in production (one of the reasons behind the recent rise in oil prices) has reawakened great interest on the part of the oil companies in relaunching those projects that were on hold in 2020.
The consequence of this situation is the Group companies are now involved in major negotiations not seen for around two years. The Parent Company is currently involved in numerous negotiations for offshore projects in both the Oil&Gas and Wind Power segments while the same is true for other Group companies, especially Rosetti Pivot Ltd in Nigeria and the companies and branches that cover the Arabian Gulf.

A selection of the key performance indicators is provided below:

	31.12.20	31.12.19
G.I.P. (in thousands of Euro)	205,025	338,632
(A1+A2+A3 of the income statement)		
EBITDA (in thousands of Euro)	(32,671)	33,383
(A+B-10-12-13 of the income statement)		
EBITDA / GIP	-15.94%	9.86%
EBIT (in thousands of Euro)	-40,423	25,233
(A+B of the income statement)		
EBIT / GIP	-19.72%	7.45%
Profit before tax (in thousands of Euro)	-40,866	28,240
(item 22 of the income statement)		
Profit before tax / GIP	-19.93%	8.34%
Net profit (in thousands of Euro)	-32,604	4,470
(item 23 of the income statement)		
Net profit / GIP	-15.90%	1.32%
R.O.E	-17.90%	2.49%
(Net profit / Opening Group equity)		

It should be noted that the interim performance indicators shown in the above table – in particular, EBITDA and EBIT – are not specifically defined under Italian GAAP. Therefore, the methods applied by the Group to determine them might not be consistent with those used by other companies and/or groups in the industry and, consequently, the figures might not be suitable for comparison.

An analysis of the various business segments in which the Group operates is provided below. Please refer to the Notes to the Financial Statements for more detailed analysis of the numbers themselves:

Energy Business Unit
With value of production of around Euro 165 million in 2020 (Euro 291 million in 2019), the energy segment was confirmed as the Group's main operating segment.
For the reasons outlined above, the Energy Business Unit was characterised, commercially, by a wholly unsatisfactory volume of new order acquisitions (around Euro 41 million) and operating activities, while dealing with the enormous difficulties, were concentrated almost entirely on contracts acquired in prior years. The sharp fall in the volume of work was due to the various lockdowns, to the slump in productivity and to the restrictions on the movement of people (personnel of Group companies, clients, vendors and sub-contractors) that were introduced in Italy and abroad in response to the Covid-19 pandemic. The pandemic significantly delayed progress with contracts and led to a major increase in direct costs.
The economic effects of this situation were very serious and it has been possible to ease them only partially with the contributions that clients have recognised so fare in favour of Group companies. However, Management believes it is worth recalling that contract work in progress in 2020 was valued based on a criterion of absolute prudence and no consideration was given to the possible benefits of negotiations – still ongoing with all clients – regarding the coverage of at least part of the extra costs incurred by the various companies as a result of the pandemic.
From a commercial perspective, as already indicated, the year was characterised by an order backlog depressed by the fall in demand and by the general climate of uncertainty on the energy market, once more primarily because of Covid-19. However, in this case, too, we

must highlight grounds for positivity. The global decline in production of hydrocarbons and other energy resources in 2020 was absorbed during the year by the sharp fall in demand but current production levels are now wholly inadequate to sustain the post-pandemic restart. This is driving oil companies to relaunch investment projects that have been on hold now for more than a year and a half and, at present, the Parent Company, is in the closing stages of negotiations for various, important projects in both the Oil&Gas and Offshore Wind segments that could yield significant benefits for the other Italian Group companies, too. Furthermore, important new order acquisitions by Rosetti Pivot Ltd in Nigeria are also expected in the near future.
Finally, a strong recovery is also expected on the Arabian Gulf market where subsidiary Rosetti Ali & Sons Llp operates and where the decision has been taken to make the business venture in Qatar more permanent by transforming the local branch of the Parent Company into a company incorporated under Qatari law.
The last important matter worth highlighting is that, in 2020, negotiations got underway for the acquisition by the Parent Company of a 60.00% equity stake in GM Green Methane S.r.l., a small company that is technology leader in the separation of Biomethane from Biogas and in the capture of CO2. The negotiations were successfully concluded at the start of 2021 and have brought GM Green Methane S.r.l. into the Group. This represents another step forward for the strategy of product diversification, moving away from Oil&Gas and towards renewable energy and the Circular Economy.

Shipbuilding Business Unit

Shipbuilding activities were also greatly affected by the pandemic but production continued to recover and value of production totalled Euro 6 million (Euro 7 million in 2019).
Despite this recovery, the volume of work carried out was much lower than expected, for the reasons already explained in relation to the Energy Business Unit. The Shipbuilding Business Unit has also recorded major delays in progress with works, delivery postponements and sharp increases in direct costs.
The Shipbuilding Business Unit also recorded a fall in new order acquisitions and they totalled around Euro 3 million. New orders regarded an aluminium yacht hull and a series of orders on the Repair&Refit market, the only business area that did not stop work

even during the total lockdown in Italy.
The reduction in sales for the Shipbuilding Business Unit has not been caused by a fall in demand. Rather, the restrictions on movement imposed in response to the Covid-19 pandemic made it difficult to manage commercial relations with foreign shipowners who constitute the target clients of subsidiary Rosetti Superyachts S.p.A..
From an operational perspective, the greatest difficulties were encountered by the LNG carrier project (tugboat and barge), which was badly hit by late deliveries by several key vendors. However, cost increases were also registered in relation to the 38m yacht and the 42m aluminium hull. While it was not possible to ask the yacht owner for a contribution, negotiations are underway with the owner of the LNG carrier with the aim of recovering at least part of the costs incurred due to the pandemic.

Process Plants Business Unit
This business segment is entirely handled by subsidiary Fores Engineering and its associated companies. In 2020, it generated value of production of around Euro 34 million against around Euro 40 million in 2019.
Although the pandemic caused a reduction in volumes, the projects acquired have recorded acceptable average margins and profitability has been only partially affected by the restrictions and limitations that characterised 2020. It is worth highlighting the positive effect on the reporting period of a project for the supply of a telecommunications system for the Russian market.

CAPITAL EXPENDITURE

In 2020, the Group incurred capital expenditure totalling Euro 2,386 thousand with Euro 166 thousand invested in intangible assets and Euro 2,220 thousand in tangible assets.
Investments in tangible assets mainly regarded associated company Kazakhstan Caspian Offshore Industries Ltd and, to a lesser extent, the production sites of the Parent Company. The investments aimed to improve both production facilities and infrastructures. The level of capital expenditure confirms the Group’s commitment to becoming ever more competitive while operating safely and respecting the environment.

We note that both the Parent Company and subsidiary Fores Engineering S.r.l. have made use of the possibility under Article 110 of Decree Law no 104/2020, the “August Decree”, as converted into Law no 126/2020, published on S.O. no 37/L of Official Gazette no 253 of. 13.10.2020. Consequently, they have revalued some of the land owned by them at three production sites (via Trieste, Piomboni Yard and S. Vitale Yard) by a total of Euro 28,896 thousand and have revalued land with planning permission in the Municipality of Forlì by a total of Euro 1,428 thousand. For revaluation purposes, reference was made to fair value per appraisals carried out by independent third parties.
Part of the revaluations (Euro 7,537 thousand) was performed for statutory reporting and tax purposes while the remainder (Euro 22,787 thousand) was performed for statutory reporting purposes only. With regard to the revaluation for both statutory and tax purposes, provision has been made for substitute taxes of Euro 226 thousand and a reserve of Euro 7,311 thousand subject to taxation upon distribution was created. Meanwhile, with regard to the revaluation for statutory reporting purposes only, a deferred tax provision of euro 6,358 thousand was created together with a reserve of Euro 16,429 thousand subject to taxation upon distribution.

FINANCIAL SITUATION

For a more detailed analysis of cash flows during the year, please see the Group’s consolidated financial statements and, in particular, the statement of cash flows.
At this point, we would highlight the fixed asset coverage ratio (amply financed through equity) and the net financial position which remains comfortably positive despite a slight decrease compared to prior year.
Financial fixed assets mainly include: a receivable from associated company Rosetti Pivot Ltd entirely consisting of the outstanding Euro 366 thousand of a loan granted to that company to meet its financing requirements during the start-up phase and until the start of its operating activities; and a receivable from associated company Rigros S.r.l. representing 50% of a loan totalling Euro 1,550 thousand made to that company to enable it to finance the purchase a plot of industrial land next to the Parent Company’s headquarters. These loans bear interest at arm’s length rates.

Some of the most important financial and equity ratios are shown below:

	31.12.20	31.12.19
Short-term NFP (in thousands of Euro)	65,098	120,207
(CIII + CIV of Assets – D4 current of Liabilities)		
Fixed asset coverage margin (in thousands of Euro)	123,804	155,370
(M/L term liabilities + total equity – fixed assets)		
Fixed asset coverage ratio	1.99	2.50
(M/L term liabilities + total equity / fixed assets)		
Financial independence index	50.64%	48.87%
(Total equity / Total assets)		
Ratio of financial income(expenses) to GIP	0.36%	0.20%
(Financial income and expenses / GIP)		

It should be noted that "Net financial position" is not specifically defined under Italian GAAP. Therefore, the methods applied by the Group to determine it might not be consistent with those used by other companies and/or groups in the industry and, consequently, the figure might not be suitable for comparison.

With regard to the financial risks relating to trade receivables, we note that the Group operates primarily with longstanding clients, including leading oil companies or their subsidiaries and leading Italian shipping companies. Given the longstanding relationships with clients and their financial soundness, no specific guarantees are required for receivables from clients. However, we note that, as the Group tends to operate on a few, very large contracts, its receivables are highly concentrated on a small number of clients. Given this fact, it is standard practice before acquiring an order, to conduct a thorough assessment of the financial impact of that order and a prior evaluation of the client's financial situation and to continue to monitor outstanding receivables thoroughly during performance of the work.
The Group has a healthy, positive net financial position and has obtained a good rating from the banks with which it deals. Accordingly, there are no difficulties in raising financial resources or risks associated with interest rate fluctuation.
The Group is exposed to the exchange rate risk as a result of its operations on international markets. In order to protect itself against this risk, as in previous years, the Group has arranged exchange rate

risk hedging transactions when it has acquired significant orders from clients in foreign currencies and issued significant orders to suppliers in foreign currencies.
It should be noted that when business is conducted in countries whose local currencies are not easily traded and are subject to significant fluctuation, it is not possible to perform effective exchange risk hedging.

PERSONNEL

For all of the Group companies – including the Parent Company – the skill and professionalism of personnel are viewed as extremely important intangible assets.
Unfortunately, the lockdown introduced in response to the Covid-19 pandemic made it impossible to continue with training initiatives in 2020, especially with regard to the project called "Rosetti Academy" which is designed to train and develop the Group's managers of the future.
As at 31 December 2020, the headcount came to 1,078 employees, a net decrease of 182 compared to 31 December 2019.
Some 50 employees were hired while 232 employees left the workforce due to natural turnover. In further detail, it should be noted that the number of senior managers increased by 1 while white-collar workers and blue-collar workers decreased by 128 and 55, respectively.
Headcount decreases were recorded by Kazakhstan Caspian Offshore Industries Llp (-93), Parent Company Rosetti Marino S.p.A. (-68, including employees taken on by foreign subsidiaries), Rosetti Kazakhstan Llp (-15), Fores Engineering S.r.l. (-3, including employees taken on by foreign subsidiaries, Tecon S.r.l. (-2, including employees taken on by foreign subsidiaries), Basis Congo Sarl (-1) and Rosetti Superyachts S.p.A. (-1). Meanwhile, the only increase was recorded by Fores Engineering Algerie Eurl (+1).
The type of business conducted means that the risk of accidents, including potentially fatal accidents, is high. For this reason, the Group has always devoted particular attention to safety issues by adopting a series of internal procedures and educational measures aimed at preventing such events.
All production facilities have been certified compliant with the BS-OHSAS18001 standard.

Furthermore, we continue to promote initiatives aimed at further spreading a culture of safety among all internal and external workers who operate at our Italian and international production facilities.

OTHER INFORMATION ON OPERATIONS

As expressly required by Article 2428 of the Italian Civil Code, we report the following while referring the reader to the Notes for further information on the numbers reported:

Information on business risks

The inherent risks involved in the business activities of the Group companies are those typical of enterprises that operate in the plant engineering and shipbuilding segments.

The responsibilities resulting from the design and construction of our products and the risks associated with normal operating activity are dealt with in advance by devoting adequate attention to such aspects when developing processes and implementing adequate organisational procedures, as well as by acquiring adequate insurance cover on a precautionary basis.

The potential risks pertaining to financial, environmental and workplace safety issues and an analysis of the uncertainties relating to the particular economic environment have been reviewed in advance and appropriate measures adopted, as described in the "Financial situation", "Information on the environment", "Personnel" and "Business outlook" paragraphs.

Activities relating to Legislative Decree 231/01 on administrative responsibility

In 2020, the Parent Company Supervisory Board duly sent us Six Monthly Reports on its activities in the first and second halves of the year. The Board of Directors has acknowledged these reports which do not contain any facts or issues worth of note.

Information on the environment and on risks regarding climate change

The Group constructs large metal structures and the related manufacturing activities involve limited environmental risks, mainly during the painting and sandblasting phases.

Although these risks are limited, they are thoroughly assessed and evaluated by the unit responsible for environment and climate change issues. This is done also considering the increasing global attention to the consequences of climate change and to the potential economic, social and environmental issues which now require companies to assess effects on their business that might have to be deal with in the medium term. For these reasons, the Company is committed to the constant search for solutions that guarantee the responsible use of natural resources, efficient energy consumption and management of atmospheric emissions.
The attention paid to environmental issues is borne out by the fact that the Parent Company has been certified compliant with international standard ISO14001 for many years.
The Group has made a major effort to develop and spread a Culture of Sustainability with particular attention to the following objectives:
- minimising the environmental impact by reducing energy consumption, atmospheric emissions and waste production;
- constantly improving our systems for the detection and assessment of environmental risks and effects and implementing the necessary measures to prevent and reduce such risks and effects.

These environmental objectives were set out in the first Sustainability Policy issued by the Parent Company in October 2018. This was followed by a series of initiatives designed to encourage the spread of a culture of sustainability among all Group employees.

Research and development

Research and development is mainly carried out by the Parent Company's Business Development unit and by subsidiary Fores Engineering S.r.l..
These activities have regarded the following projects, in particular:
- acquiring new knowledge and technical skills by conducting feasibility studies on the development of innovative engineering solutions to maximise the usable space in yacht cabins;
- acquiring new knowledge and technical skills by conducting feasibility studies and pre-design studies for the development of innovative chemistry/physics/engineering solutions to transform biogas into biomethane starting with non-fossil fuel sources;
- acquiring new knowledge and technical skills by conducting feasibility studies and theoretical/applied analysis for the

experimental development of chemistry/physics/engineering solutions to transform a fossil fuel (methane) into a clean fuel (blue hydrogen) while optimising energy and water consumption and layout;

- acquiring new knowledge and technical skills in order to create an innovative service through the experimental development of innovative engineering, control and safety solutions that enable any type of diesel or NAFT propelled vessel into an LNG propelled vessel with a positive impact in terms of pollution reduction in port or urban areas;
- acquiring new knowledge and technical skills by performing feasibility studies and the preliminary design of innovative electrical and electronic solutions applicable to new concepts of offshore wind turbines capable of operating in any wind conditions;
- acquiring new knowledge and technical skills through preliminary analysis and feasibility studies on the development of innovative solutions for wave power generation;
- acquiring new knowledge and technical skills through conceptual studies and theoretical feasibility reviews of innovative solutions for the reduction of CO_2 emissions or for the reutilisation and transformation of CO_2 into synthetic fuel;
- identification of a methane production process using the surplus electricity produced by solar power plants or by another renewable energy source, known as "Power to Gas";
- start of a project to make use of lean gas produced by power plants and, in general, management of lean gases burned in torches or emitted into the atmosphere.

We are confident that the successful outcome of these innovations will produce good results with a positive impact on the Group’s future performance.

For the research and development activities described above, the Group Companies intend to make use of the tax credit introduced by Law 160/2019, as amended.

Treasury share transactions

There were no transactions in treasury shares during the year. Therefore, the number of treasury shares held by the Parent Company remained unchanged at 200,000 (par value of Euro 1.00 each) or 5.0% of share capital.

BUSINESS OUTLOOK

At 31.12.2020, the order backlog for contracts acquired but not yet completed amounted to around Euro 124 million (Euro 246 million at 31.12.2019).
We note the following with regard to the main commercial and operational developments on the market in the various segments where the Group operates:

Energy Business Unit
The order backlog stands at Euro 77 million (Euro 188 million at 31 December 2019).
As already stated several times and despite the hefty loss reported for 2020 because of the dramatic impact of the pandemic, many signs from the market lead us to believe that Energy Companies have decided to kickstart many of the investments that had been suspended for almost two years and that are indispensable in guaranteeing the production levels that will be needed to feed the recovery that will arrive once the Covid-19 emergency is at an end. In this market context, it is imperative for the Group Companies to build back a robust order backlog in the Energy Segment in 2021. For the Parent Company, in particular, it will be essential to recover the slices of margins that were eroded in 2020 from projects in progress and this may be possible in the event of a positive outcome to ongoing negotiations with the relevant clients; this would help cover part of the extra costs incurred to deal with the problems thrown up by the pandemic. All of the large projects that the Group companies are currently working on will be completed during 2021. Moreover, the very small value of the new projects acquired in 2020 means that there will be a major reduction in the workload of operating structures and production sites after the summer when activities currently in progress have been completed without the effect of new order acquisitions being felt yet. Similarly, margins will fall and the effect will only be partially eased in case of a successful outcome to the ongoing negotiations aimed at recovering part of the costs incurred because of the pandemic. In contrast, the financial situation is expected to remain positive as it will benefit immediately from initial payments on new contracts. Contracts of the foreign Group companies should generate positive cash flows and should not adversely affect

the financial situation. This is with the sole exception of the Kazakh companies whose recovery could take a little longer because of a possible delay in reaching specific agreements between the Energy Companies and the local authorities.

Shipbuilding Business Unit

As previously mentioned, the Shipbuilding Business Unit has enjoyed something of a recovery. As at 31 December 2020, the order backlog stood at Euro 26 million (Euro 29 million at 31 December 2019).

Ongoing projects will keep the operating structure highly occupied until July 2021 when the 42m aluminium yacht hull will be delivered followed by the 38m yacht. Subsequently, based on existing projects, the operating structure will only be occupied by the LNG carrier which will be delivered early in 2022.

However, subsidiary Rosetti Superyachts S.p.A. strongly believes that new contracts will be acquired in the months ahead and that these will guarantee a continuous flow of work to the shipbuilding organisation and the San Vitale Yard.

Likewise, the volume of activity in the Repair&Refit segment is expected to increase in 2021 thanks to the possibility – soon to be available to the Parent Company – of hauling vessels for repair or refitting onto the yard, thus overcoming the severe limitations previously in place when only the dry dock was available for use; this created a bottleneck that made it impossible to work on several vessels at the same time. This will be made possible thanks to the recent acquisition of the semi-submergible barge, thee AMT Carrier, which is similar but more versatile and newer than the Mariner. With this new vessel, together with the activities historically carried out with the Mariner, the Parent Company will be able to haul vessels onto the dry area.

Process Plant Business Unit

The Process Plants Business Unit came into 2021 with an order backlog of around Euro 21 million, mainly thanks to new orders taken towards the end of 2020 (Euro 29 million at 31 December 2019).

The comments made in relation to the Energy Business Unit also apply to the Process Plants Business Unit which should soon benefit from the expected market recovery with subsidiary Fores Engineering also enjoying the benefits of the Parent Company's projects.

Based on the analysis performed and described above, it is reasonable to believe that, with effect from 2021, the Group will start to enjoy the effects of the market recovery and, from the second half of the year, this will also be translated into a recovery in profitability. Therefore, in light of the consolidated budget for 2021 approved by the Parent Company Board of Directors on 29.01.2021, considering the highly liquid financial resources reported in the consolidated financial statements at 31 December 2020 and the Group's excellent organisational capacity also in dealing with the pandemic, we believe that, as early as 2021, the Group will register the first important signs of recovery of the losses incurred in 2020 and a return to profitability for the Group companies. Finally, Management underlines the importance of the strategy of diversification away from the traditional Oil&Gas market and the market for related vessels. This strategy has been implemented with the Group's entrance into the Renewable Energy and Superyachts markets and has been taken forward once more by the recent acquisition of a majority stake in GM Green Methane S.r.l..

This situation identifies the Group as an active player in the energy transition. Its future industrial strategy is based on the pillars of diversification, decarbonisation and economic/financial sustainability as well as social and environmental sustainability.

Dear Shareholders,

The activities carried out by the Group in 2020 have generated a net loss of Euro 32,604 thousand.

We invite you to approve the financial statements, the accounting policies applied and the accompanying directors' report.

Ravenna 31/03/2021

For the Board of Directors
The Chief Executive Officer
Oscar Guerra

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020:

- ***Balance Sheet***
- ***Income Statement***
- ***Statement of Cash Flows***
- ***Notes***

BALANCE SHEET (Amounts in thousands of Euro)

ASSETS		*2020*	*2019*
A)	**DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL**	**0**	**0**
B)	**NON-CURRENT ASSETS:**		
	I Intangible assets		
	1) start-up and expansion costs	7	12
	3) industrial patent rights	100	125
	4) concessions, licences, trademarks and similar rights	366	378
	5) goodwill	4,387	5,854
	6) assets in progress and payments on account	0	25
	7) other intangible assets	1,442	1,785
	TOTAL INTANGIBLE ASSETS	6,302	8,179
	II Tangible assets:		
	1) land and buildings	104,842	77,651
	2) plant and machinery	2,592	3,094
	3) industrial and commercial equipment	3,913	5,348
	4) other tangible assets	3,265	3,967
	5) assets under construction and payments on account	1,175	2,601
	TOTAL TANGIBLE ASSETS	115,787	92,661
	III Financial assets:		
	1) investments:		
	a) in subsidiaries	0	1
	b) in associated companies	21	778
	d-bis) in other entities	158	161
	2) receivables:		
	a) from subsidiaries		
	due after more than a year	80	80
	b) from associated companies		
	due after more than a year	1,141	1,315
	d-bis) from others	1,252	578
	TOTAL NON-CURRENT FINANCIAL ASSETS	2,652	2,913
	TOTAL NON-CURRENT ASSETS	**124,741**	**103,753**
C)	**CURRENT ASSETS:**		
	I Inventory:		
	1) raw, ancillary and consumable materials	1,921	2,646
	2) work in progress and semi-finished goods	23	0
	3) contract work in progress	52,255	39,259
	5) payments on account	7,821	8,779
	TOTAL INVENTORY	62,020	50,684
	II Receivables:		
	1) due from clients (trade)	42,890	75,760
	2) due from subsidiaries	3	0
	3) due from associated companies	2,827	3,236
	4) due from parent company	12	12
	5bis) tax receivables	11,274	11,610
	5ter) deferred tax assets	18,410	9,140
	5quarter) due from others		
	- due within a year	1,503	1,572
	- due after more than a year	160	404
	TOTAL RECEIVABLES	77,079	101,734
	III Current financial assets:		
	5) derivatives	1,825	4,927
	6) other securities	67,269	64,404
	TOTAL FINANCIAL ASSETS	69,094	69,331
	IV Cash and cash equivalents:		
	1) bank and post office accounts	25,725	80,488
	3) cash and cash equivalents on hand	81	76
	TOTAL CASH AND CASH EQUIVALENTS	25,806	80,564
	TOTAL CURRENT ACCOUNTS	**233,999**	**302,313**
D)	**PREPAID EXPENSES AND ACCRUED INCOME**	**957**	**1,152**
TOTAL ASSETS		**359,697**	**407,218**

LIABILITIES AND SHAREHOLDERS' EQUITY		*2020*	*2019*
A)	**SHAREHOLDERS' EQUITY:**		
I	Share capital	4,000	4,000
III	Revaluation reserve	60,709	36,969
IV	Legal reserve	1,010	1,110
VI	Other reserves	147,601	144,873
VII	Cash flow hedge reserve	(423)	(785)
VIII	Retained earnings (Accumulated losses)	(174)	(16)
IX	Net profit (loss) for the year	(32,604)	4,470
X	Negative reserve for treasury shares held	(5,100)	(5,100)
XI	Consolidation reserve	23	23
XII	Translation reserve	(5,985)	(3,387)
	TOTAL EQUITY ATTRIBUTABLE TO THE GROUP	**169,057**	**182,157**
	Capital and reserves attributable to minorities	13,083	16,841
	TOTAL EQUITY ATTRIBUTABLE TO THE GROUP AND TO MINORITIES	**182,140**	**198,998**
B)	**PROVISIONS FOR RISKS AND CHARGES:**		
1)	Provisions for retirement benefits and similar obligations	360	701
2)	Tax provisions	10,104	4,883
3)	Derivatives	440	814
4)	Other	6,224	7,851
	TOTAL PROVISIONS FOR RISKS AND CHARGES	**17,128**	**14,249**
C)	**T.F.R.**	**4,325**	**4,398**
D)	**PAYABLES:**		
3)	shareholder loans payable	867	775
4)	bank borrowing:		
	- due within a year	29,802	29,688
	- due after more than a year	44,931	41,440
5)	payables to other lenders		
	- due within a year	8	0
	- due after more than a year	21	38
6)	payments on account	20,134	37,314
7)	due to suppliers (trade)	47,624	63,729
9)	due to subsidiaries	0	1
10)	due to associated companies	21	21
12)	tax payables	3,113	3,780
13)	payables to social security and pensions institutions	2,266	2,369
14)	other payables	7,133	9,991
	TOTAL PAYABLES	**155,920**	**189,146**
E)	**ACCRUED EXPENSES AND DEFERRED INCOME**	**184**	**427**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**359,697**	**407,218**

INCOME STATEMENT (AMOUNTS IN THOUSANDS OF EURO)	***2020***	**2019**
A) VALUE OF PRODUCTION:		
1) Revenues from sales and services	192,003	316,831
2) change in inventories of WIP, semi-finished and finished products	23	0
3) Increase in contract work in progress	12,999	21,801
4) Increase in fixed assets due to capitalisation of internal works	4	123
5) Other revenues and income:		
a) operating grant income	1,641	365
b) other	4,519	7,864
TOTAL VALUE OF PRODUCTION	**211,189**	**346,984**
B) COST OF PRODUCTION:		
6) Raw, ancillary and consumable materials and goods	(61,967)	(99,324)
7) Services	(119,483)	(142,767)
8) Leases and rentals	(8,668)	(7,606)
9) Personnel:		
a) wages and salaries	(39,131)	(47,490)
b) social contributions	(10,449)	(11,774)
c) T.F.R. /Employee severance indemnity	(2,253)	(2,249)
d) retirement benefits and similar obligations	68	(290)
e) other personnel costs	(161)	(584)
Total personnel costs	(51,926)	(62,387)
10) Amortisation, depreciation and writedowns:		
a) amortisation of intangible assets	(1,968)	(2,052)
b) depreciation of tangible assets	(4,232)	(5,013)
d) writedown of current receivables and cash and cash equivalents	(955)	(636)
Total amortisation, depreciation and writedowns	(7,155)	(7,701)
11) Change in inventory of raw, ancillary and consumable materials and goods for resale	(725)	344
12) Provisions for risks	(597)	(449)
14) Sundry operating expenses	(1,091)	(1,861)
TOTAL COST OF PRODUCTION	**(251,612)**	**(321,751)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**(40,423)**	**25,233**
C) FINANCIAL INCOME AND EXPENSES:		
15) Income from equity investments:		
d) dividends and other income from other entities	1	1
16) Other financial income:		
c) from current securities other than equity investments	1,378	2,165
d) income other than the above		
- interest and fees from subsidiaries	3	0
- interest and fees from associated companies	92	172
- interest and fees from others and sundry income	122	86
17) Interest and other financial expenses:		
d) other	(1,711)	(1,532)
17bis) exchange gains and losses	861	(222)
TOTAL FINANCIAL INCOME AND EXPENSES	**746**	**670**
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS		
18) Revaluations:		
a) of equity investments	0	757
b) of non-current financial assets	0	1,335
c) of current securities	56	49
d) of derivatives	4	473
19) Writedowns:		
a) of equity investments	(864)	(80)
b) of non-current financial assets	0	0
c) of current securities	(186)	(34)
d) of derivatives	(199)	(163)
TOTAL ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS	**(1,189)**	**2,337**
PROFIT (LOSS) BEFORE TAXATION (A+B+C+D)	**(40,866)**	**28,240**
20) Taxes on income for the year	7,116	(12,549)
NET PROFIT (LOSS) FOR THE YEAR INCLUDING AMOUNT PERTAINING TO NON-CONTROLLING INTERESTS	**(33,750)**	**15,691**
Profit (loss) for year pertaining to non-controlling interests	(1,146)	11,221
NET PROFIT (LOSS) - GROUP	**(32,604)**	**4,470**

STATEMENT OF CASH FLOWS (thousands of Euro)	**31/12/2020**	**31/12/2019**
A. CASH FLOWS from operating activities (indirect method)		
Profit (Loss) for the period	(32,604)	4,470
Taxes on income	(7,116)	12,549
1. Profit (Loss) for the period before taxes on income	(39,720)	17,019
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	4,568	3,468
Depreciation/Amortisation of non-current assets	6,200	7,065
Adjustments to value of financial assets and liabilities (derivatives) not involving any cash flows	362	855
Other adjustments for non-cash items	(227)	0
2. Cash flows before changes in NWC	(28,817)	28,407
Changes in net working capital		
(increase) decrease in inventory	(11,994)	(18,438)
(increase) decrease in current receivables	25,057	16,458
Increase (decrease) in trade payables and other payables	(29,140)	1,008
(increase) decrease in prepaid expenses and accrued income	195	(55)
Increase (decrease) in accrued expenses and deferred income	(243)	(103)
(increase) decrease in other working capital items	(3,514)	11,235
3. Cash flows after changes in NWC	(48,456)	38,512
Other adjustments		
(Taxes on income paid)	(667)	(13,401)
(Use of provisions)	(8,107)	(11,639)
CASH FLOWS from operating activities (indirect method) (A)	**(57,230)**	**13,472**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in:		
Intangible assets	(91)	(8,163)
Tangible assets	2,966	(3,030)
Non-current financial assets	261	(902)
Current financial assets	237	(5,568)
CASH FLOWS FROM INVESTING ACTIVITIES (B)	**3,373**	**(17,663)**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Debt		
Loans arranged	35,125	35,042
Loans repaid	(31,428)	(23,554)
Equity		
Dividends (and advances on dividends) paid	(1,900)	(2,660)
Change in scope of consolidation	(100)	0
Translation reserve	(2,598)	(198)
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**(901)**	**8,630**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**(54,758)**	**4,439**
OPENING CASH AND CASH EQUIVALENTS	**80,564**	**76,125**
CLOSING CASH AND CASH EQUIVALENTS	**25,806**	**80,564**

Note: *the interest accounted for is substantially equally to that received/paid; disposals are not significant so are not shown; investments had largely been paid for at the date of preparation of the financial statements.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STRUCTURE AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the requirements of the Italian Civil Code and consist of the balance sheet and the income statement (prepared in the formats required, respectively, by Articles 2424 and 2424 bis of the Italian Civil Code, Articles 2425 and 2425 bis of the Italian Civil Code and Article 2425 ter of the Italian Civil Code), the statement of cash flows (prepared using the indirect method, in accordance with Italian Accounting Standard OIC 10) and these Notes. The purpose of the notes is to illustrate, analyse and, in some cases, supplement the figures reported in the financial statements. They contain the information required by Articles 2427 and 2427 bis of the Italian Civil Code, by other provisions of the Italian Civil Code on financial reporting and by other previous laws. The notes also provide such additional information considered necessary to provide a true and fair representation, even though not specifically required by law.

Where necessary, statutory reporting requirements have been supplemented with the accounting standards recommended by the Standard-Setting Committee of Italy's National Council of Accountants and revised by the Italian Accounting Board, as amended and supplemented by the OIC (*Organismo Italiano di Contabilità* or Italian Accounting Board), including the amendments issued in December 2017 and those issued in January 2019, and by the standards issued by the International Accounting Board (IASB), insofar as the latter are consistent with Italian law.

The items reported in the financial statements were measured based on the prudence and accruals principles, on a going concern basis and taking account of the principle of materiality. When measuring such items, the Directors took account of the uncertainty resulting from the current economic environment as triggered by the Covid-19 pandemic (see the Directors' Report), the 2021 budget approved by the Parent Company Board of Directors on 29.01.2021 and the amount of the highly liquid financial assets reported in the financial statements at 31 December 2020, as described below.

Application of the prudence principle meant that items included in

each asset or liability caption were valued separately in order to avoid offsetting of losses that should have been recognised and profits that should not as they had not been realised.
In accordance with the accrual principle, the effect of transactions and other events has been accounted for an allocated to the period to which such transactions and events rate and not to the period when the related cash movements (collections and payments) occur. For accounting purposes, priority is given to the economic substance of the underlying transactions rather than to their legal form.
The consolidated financial statements as at 31 December 2020 have been prepared using the financial statements of the individual companies included within the scope of consolidation, as obtained from the statutory financial statements and consolidation packages prepared by the respective Boards of Directors. These financial statements have been appropriately adjusted, as necessary, to bring them into line with the accounting policies described below.

CONSOLIDATED REPORTING DATE

All of the entities included in the consolidated financial statements on a line-by-line basis have the same financial year end as the consolidated reporting date.

CONSOLIDATION PRINCIPLES

The consolidated financial statements have been prepared based on the financial statements approved by the General Meetings or Boards of Directors of the consolidated companies, as adjusted – as appropriate – to bring them into line with the Group's accounting principles, or based on financial information submitted by the consolidated companies and prepared in accordance with the Parent Company's instructions.

The accounting principles adopted when preparing the consolidated financial statements are those adopted by the Parent Company to prepare its separate financial statements i.e. those adopted by most of the consolidated companies. This is except for the fact that investments in associated companies are valued using the equity method or the proportionate method rather than the cost method and for the accounting treatment of assets held under finance leases, as illustrated later in these Notes.

A) Consolidation methods

Subsidiaries are consolidated on a line-by-line basis. The primary criteria adopted for that method are as follows:

- the carrying amount of equity investments is eliminated against the related shareholders' equity; the difference between the acquisition cost and shareholders' equity of investees is allocated, where possible, to the asset and liability items of the companies within the scope of consolidation. Any residual amount, where negative, is recognised under a shareholders' equity item entitled "Consolidation reserve"; where positive, it is recognised under an asset item entitled "Goodwill" and amortised over five years where that amount represents future income-generating capacity;
- significant transactions between consolidated companies and payables, receivables and unrealised profits deriving from transactions between Group companies, net of any tax effect, are eliminated;
- non-controlling interests in shareholders' equity and net profit are disclosed under specific items in the consolidated balance sheet and income statement;
- companies acquired during the year are consolidated with effect from the date on which a majority interest was obtained. If acquisition occurs during the final days of the year, the acquired company is consolidated with effect from the following reporting period.

B) Translation into Euro of the financial statements of foreign companies

The separate financial statements of each Group company are prepared in the currency of the main economic environment in which each company operates (the functional currency). For consolidated financial reporting purposes, the financial statements of each foreign entity are prepared in Euro which is the Group's functional currency and the currency used to prepare its consolidated financial statements.

When preparing the consolidated financial statements, the assets and liabilities of foreign subsidiaries with functional currencies other than the Euro are translated at the exchange rates in force at the reporting date. Income and expenses are translated at the average exchange rates for the period. Foreign exchange differences deriving from the translation of opening shareholders' equity at year-end exchange rates and the translation of the income statement at the average rates for the year are recognised in the shareholders' equity item "Translation reserve". This reserve is released to the income statement as income or expense in the period when the related subsidiary is sold.

SCOPE OF CONSOLIDATION

The consolidated financial statements as at 31 December 2020 include the financial statements of all companies directly and indirectly controlled by Rosetti Marino S.p.A. (the Parent Company) pursuant to Article 2359 of the Italian Civil Code, except for subsidiary Rosetti Marino Ooo which was not included in the scope of consolidation because it was not yet operating at 31 December 2020 and for subsidiary Rosetti Marino Singapore Pte Ltd which commenced a voluntary liquidation process at the end of 2020.
Investments in associated companies have been included using the equity method except for Rosetti Congo Sarl and Basis Pivot Ltd which have been excluded because they are non-operational.
A list of equity investments in subsidiaries and associated companies is provided below (in thousands of Euro):

Company name	Location	Share capital	% interest held
Subsidiaries			
FORES ENGINEERING S.r.l.	Forlì	1,000	100.0%
ROSETTI GENERAL CON. Lda	Portugal	50	100.0%
ROSETTI KAZAKHSTAN Llp (1)	Kazakhstan	198	100.0%
FORES ENG. ALGERIE Eurl (2)	Algeria	1,616	100.0%
FORES DO BRASIL Ltda (3)	Brazil	112	100.0%
ROSETTI MARINO UK Ltd	United Kingdom	0	100.0%
ROSETTI MARINO SUPERYACHTS S.p.A.	Ravenna	1,500	100.0%
ROSETTI MARINO PROJECT Ooo (*)	Russia	1	90.0%

ROSETTI MARINO SINGAPORE Pte Ltd (*)	Singapore	0	100.0%
ROSETTI LYBIA Jsc	Libya	622	65.0%
TECON S.r.l.	Milan	47	60.0%
BASIS CONGO Sarl	Congo	99	60,0%
K.C.O.I. Llp (4)	Kazakhstan	1,160	50.0%
Associated companies			
ROSETTI CONGO Sarl (*)	Congo	152	50.0%
RIGROS S.r.l.	Ravenna	100	50.0%
ROSETTI PIVOT Ltd	Nigeria	2.818	49.0%
BASIS PIVOT Ltd (*)	Nigeria	46	45.0%
ROSETTI ALI E SONS Llc (5)	Abu Dhabi	36	49.0%

(1) Including 10% held indirectly through Fores Engineering S.r.l.
(2) Held indirectly through Fores Engineering S.r.l.
(3) Including 75% held indirectly through Fores Engineering S.r.l.
(4) Including 5% held indirectly through Rosetti Kazakhstan Llp. The total percentage interest held and the governance mechanisms in place mean that the Group has *de facto* control of the company
(5) The established governance mechanisms enable the Group to hold joint control
(*) Company currently dormant/non-operational

During 2020, the following changes occurred compared to prior year:
- absorption of subsidiary Basis Engineering S.r.l. into the Parent Company following a merger that took place during the year;
- payment of Euro 1,500 thousand by the Parent Company to subsidiary Rosetti Superyachts S.p.A. to cover losses accrued and accruing;
- Euro 503 thousand increase in share capital of subsidiary Fores Engineering Algerie Eurl;
- total writedown of the carrying amount of the investment in subsidiary Rosetti Marino Singapore Pte Ltd following partial reimbursement of share capital and the company's going into liquidation;
- sale of investment in subsidiary Rosetti Marino Ooo with its head office in Odintsovo – Moscow district;
- liquidation of subsidiary Rosetti Marino Mocambique Limitada.

The subsidiaries and associated companies included in the scope of consolidation operate in the following sectors:

- Fores Engineering S.r.l., Fores Engineering Algèrie Eurl and Fores do Brasil Ltda: design, construction and maintenance of automation and control systems;
- Basis Congo Sarl and Tecon S.r.l.: multi-disciplinary design of oil and petrochemical facilities;
- Kazakhstan Caspian Offshore Industries Llp, Rosetti Libya Jsc, Rosetti Marino UK Limited and Rosetti Ali & Sons Llc: construction of offshore and onshore oil facilities;
- Rosetti Kazakhstan Llp and Rosetti Marino Singapore Pte Ltd: provision of technical services;
- Rosetti Superyachts S.p.A.: construction of superyachts;
- Rosetti General Contracting Construcoes Serviços Lda: ship charter;
- Rigros S.r.l.: regeneration of a shipyard area next to the headquarters of the Parent Company.

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND PROFIT FOR THE YEAR OF PARENT COMPANY ROSETTI MARINO S.P.A. AND CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT FOR THE YEAR

The following is the statement of reconciliation between the shareholders' equity and profit for the year reported in the financial statements of the Parent Company and the corresponding consolidated figures as at 31 December 2020:

	Share-holders' Equity	Profit /(Loss) for the Year
AMOUNTS REPORTED IN FINANCIAL STATEMENTS OF ROSETTI MARINO S.p.A. AT 31/12/20	159,315	(24,527)
Consolidation adjustments:		
a. Difference between the carrying amount of consolidated equity investments and the valuation of those equity investments according to the equity method	13,242	(3,081)

b. Effect of accounting for finance lease agreements for tangible assets in accordance with the finance lease method	1,867	(125)
c. Reversal of unrealised profits/losses resulting from transactions between Group companies	(69)	51
d. Reversal of unrealised profits resulting from distribution of dividends between Group companies	(4,777)	(4,777)
e. Allocation of deferred tax assets and liabilities pertaining to the tax effect (where applicable) of consolidation adjustments	(521)	(145)
AMOUNTS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020	169,057	(32,604)

ACCOUNTING POLICIES

The accounting policies described below were updated by the Italian Accounting Standards Board / "OIC" in the version issued on 22 December 2016 – in response to the changes introduced by Legislative Decree 139/2015 – and amended by both the "Amendments" issued on 29 December 2017 and the "Amendments" issued on 28 January 2019.
The most significant accounting policies applied when preparing the financial statements at 31 December 2020 in compliance with the requirements of Article 2426 of the Italian Civil Code and the aforementioned accounting standards are as follows:

Intangible assets
Intangible assets are recognised at purchase or production cost, including related expenses. They are systematically amortised over their expected useful lives.
When, irrespective of the amortisation already recorded, the value of an intangible asset is impaired, it is adjusted accordingly. If, in subsequent years, the grounds for an impairment loss cease to apply, the original amount is restored, except with regard to goodwill,

consolidation difference and "Deferred expenses" in terms of Article 2426(5) of the Italian Civil Code. Advertising and research and development costs are expensed in their entirety during the year in which they are incurred.
The difference between the acquisition cost and the equity of subsidiaries is allocated, where possible, to the assets and liabilities of the entities included in the consolidation. Any residual, positive amount is allocated to the asset caption "Goodwill" and amortised over five years when this amount expresses future income generating capacity.

Tangible assets
Tangible assets are recognised at purchase or production cost, net of any grants towards capital expenditure and adjusted for certain assets in application of specific revaluation laws.
The criteria followed in carrying out the revaluation, the methods adopted in applying it and the limits within which the revaluation was performed are consistent with the terms of Law no 126 of 13 October 2020 and have been accounted for in accordance with the preliminary guidelines of draft Interpretation document no 7 of Law no 126 of 13 October 2020 "Accounting for the revaluation of business assets and equity investments", as issued by the Italian Accounting Standards Board / OIC.
Cost includes related expenses and direct and indirect costs to the extent reasonably attributable to the asset.
Tangible assets are systematically depreciated each year on a straight-line basis using rates of depreciation determined in relation to the residual useful lives of the assets and set out in the note on Tangible Assets.
During the reporting period, in deviation from the accounting policy described above, for some assets, the Group suspended the allocation to the income statement of some 25% of the full depreciation charge, representing the period of around three months during which production activities were suspended because of the Covid-19 pandemic; this was done pursuant to Article 60(7-ii) to (7-v) of the Decree Law. The suspension also involved the creation of an equity reserve of the same amount that will remain non-distributable until the various assets affected have been depreciated in full.
Tangible assets are written down when impaired, irrespective of

previously recognised depreciation charges. If the grounds for an impairment loss cease to apply in later years, the original amount is restored.
Ordinary maintenance costs are expensed in their entirety to the income statement, whereas those that involve improvements are allocated to the relevant assets and depreciated on the basis of the residual useful life of the asset in question.

Assets held under finance leases
Tangible assets held under finance lease agreements are reported in accordance with International Accounting Standards (IAS 17) using the "finance lease method" which provides for:
- the recognition of an asset equal to the original amount of the assets acquired under finance lease agreements at the time of signature of such agreements;
- the recognition of the related principal element of the outstanding liability towards the leasing company;
- the allocation to the income statement, in place of lease instalments for the period, of depreciation charges and financial expenses for the period, as included in the finance lease instalments.

Equity investments
Equity investments in associates are measured using the equity method or the proportionate method if they are 50% owned. Equity investments in other entities are measured at cost, as are investments in dormant/non-operational subsidiaries. The carrying amount is determined on the basis of the purchase or subscription price. Cost is then written down for impairment when the investee companies incur losses and it is not expected that the income earned in the immediate future will be sufficient to offset these losses. The original amount is restored in later years if the grounds for the impairment loss cease to apply.

Inventory

Raw Materials:
Raw materials are measured at the lower of purchase or production cost, determined using the weighted average cost method, and estimated realisable value.

Contract work in progress and revenue recognition:
Contract work in progress spanning more than one year is measured at year-end on the basis of the consideration accruing with reasonable certainty (the percentage completion method). Consideration accruing is calculated by applying the completion percentage determined using the cost-to-cost method to estimate total revenues.
This percentage is calculated as the ratio of costs incurred as at 31 December to estimated total costs.
Additional consideration is included in contract revenues only when it is formally accepted by the client before the reporting date or, if there has been no formal acceptance, at the reporting date, it is highly probable that the request for additional consideration will be accepted based on the most recent information and historical experience.
Contract work in progress of a duration of less than one year is measured at specific production cost (completed contract method).
Payments on account made by clients while a project is ongoing, in respect of work done and usually agreed on a "state of completion" basis, is recorded under revenue while advances received from clients at the outset of contract work are recognised under the item "Payments on account" on the liabilities side of the balance sheet.
Contracts are considered completed when all costs have been incurred and the work has been accepted by the clients. Any losses on contracts that can be estimated with reasonable accuracy are deducted from the value of contract work in progress, on the assets side of the balance sheet, in the period they come to light. If such losses exceed the value of the contract work in progress, the Company records a specific provision for risks, on the liabilities side of the balance sheet, for the excess amount.

Receivables
Receivables are reported using the amortised cost method, taking account of the time factor and estimated realisable amount. The amortised cost method is not applied when its effects would be irrelevant i.e. when transaction costs, commission paid between the parties and all other differences between initial amount and amount on maturity are immaterial or the receivables are short-term (i.e. due within a year).
Trade receivables due after more than a year from the time of initial

recognition – without payment of interest or with interest significantly different than market rates – are initially recognised at the amount determined by discounting future cash flows at the market rate of interest. The difference between the initial recognised value of the receivable as so determined and terminal value is recorded in the income statement as financial income over the period of the receivable, using the effective interest method.

The value of receivables, determined as above, is adjusted, as necessary, by a specific provision for bad debts, as deducted directly from the receivables in order to bring them into line with their estimated realisable amount. The estimate of the provision for bad debts includes forecast losses due to credit risks that have already materialised or are considered probable as well as losses for other collection issues that have already emerged, or which have not yet emerged but are considered probable.

Current financial assets

Current financial assets are recognised at the lower of purchase or subscription cost, including directly attributable auxiliary expenses, and realisable amount based on market performance.

The original cost of such securities is restored when the grounds for previously recognised impairment adjustments cease to apply.

Cash and cash equivalents

Cash and cash equivalents are recognised at their nominal amount. Amounts denominated in foreign currency are stated at reporting date exchange rates.

Prepaid expenses and accrued income, accrued expenses and deferred income

These items include portions of costs and revenues common to two or more reporting periods, as determined in accordance with the accrual basis of accounting.

Provisions for risks and charges

Provisions for risks and contingencies are created to cover losses or liabilities that are certain or probable but whose amount and due date could not be determined at year end. The amounts provided represent the best possible estimate based on the information available. When

measuring risks and contingencies, risks and losses that came to light between the reporting date and the date the consolidated financial statements were prepared were also taken into account.
Risks for which the emergence of a liability is merely possible are disclosed in the Note on provisions without making any accrual to a provision for risks and charges.

Derivative instruments
Derivative instruments are financial assets and liabilities measured at fair value and are mainly used as hedging instruments to manage the risk of exchange rate and interest rate fluctuation.
Derivatives are classified as hedging instruments only when, at the start of the hedge, there is a close, documented relationship between the item hedged and the financial instrument and the effectiveness of the hedge – as regularly tested - is high.
When the derivatives hedge the risk of changes in cash flow from the hedged instruments ("cash flow hedges"), the effective portion of the gains or losses on the derivative financial instrument is suspended under equity. Gains or losses relating to the ineffective portion of a hedge are recorded in the income statement. When the related operation is realised, gains and losses accumulated in equity to date are recorded in the income statement when the operation in question is realised (as adjustments to the income statement captions affected by the hedged cash flows). Therefore, changes in the fair value of hedging derivatives are allocated:

- in the income statement, to captions D18 or D19 in case of a fair value hedge of an asset or liability recorded in the financial statements together with changes in the fair value of the hedged items (where the change in the fair value of the hedged item is greater in absolute terms than the change in the fair value of the hedging instrument, the difference is recorded in the income statement caption affected by the hedged item);
- in a specific equity reserve (under caption AVII "Reserve for cash flow hedges") in case of cash flow hedges in order to offset the effects of the hedged cash flows (the ineffective portion is recorded under captions D18 and D19).

Changes in the fair value of derivatives classified as held for trading – because they do not meet hedge accounting requirements – are recorded in the balance sheet and allocated to the income statement under captions D18 or D19.

TFR/Employee severance indemnity provision

The employee severance indemnity provision covers the full liability accruing up to 31 December 2006 towards employees under applicable legislation, collective labour agreements and supplementary company agreements. The liability is adjusted for inflation based on indices.

Note that the changes to TFR rules introduced by Law no 296 of 27 December 2006 ("Finance Act 2007") and by subsequent Decrees and implementation Regulations have amended the accounting methods applied to TFR entitlement accruing as at 31 December 2006 and to that accruing from 1 January 2007 onwards. Following the establishment of the "Fund for payment to private sector employees of the employee severance indemnity in terms of Article 2120 of the Italian Civil Code" (Treasury Fund managed by INPS on behalf of the State), employers with at least fifty employees are obliged to pay into said Treasury Fund portions of TFR entitlement accruing in favour of employees who have not opted to pay their entitlement into a supplementary pension fund. The TFR liability reported in the financial statements is stated net of amounts paid to said INPS Treasury Fund; this is except for subsidiaries Tecon S.r.l. and Rosetti Superyachts S.p.A. which continue to make allocations to the TFR provision.

Payables

Payables are reported using the amortised cost method, taking account of the time factor. The amortised cost method is not applied to payables when its effect is insignificant. The effect is considered insignificant for short-term payables (i.e. payables due within a year). For details of the amortised cost method, see the note on Receivables.

Revenues and costs

Costs and revenues are recognised in accordance with the prudence and accruals concepts required by Article 2423-*bis* of the Italian Civil Code while recorded related prepayments and accruals in terms of Article 2425-*bis*. Revenues include consideration invoiced for production carried out during the year where the revenues have been definitively earned. Related party transactions take place on an arm's length basis.

Grants towards capital expenditure and operating expenses

Grants towards capital expenditure and operating expenses are recognised when they are collected.

In prior years, in order to take advantage of the suspension of taxation under tax rules in force until 31 December 1997, for the amount permitted by tax rules, part of the grants received was recorded under shareholders' equity item "Other reserves"

Dividends

Dividends are accounted for in the period when the right of the investing company to receive them arises as a result of resolutions approved by the General Meetings of the investee companies.

Taxes on income for the year

Income taxes are recorded on the basis of estimated taxable income in accordance with current tax rules, taking account of applicable exemptions and tax credits due and in accordance with Italian GAAP requirements for the treatment of income taxes.

Deferred tax assets and liabilities are also recognised on temporary differences between the reported result for the year and taxable income. They are calculated based on the rate of taxation expected to be applicable in the fiscal year that the differences will reverse, in application of the "liability method".

Deferred tax assets are recognised when it is reasonably certain that there will be sufficient future taxable income to ensure their recovery.

Translation into Euro of foreign currency items

Receivables and payables in foreign currency are originally accounted for at the exchange rates in effect when the transactions are recorded.

Exchange differences arising on the collection of receivables and settlement of payables in foreign currency are recognised in the income statement.

Receivables and payables in foreign currency for which exchange risk hedging transactions have been arranged are adjusted to the base exchange rate of the said hedging transactions.

At year-end, receivables and payables in foreign currency for which hedging transactions have not been arranged are translated on the

basis of the exchange rate in force at the reporting date. Gains and losses arising from this translation are credited and debited to the income statement as financial income or expenses.
Any net gain arising after considering unrealised exchange gains and losses is allocated to a specific non-distributable reserve until it is realised.

OTHER INFORMATION

Exceptions pursuant to Article 2423(4) of the Italian Civil Code
No exceptions pursuant to Article 2423(4) of the Italian Civil Code were made when preparing the attached financial statements.

Comparison and presentation of amounts
In the interest of greater clarity and comprehensibility, all figures in the balance sheet, income statement, notes and accompanying attachments are stated in thousands of Euro.

COMMENTS ON THE MAIN ASSET ITEMS

NON-CURRENT ASSETS

INTANGIBLE ASSETS

Although the Group reports a significant loss for 2020, we do not believe the loss constitutes an indicator of impairment of the intangible assets as it was caused entirely by the extraordinary circumstances triggered by the Covid-19 pandemic and is not structural in nature. These conclusions are confirmed by the Group Business Plan for 2021-2023, as approved by the Company Board of Directors on 30.09.2020.

Start-up and expansion costs
The above item underwent the following changes during the year (in thousands of Euro):

	31/12/19	**Incr.**	**Decr.**	**31/12/20**
Start-up and expansion costs	12	0	(5)	7

This item includes the net book value of the start-up costs incurred by subsidiary Rosetti Superyachts S.p.A.

Industrial patent rights

Movements on this item during the year were as follows (in thousands of Euro):

	31/12/19	Incr.	Decr.	31/12/20
Patents	125	14	(39)	100

This item includes the net amount of the patents acquired by subsidiary Tecon S.r.l.

Concessions, licences, trademarks and similar rights

Movements on this item during the year were as follows (in thousands of Euro):

	31/12/19	Incr.	Decr.	Forex Diff.	31/12/20
Licences	11	3	(1)	(2)	11
Concession of land rights	367	0	(12)	0	355
Total concessions licences etc.	**378**	**3**	**(13)**	**(2)**	**366**

The above items are amortised on the basis of the period of the user license agreements and the term of concessions of land rights, respectively.

Concession of land rights consists of the residual amount of consideration paid to acquire those rights, expiring in 2050, on land adjacent to the Piomboni yard in Marina di Ravenna.

Intangible assets in progress

The above item underwent the following changes during the year (in thousands of Euro):

	31/12/19	Incr.	Decr.	31/12/20
Intangible assets in progress	25	0	(25)	0

This caption has a zero balance now that the Parent Company has completed work on updating software used for management of non-compliance, internal audit, lessons learned and corrective action

(Euro 7 thousand) and carried out work on the drydock at the S. Vitale yard in relation to the separation of the waters used in the hull washing process (Euro 18 thousand).

Other intangible assets

This item is analysed as follows (in thousands of Euro):

	31/12/19	**Incr.**	**Decr.**	**Forex effect**	**31/12/20**
Deferred Expenses	9	0	(3)	0	6
Software	400	93	(185)	(45)	263
Leasehold improvements	1,376	56	(259)	0	1,173
Total other intangible assets	**1,785**	**149**	**(447)**	**(45)**	**1,442**

The increase in this caption is mainly due to Euro 68 thousand for the purchase and implementation by the Parent Company of management software used in the various business processes.

Decreases include Euro 447 thousand of amortisation for the year. Amortisation is charged at different rates for the various types of capitalised cost, as follows:

- on a straight-line basis over three years for software;
- over the period of the land rights and property lease agreements for capex in those areas or for leasehold improvements.

Goodwill

This item regards the positive difference between the amount paid by the Parent Company to acquire investments in Group companies and the corresponding portion of equity of said companies at the acquisition date. In more detail, the balance consists of the residual consolidation differences of Euro 4 thousand arising on the acquisition of 40% of Tecon S.r.l. and Euro 4,383 thousand arising on the acquisition of a U.A.E. company later renamed Rosetti Ali & Sons Llc.

TANGIBLE ASSETS

A detailed breakdown of this item, movements during the year and the depreciation rates applied are provided in an attachment to these Notes.

Both the Parent Company and subsidiary Fores Engineering S.r.l. exercised the possibility offered by Article 110 of Decree Law no. 104/2020, the "August Decree", as converted by Law 126/2020 published in S.O. no. 37/L of Official Gazette no 253 of 13.10.2020 and revalued certain land owned by them at the three production sites (head office in via Trieste, Piomboni Yard and S. Vitale Yard) by a total of Euro 28,896 thousand and the land with planning permission in the Municipality of Forlì by a total of Euro 1,428 thousand.
For the purposes of the revaluation, both companies made reference to fair value as per specific appraisals by independent third parties.
Part of the revaluations (Euro 7,537 thousand) was performed for statutory reporting and tax purposes while the remainder (Euro 22,787 thousand) was performed for statutory reporting purposes only. With regard to the revaluation for both statutory and tax purposes, provision has been made for substitute taxes of Euro 226 thousand and a reserve of Euro 7,311 thousand subject to taxation upon distribution was created. Meanwhile, with regard to the revaluation for statutory reporting purposes only, a deferred tax provision of euro 6,358 thousand was created together with a reserve of Euro 16,429 thousand subject to taxation upon distribution.
As indicated above, the revaluation was carried out based on an appraisal that determined the fair value of the assets in question applying a valuation method that applied current market prices for similar assets and considered the replacement cost for an asset with the same characteristics and use of the asset under valuation. We note that the revaluation does not exceed the value attributable to the assets in terms of their remaining useful lives, as estimated for each individual asset.
For accounting purposes, the appraised amounts were allocated to the historical cost of the assets which had a net carrying amount of Euro 32,561 thousand at 31 December 2020, prior to the revaluation.
"Assets under construction and payments on account" mainly includes construction work not yet completed by associated company Kazakhstan Caspian Offshore Industries Llp on new office buildings and new warehouses at the Kazakhstan Yard and by the Parent Company on the upgrading of facilities at the San Vitale Yard.
Ordinary depreciation, as shown in the specific table, was calculated at rates representing the useful lives of the tangible assets.
As a result of the shutdown of production activities for around three

months to combat the spread of the Covid pandemic, for most of its tangible assets, the Parent Company opted to suspend the allocation to the income statement of a portion of depreciation (25%, in proportion to the duration of the production shutdown) in terms of Art. 60 (7-ii) to (7-v) of Decree Law 104/2020. This suspension involved the creation of an equity reserve of the same amount (Euro 545 thousand) that will remain non-distributable until the various assets affected have been depreciated in full. Therefore, the ordinary depreciation of the Parent Company, as shown in the relevant table, has been calculated at rates felt to represent the remaining useful lives of the tangible assets, as reduced by 25% for most assets in 2020.

Although the Group reports a significant loss for 2020, we do not believe the loss constitutes an indicator of impairment of the tangible assets as it was caused entirely by the extraordinary circumstances triggered by the Covid-19 pandemic and is not structural in nature. These conclusions are confirmed by the Group Business Plan for 2021-2023, as approved by the Company Board of Directors on 30.09.2020.

FINANCIAL ASSETS

Equity investments

A detailed breakdown of non-consolidated equity investments is provided below (in thousands of Euro):

	Interest held	**31/12/19**	**Incr.**	**Decr.**	**31/12/20**
Subsidiaries:					
Rosetti Marino Mocambique Ltd(*)	96%	1	0	(1)	0
Total subsidiaries		**1**	**0**	**(1)**	**0**
Associated companies:					
Rosetti Pivot Ltd (**)	49%	757	0	(757)	0
Basis Pivot Ltd (***)	45%	21	0	0	21
Total associated companies		**778**	**0**	**(757)**	**21**
Other entities:					
Cassa Risparmio Ravenna		124	0	(3)	121
O.M.C.		20	0	0	20
SAPIR		3	0	0	3
CAAF Industrie		2	0	0	2

Consorzio Cura	1	0	0	1
Consorzio Destra Candiano	1	0	0	1
Other entities	10	0	0	10
Total other entities	**161**	**0**	**(3)**	**158**

(*) Liquidated company
(**) Investment written down in full
(***) Non-operational/Dormant company

With regard to investments in associated companies, it should be noted that the carrying amount of the investment in associated company Rosetti Pivot Ltd is now zero following a writedown of Euro 757 thousand which also includes provision for the pro-rata amount of negative equity at 31 December 2020.

The investment in Cassa di Risparmio di Ravenna S.p.A. has been written down by Euro 3 thousand to bring its carrying amount into line with fair value at 31 December 2020.

Receivables from subsidiaries

This item, amounting to Euro 80 thousand (Euro 80 thousand at 31 December 2019), entirely consists of the residual amount of Euro 80 thousand of a loan granted to subsidiary Rosetti Marino Project Ooo in order to meet its funding requirements during the start-up period before its operating activities get underway. The loan bears interest at a rate in line with market rates.

Receivables from associated companies

This item may be broken down as follows (in thousands of Euro):

	31/12/19	**Incr.**	**Decr.**	**31/12/20**
Rosetti Pivot Ltd	540	0	(174)	366
Rigros S.r.l.	775	0	0	775
Total receivables	**1,315**	**0**	**(174)**	**1,141**

The receivable from associated company Rosetti Pivot Ltd entirely consists of the residual amount of a loan of Euro 366 thousand granted to it in order to meet its funding requirements during the start-up period before its operating activities got underway. The loan bears interest at a rate in line with market rates.

The receivable from associated company Rigros S.r.l. consists of 50% of a loan totalling Euro 1,550 thousand that was granted to said company to enable it to purchase a plot of land next to the Parent

Company headquarters. The loan bears interest at a rate in line with market rates.

Receivables from others

This item, amounting to Euro 1,252 thousand (Euro 578 thousand at 31 December 2019), mainly consists of a receivable of Euro 664 thousand for grants that will be collected in future years by the Parent Company from the Ministry of Infrastructure and Transport for project "ROSMANDITEN" (process innovation project in the shipbuilding segment commenced in prior years) and a long-term investment of Euro 420 thousand made by subsidiary Tecon S.r.l..

CURRENT ASSETS

INVENTORY

This item may be broken down as follows (in thousands of Euro):

	31/12/2020	**31/12/2019**
Raw materials	3,297	3,364
Obsolescence provision	(1,376)	(718)
	1,921	2,646
WIP and semi-finished products	23	0
Contract work in progress	52,255	39,259
Advances to suppliers	7,821	8,779
Total inventory	**62,020**	**50,684**

Measurement of year-end inventory at weighted average purchase cost does not lead to any appreciable difference compared to a current cost measurement. In order to bring inventory into line with its estimated realisable value, an obsolescence provision of Euro 1,376 thousand has been recorded.

WIP and semi-finished products consists of superyachts under construction, as valued using the specific construction cost method.

Long-term contract work in progress is measured based on consideration accruing with reasonable certainty (percentage of completion method). It is stated net of payments on account received based on the state of completion of the works: see the note on “Value of Production” for more details about the calculation method and on the comparison with prior year figures. The increase compared to prior year is due to the different percentage of completion of contracts in progress.

RECEIVABLES

Due from clients (trade)

This item includes receivables from clients arising as a result of normal commercial transactions.
It may be broken down as follows (in thousands of Euro):

	31/12/20	31/12/19
Due from clients - Italy	4,663	4,826
Due from clients – Other EU	16,874	15,674
Due from clients – Non-EU	23,291	57,844
Provision for bad debts	(1,938)	(2,584)
Total due from clients (trade)	**42,890**	**75,760**

The decrease in total trade receivables compared to prior year is due to different timing of collections in relation to progress with contracts as described above.
Given the nature of the Group's business, trade receivables are highly concentrated with 56.32% (71.13% in prior year) of the total due from the five leading clients by outstanding balance.
The provision for bad debts, which has decreased compared to prior year, is considered reasonable in light of the collection risks relating to trade receivables. It has been determined on an overall basis taking account of collection risks relating to certain specific factors. The provision reflects a prudent assessment by the Directors of the collection risk regarding these receivables, also considering the amount of overdue balances and agreements reached, as well as the current economic climate caused by the Covid-19 pandemic.

Receivables from subsidiaries

Receivables from subsidiary Rosetti Marino Project Ooo amount to Euro 3 thousand (Euro 0 at 31 December 2019) are entirely financial. The related transactions take place on an arm's length basis and the receivables have not been adjusted for impairment as the Directors believe they are fully recoverable.

Receivables from associated companies

This item may be analysed as follows (in thousands of Euro):

	31/12/20			
	Trade	**Financial**	**Tot.**	**31/12/19**
Rosetti Pivot Ltd	2,486	0	2,486	2,630
Rigros S.r.l.	3	0	3	3
Rosetti Ali & Sons Llc	57	102	159	0
Rosetti Congo Sarl	179	0	179	603
Total	**2,725**	**102**	**2,827**	**3,236**

All trade and financial transactions with associated companies take place on an arm's length basis. No further losses on receivables from associated companies are expected in addition to those already reflected in the financial statements.

Receivables from parent company

The receivables from parent company Rosfin S.p.A., amounting to Euro 12 thousand (Euro 12 thousand at 31 December 2019), are trade receivables. The related transactions were entered into on an arm's length basis and no provision has been made as the Directors believe the receivables will be collected in full.

Tax receivables

This item may be broken down as follows (in thousands of Euro):

	31/12/20	**31/12/19**
VAT receivable	4,113	5,701
Credit for substitute tax on reval'n of TFR	10	10
Foreign tax receivable	336	0
Foreign tax receivable	2,154	844
IRAP receivable	1,320	1,155
IRES receivable	3,341	3,900
Total	**11,274**	**11,610**

The VAT receivable includes the annual VAT credit of Euro 4,036 thousand arising on ordinary commercial transactions and a VAT credit of Euro 77 thousand accruing in prior years for which a refund has been requested.

The IRAP credit is due to both to the fact that payments made on account in prior years exceeded the tax actually due and to credits arising in 2014 and 2017 pursuant to Article 19(1) B of Decree Law no

91/2014 (the "competitiveness" decree). Said decree made it possible to convert any A.C.E. (Economic Growth Subsidy) surplus into an IRAP credit, to be split into five equal annual amounts. The amount represents the remaining credit that may be used in the next three years.
The IRES receivable is mainly due to the fact that income tax payments made on account in prior years exceeded the taxes actually due.

Deferred tax assets
Deferred tax assets, amounting to Euro 18,410 thousand and including Euro 15,233 thousand reported in the Parent Company financial statements, have been recognised on all positive temporary differences. The theoretical tax effects on temporary differences have been calculated based on current rates. Deferred tax assets due to tax losses have been recognised as the Company believes it is reasonably certain that there will be sufficient future taxable income against which to offset the tax loss carryforwards within the period during which they are deductible under tax law; this conclusion was reached based on the future taxable income forecast in the Group Business Plan for 2021-2023, as approved by the Parent Company Board of Directors on 30.09.2020.
Detailed movements on this item are provided in an annex to these Notes.

Receivables from others
This item may be broken down as follows (in thousands of Euro):

	31/12/20	**31/12/19**
Due within a year:		
Due from employees	114	95
Insurance refunds receivable	2	3
Sundry	1,387	1,474
Total	**1,503**	**1,572**
Due after more than a year:		
Guarantee deposits	160	404
Total	**160**	**404**

All of the above amounts are considered recoverable so no provision for bad debts has been recorded.

"Sundry" includes Euro 1,180 thousand (the equivalent of USD 1,447 thousand) of receivables due from Broadview Engineering Limited in respect of payment for its equity interest in newly incorporated Nigerian company Shoreline Logistics Nigeria Limited.

CURRENT FINANCIAL ASSETS

The following table shows changes in current financial assets:

	31/12/19	**Diff.**	**31/12/20**
Derivatives	4,927	(3,102)	1,825
Other current securities	64,404	2,865	67,269
Total financial assets	**69,331**	**(237)**	**69,094**

Derivatives includes Euro 1,808 thousand of derivative instruments classified as held for trading as they do not satisfy hedge accounting requirements and Euro 17 thousand representing the Mark to Market value of the following hedging instruments:

Type: Forward sale contract – Rosetti Marino S.p.A.
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 3,500,000
Notional amount Euro: 2,881,844
Maturity: 29/01/2021
MTM: Euro 17 thousand

Changes in the fair value of derivative instruments classified as held for trading are recognised in the Balance Sheet and recorded in the Income Statement in items D18d or D19d.
Other Current Securities entirely consists of temporary investments of cash, mainly in insurance policies (Euro 58 million), mutual fund units and, to a minor extent, in other equities and bonds. Changes in fair value are recognised in the Balance Sheet and recorded in the Income Statement in items D18c or D19c.

CASH AND CASH EQUIVALENTS

Bank and post office accounts
The balance of Euro 25,725 thousand at 31 December 2020 (Euro

80,488 thousand at 31 December 2019) consisted entirely of funds held in bank accounts.

Cash and cash equivalents on hand

The balance at 31 December 2020 mainly consisted of cash on hand and amounted to Euro 81 thousand (Euro 76 thousand at 31 December 2019).

The change in cash and cash equivalents compared to prior year is explained in the statement of cash flows.

PREPAID EXPENSES AND ACCRUED INCOME

This item may be broken down as follows (in thousands of Euro):

	31/12/20	**31/12/19**
Prepaid rental costs	13	37
Prepaid moveable asset rental costs	90	27
Other prepaid expenses	854	1,088
Total prepaid expenses and accrued income	**957**	**1,152**

These items represent portions of income and expenses that relate to different reporting periods than the one in which they were collected or paid. They have been determined in accordance with the accrual principle.

COMMENTS ON THE MAIN LIABILITY AND EQUITY ITEMS

SHAREHOLDERS' EQUITY

Movements on the items included in Shareholders' equity are shown in an attachment.

The main shareholders' equity items are commented on below:

Share capital

At 31 December 2020, share capital was wholly subscribed and paid and consisted of 4,000,000 ordinary shares with a par value of Euro 1.00 each.

Revaluation reserve
This reserve was created in 2005 after the revaluation of fixed assets and the realignment of tax values and values for statutory reporting purposes under Law 266/05. It increased in 2008 as a result of the revaluation of fixed assets under Law 2/09.
In 2020, the Parent Company and subsidiary Fores Engineering S.r.l. revalued land, resulting in a Euro 23,740 thousand increase in the Revaluation reserve. See the Note on Tangible Assets for further details.

Legal reserve
This reserve includes portions of annual earnings allocated in prior years. The decrease is due to the absorption of subsidiary Basis Engineering S.r.l. into the Parent Company as a result of the merger that took place in the second half of the reporting period.

Other reserves
This reserve consists of portions of annual earnings allocated in prior years. The movement for the year regards the allocation of the net profit for 2019.

Cash flow hedge reserve
Movements on this reserve reflect future cash flows from derivatives which are considered “cash flow hedging instruments".

Retained earnings (Accumulated losses)
This includes the prior year retained earnings of several subsidiaries consolidated on a line-by-line basis.

Net profit (loss) for the year
This includes the net profit or loss for the year.

Negative reserve for treasury shares held
This reserve reflects the value of treasury shares held by the Company.

Translation reserve
This reserve regards differences arising on the translation of the foreign currency financial statements of companies not resident in

Italy but included in the scope of consolidation and due to differences between the year-end exchange rate (used to translate Balance Sheet items) and the average exchange rate for the year (used to translate Income Statement items).

PROVISIONS FOR RISKS AND CHARGES

Provisions for retirement benefits and similar obligations

This item amounts to Euro 360 thousand (Euro 701 thousand at 31 December 2019) and entirely consists of amounts allocated for Directors' leaving indemnities of subsidiary Tecon S.r.l. (Euro 360 thousand). The amount provided for leaving bonuses of Senior Management of the Parent Company (Euro 341 thousand at 31 December 2019) was utilised in full during the reporting period.

Tax provisions

This item – totalling Euro 10,104 thousand, of which Euro 6,577 thousand reported in the Parent Company's separate financial statements - includes a deferred tax provision of Euro 9,921 thousand calculated on all taxable temporary differences (Euro 4,062 thousand at 31 December 2019) and a current tax provision of Euro 192 thousand (Euro 821 thousand at 31 December 2019).
Note that the theoretical tax effect of the temporary differences has been calculated based on current tax rates. The change in this item compared to prior year is shown in an attachment to these Notes.

Provision for derivatives

This caption, amounting to Euro 440 thousand (Euro 814 thousand at 31 December 2019), represents the contra-entry to the amount recorded under the "Cash flow hedge reserve" in shareholders' equity. The key features of the derivatives are set out below:

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Intesa Sanpaolo S.p.A.
Notional amount: Euro 4,500 thousand
Duration: 60 months
Period: 28/02/2018 - 28/02/2023
Rate: Euribor 3 months
Frequency: Quarterly instalments

MTM: Euro 58 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Intesa Sanpaolo S.p.A.
Notional amount: Euro 7,000 thousand
Duration: 59 months
Period: 31/07/2019 - 17/06/2024
Rate: Euribor 6 months
Frequency: Six-monthly instalments
MTM: Euro 55 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Unicredit S.p.A.
Notional amount: Euro 3,000 thousand
Duration: 60 months
Period: 21/07/2020 - 31/07/2025
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 32 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Unicredit S.p.A.
Notional amount: Euro 3,761 thousand
Duration: 48 months
Period: 27/10/2019 - 31/10/2023
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 27 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Unicredit S.p.A.
Notional amount: Euro 8,750 thousand
Duration: 45 months
Period: 31/10/2018 - 31/07/2022
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 63 thousand

Type: IRS agreement – Rosetti Marino S.p.A.

Underlying contract type: loan from Unicredit S.p.A.
Notional amount: Euro 313 thousand
Duration: 60 months
Period: 24/06/2016 - 30/06/2021
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 1 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Credit Agricole Italia S.p.A.
Notional amount: Euro 6,895 thousand
Duration: 48 months
Period: 16/07/2019 - 17/07/2023
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 61 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Credit Agricole Italia S.p.A.
Notional amount: Euro 1,802 thousand
Duration: 60 months
Period: 29/06/2020 - 30/06/2025
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 18 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Banco BPM S.p.A.
Notional amount: Euro 3,347 thousand
Duration: 39 months
Period: 11/10/2019 - 31/12/2022
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 21 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from BPER Banca S.p.A.
Notional amount: Euro 8,143 thousand
Duration: 48 months

Period: 29/01/2020 - 29/01/2024
Rate: Euribor 3 months
Frequency: Six-monthly instalments
MTM: Euro 45 thousand

Type: Forward sales contract – Rosetti Marino S.p.A.
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount: USD 2,700 thousand
Notional amount: Euro 2,204 thousand
Expiry: 15/01/2021
MTM: Euro 7 thousand

Type: IRS contract – Fores Engineering S.r.l.
Underlying contract type: loan from Intesa Sanpaolo S.p.A.
Notional amount Euro: 10,000 thousand
Duration: 60 months - 5 years
Period: 30.11.2016 - 30.11.2021
Rate: Euribor 3 months
Frequency: quarterly instalments
MTM: Euro 7 thousand

Type: IRS contract – Fores Engineering S.r.l.
Underlying contract type: loan from BPER Banca S.p.A.
Notional amount Euro: 3,000 thousand
Duration: 48 months - 4 years
Period: 20.04.2020 - 20.01.2024
Rate: Euribor 3 months
Frequency: quarterly instalments
MTM: Euro 9 thousand

Type: IRS agreement – Fores Engineering S.r.l.
Underlying contract type: loan from Unicredit S.p.A.
Notional amount Euro: 1,000 thousand
Duration: 42 months - 4 years
Period: 27.01.2020 - 30.04.2023
Rate: Euribor 3 months
Frequency: quarterly instalments
MTM: Euro 5 thousand

Type: IRS agreement – Fores Engineering S.r.l.
Underlying contract type: loan from Banco BPM S.p.A.
Notional amount Euro: 2,500 thousand
Duration: 60 months - 5 years
Period: 11.12.2020 - 11.09.2025
Rate: Euribor 3 months
Frequency: quarterly instalments
MTM: Euro 31 thousand

We note that the Parent Company has adopted a system of powers and procedures to regulate the signature of derivative agreements and which was approved by the Executive Committee on 13 June 2018.
In more detail, with regard to derivatives used to hedge the exchange rate risk, the Board of Directors approves the limits for use in relation to the arrangement of derivatives and, within said limits, the Finance and Accounting Department determines which derivatives are most appropriate to hedge the risk.
Meanwhile, derivatives used to hedge the interest rate risk in relation to loans are specifically approved by the Board of Directors together with the financing that is to be hedged.

Other provisions
Movements on this item during 2020 were as follows (in thousands of Euro):

	31/12/19	**Incr.**	**Decr.**	**Forex diff.**	**31/12/20**
Provision for future risks	4,255	447	(670)	(374)	3,658
Provision for contractual risks	1,796	800	0	(88)	2,508
Provision for coverage of losses of investee companies	0	58	0	0	58
Provision for sundry risks	1,800	0	(1,800)	0	0
Total other provisions	**7,851**	**1,305**	**(2,470)**	**(462)**	**6,224**

The provision for future risks represents the best possible estimate of probable liabilities arising from ongoing civil litigation with third parties. The decrease in the provision is due to changes in circumstances that had led to the creation of provisions in prior years.
The provision for contractual risks has been created mainly to cover the risk of possible warranty costs.
The provision for coverage of losses has been created in relation to the portion of negative equity of investee companies not included in the scope of consolidation.
The provision for sundry risks has been released in full as a result of changes to the circumstances that led to its creation in prior years.

T.F.R./EMPLOYEE SEVERANCE INDEMNITY PROVISION

Movements on the provision during the year were as follows (in thousands of Euro):

Balance at 31-12-2019	4,398
Amount accruing and recorded in income statement	2,253
Other movements	0
Utilisation	(2,326)
Balance at 31-12-2020	**4,325**

The TFR/employee severance indemnity provision at 31 December 2020 represents the indemnity accruing in favour of employees that will be settled through payments made when employees leave the Italian companies or through advance payments made in accordance with the law. Utilisation mainly consists of transfers to supplementary pension funds in relation to amounts accruing during the year following changes introduced by Law no 296 of 27 December 2006 (Finance Act 2007).

PAYABLES

No payables are secured on Group assets.
No payables are due after more than five years.
A breakdown of payables is provided below together with movements on the various component items during the year:

Bank borrowing

This item includes:

	Rosetti Marino S.p.A.	Fores Engineering S.r.l.	Rosetti Superyachts S.p.A.
Loans:			
Unicredit S.p.A.	18,824	917	
Credit Agricole Italia S.p.A.	8,697		
BPER Banca S.p.A.	8,143	3,000	
La Cassa Di Ravenna S.p.A.			5,000
Credito Emiliano S.p.A.	2,505		
Monte dei Paschi di Siena S.p.A.	3,333		
Banco BPM S.p.A.	4,866	2,500	
Intesa Sanpaolo S.p.A.	11,500	2,019	
Advances:			
Banco BPM S.p.A.		1,103	
Intesa Sanpaolo S.p.A.		2,297	

The financing granted by Unicredit S.p.A. includes a total of six loans. The first contract, entered into in 2016 by absorbed company Basis Engineering S.r.l. and transferred to the Parent Company after the merger, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2021 (outstanding amount at 31.12.2020 - Euro 313 thousand). The second loan, signed by the Parent Company in 2018, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2022 (outstanding amount at 31 December 2020 – Euro 8,750 thousand). The loan is subject to covenants that were respected based on consolidated financial information at 31 December 2020. The third loan, signed by the Parent Company in 2019, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2023 (outstanding amount at 31 December 2020 – Euro 3,761 thousand). The fourth loan, signed by the Parent Company during the reporting period, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2025 (outstanding amount at 31 December 2020 – Euro 3,000 thousand). The fifth loan, arranged by subsidiary Fores Engineering S.r.l. and with an outstanding amount of Euro 917 thousand, is repayable over three years with a maturity date of 31 July 2023. The sixth loan, arranged by the Parent Company during the reporting period, provides for a fixed rate of interest, the application of interest on a six-monthly basis and reimbursement of the principal in a bullet repayment at the loan maturity date in 2022 (outstanding amount at 31 December 2020 - Euro 3,000 thousand). In order to hedge the interest rate risk relating to the first five loans, the Parent Company has arranged derivative contracts (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described.

The financing granted by Credit Agricole Italia S.p.A. to the Parent Company comprises two loans. The first loan agreement, signed in 2019, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2023 (outstanding amount at 31 December 2020 – Euro 6,895 thousand). The loan is subject to covenants that were respected based on the consolidated financial information at 31 December 2020. The second loan agreement, signed during the reporting period, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2025 (outstanding amount at 31 December 2020 – Euro 1,802 thousand). In order to hedge the interest rate risk relating to these two loans, the Parent Company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described.

The financing granted by BPER Banca S.p.A. comprises two loans. The first loan agreement, signed by the Parent Company during the reporting period, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity of the loan in 2024 (outstanding amount at 31 December 2020 – Euro 8,143 thousand). The second loan agreement, signed by subsidiary Fores Engineering S.r.l. and with an outstanding amount of Euro 3,000 thousand, is repayable over four years with a maturity date of 20 January 2024. In order to hedge the interest rate risk

relating to these two loans, derivative contracts (Interest Rate Swap) that meet the accounting requirements to be treated as a hedging derivative, as previously described, have been arranged.
The loan granted by La Cassa di Ravenna S.p.A. and signed by subsidiary Rosetti Superyachts S.p.A. in December 2020 provides for a floating rate equal to the Euribor 6-month rate plus one percentage point. It also provides for repayment of principal and interest in monthly instalments until the scheduled maturity date in 2026; interest only payments are due until 30 November 2021.
The loan granted by Credito Emiliano S.p.A. to the Parent Company was arranged during the reporting period. It provides for a fixed rate of interest and for repayment of principal and interest in monthly instalments until the scheduled maturity date in 2021 (outstanding amount at 31 December 2020 – Euro 2,505 thousand).
The loan granted by Monte dei Paschi di Siena S.p.A. to the Parent Company, as arranged in 2019, provides for a floating rate of interest and repayment of principal and interest in six-monthly instalments until the scheduled maturity date in 2022 (outstanding amount at 31 December 2020 – Euro 3,333 thousand).
The financing granted by Banco BPM S.p.A. consists of three loans. The first loan, signed by the Parent Company in 2017, provides for a fixed rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2022 (outstanding amount at 31 December 2020 – Euro 1,525 thousand). The second loan, signed by the Parent Company in 2019, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2022 (outstanding amount at 31 December 2020 – Euro 3,341 thousand). The third loan was arranged by subsidiary Fores Engineering S.r.l. during the reporting period in the amount of Euro 2,500 thousand. In order to hedge the interest rate risk relating to the last two loans derivative contracts (Interest Rate Swap) that meet the accounting requirements to be treated as a hedging derivative, as previously described, have been arranged.
The financing granted by Intesa San Paolo S.p.A. consists of three loans. The first loan agreement, signed by the Parent Company in 2018, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2023 (outstanding amount at 31

December 2020 – Euro 4,500 thousand). The second loan agreement, signed by the Parent Company in 2019, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2024 (outstanding amount at 31 December 2020 – Euro 7,000 thousand). The third loan, signed by subsidiary Fores Engineering S.r.l. and with an outstanding amount of Euro 2,019 thousand, is repayable over five years. In order to hedge the interest rate risk relating to these loans, derivative contracts (Interest Rate Swap) that meet the accounting requirements to be treated as a hedging derivative, as previously described, have been arranged.
Finally, we highlight the opening of two advance accounts by subsidiary Fores Engineering S.r.l. with Banco BPM S.p.A. and Intesa Sanpaolo S.p.A. – outstanding amounts of Euro 1,103 thousand and Euro 2,297, respectively.

Payables to other lenders

This item refers to finance arranged by subsidiary Tecon S.r.l. in order to purchase a company car.

Payments on account

This item includes advances already received from clients and the difference between percentages of completion approved by clients and the percentage of completion when the former is greater than the actual physical progress.

	31/12/20	**31/12/19**
Contract work in progress	5,490	8,601
Advances from third party clients	14,644	28,713
Total payments on account	**20,134**	**37,314**

The decrease compared to prior year reflects the contract work in progress trend at the reporting date. For further information, see the specific note on “Value of production”.

Due to suppliers (trade)

This item may be broken down as follows (in thousands of Euro):

	31/12/20	31/12/19
Due to suppliers - Italy	31,387	30,156
Due to suppliers – Other EU	4,648	5,216
Due to suppliers – Non-EU	11,589	28,357
Total	**47,624**	**63,729**

The decrease compared to prior year reflects the reduction in production activity.

Payables to subsidiaries

This item includes short-term payables as follows (in thousands of Euro):

	31/12/20	31/12/19
Rosetti Marino Mocambique Ltd	0	1
Total	**0**	**1**

The decrease is due to the liquidation of subsidiary Rosetti Marino Mocambique Limitada during the reporting period.

Payables to associated companies

This item includes the following short-term payables (in thousands of Euro):

	31/12/20	31/12/19
Basis Pivot Ltd	21	21
Total	**21**	**21**

The payable to Basis Pivot Ltd regards the portion of share capital subscribed but not yet paid.

Tax payables

This item may be broken down as follows (in thousands of Euro):

	31/12/20	31/12/19
Personal income tax (IRPEF) deducted at source	1,979	2,448
Income taxes payable	102	189
Substitute tax on revaluation of fixed assets	226	0
Foreign income taxes payable	767	1,013
VAT payable	16	104
Other taxes not on income	23	26
Total tax payables	**3,113**	**3,780**

This item mainly consists of personal income tax (IRPEF) deducted at source from the remuneration of employees and freelance workers and income tax payables.
Tax periods after 2015 have yet to be finalised and are still open to assessment.

Pension and social security payables
This item includes employee and employer social security and pension contributions payable to social security and pensions institutions. The balance is broadly in line with 31 December 2019.

Other payables
This item may be broken down as follows (in thousands of Euro):

	31/12/20	**31/12/19**
Due to employees	4,468	5,229
Due to freelance contractors	8	16
Due to pension funds	359	480
Sundry payables	2,298	4,266
Total other payables	**7,133**	**9,991**

This item largely consists of amounts due to employees. The increase in "Sundry payables" mainly relates to the residual portion of Euro 2,241 thousand of the liability towards Ali & Sons Marine Engineering Factory for the acquisition of 49% of the share capital of the Abu Dhabi based company now called Rosetti Ali & Sons Llc.

ACCRUED EXPENSES AND DEFERRED INCOME

This item may be broken down as follows (in thousands of Euro):

Accrued expenses:	**31/12/20**	**31/12/19**
Accrued loan interest expenses	75	117
Accrued expenses re forward sales / purchases	2	275
Other	98	28
	175	**420**
Deferred income:		
Other	9	7
	9	**7**
Total accrued expenses and deferred income	**184**	**427**

These items represent portions of income and expenses that relate to different reporting periods than the one in which they were collected or paid. They have been determined in accordance with the accrual principle.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

VALUE OF PRODUCTION

Revenues from sales and services

Revenues from the sale of goods and the provision of services may be broken down as follows (in thousands of Euro):

	2020	2019
Energy Business Unit	162,567	268,489
Shipbuilding Business Unit	1,994	4,960
Process Plants Business Unit	26,029	40,568
Sundry services	1,413	2,814
Total revenues from sales and services	**192,003**	**316,831**

Revenues may be broken down by geographical area as follows (in thousands of Euro):

	2020	2019
Revenues from Italian clients	13,059	6,385
Revenues from other EU clients	93,811	93,741
Revenues from non-EU clients	85,134	216,705
Total revenues from sales and services	**192,003**	**316,831**

Given the nature of the Company's business, revenues are fairly concentrated with 71.04% of total revenues from sales and services generated by the five largest clients (71.00% in prior year). This concentration is mainly apparent in the Energy Business Unit.

Change in WIP and semi-finished products

This item shows a positive balance of Euro 23 thousand and represents the valuation of the WIP of subsidiary Rosetti Superyachts S.p.A. at 31 December 2020.

Change in contract work-in-progress

This item may be analysed as follows (in thousands of Euro):

	2020	2019
Opening contract WIP at 1/1	(39,259)	(17,458)
Exchange difference	3	0
Closing contract WIP at 31/12	52,255	39,259
Total change in contract WIP	**12,999**	**21,801**

At 31 December 2020, contract work in progress included Euro 1,590 thousand relating to the Energy Business Unit, Euro 7,779 thousand relating to the Process Plants Business Unit and Euro 3,630 thousand relating to the Shipbuilding Business Unit.

For details of the valuation method, see the note on “Revenues from sales and services” and the valuation criteria set out at the start of these Notes.

Increases in fixed assets due to internal costs capitalised

This item, amounting to Euro 4 thousand (Euro 123 thousand at 31 December 2019), includes costs capitalised by the Parent Company that led to increases in “Intangible assets” (Euro 1 thousand) and “Tangible assets” (Euro 3 thousand).

Other revenues and income

This item may be broken down as follows (in thousands of Euro):

	2020	2019
Grants towards operating expenses	1,641	365
Total “Grants towards operating expenses”	**1,641**	**365**
Recharge of expenses to third parties	1,136	498
Hires and rentals	30	43
Gains on asset disposals	0	84
Reversal of excess provision for risks	2,647	6,725
Out of period income	115	90
Other	591	424
Total other revenues and income	**4,519**	**7,864**

“Grants towards operating expenses” mainly comprises Euro 83 thousand of grants towards the photovoltaic solar power systems installed by the Parent Company at the S. Vitale yard and at the Via Trieste site, as well as towards the solar power systems installed by subsidiary Fores Engineering S.r.l. at its premises in Forlì.

The remainder includes Euro 156 thousand of grants received from

Fondirigenti and Fondimpresa (including Euro 84 thousand by the Parent Company and Euro 72 thousand by subsidiary Fores Engineering S.r.l.) in reimbursement of costs incurred to run training programs; Euro 322 thousand of grants for the Parent Company in the form of tax credits maturing on research and development activities carried out in 2019; Euro 2 thousand of grants in the form of tax credits maturing in favour of the Parent Company; Euro 28 thousand of grants in the form of tax credits maturing pursuant to Article 125 of Decree Law 34/2020 (credit in relation to costs incurred during the year to combat the Covid-19 emergency e.g. sanitisation of work areas and purchase of PPE) in favour of the Parent Company; Euro 759 thousand of grants awarded by the Ministry of Infrastructure and Transport to the Parent Company towards project Rosmanditen (an innovative product and process initiative in the Shipbuilding segment) with Euro 95 thousand already received and Euro 664 thousand to be received in future years; and Euro 291 thousand of grants awarded by the Ministry of Infrastructure and Transport to the Parent Company in respect of the GAIN4CORE and GAIN4MOS projects (initiatives for the development of systems for the liquefaction, storage and distribution of LNG) with the full amount received during the reporting period.
Note that Reversal of excess provisions for risks regards provisions that were created in prior years but are no longer required.

COST OF PRODUCTION

Purchases

This item may be broken down as follows (in thousands of Euro):

	2020	2019
Raw materials	58,610	92,360
Ancillary materials and consumables	3,311	6,789
Other purchases	46	175
Total purchases	**61,967**	**99,324**

The decrease compared to prior year reflects the reduction in production activities.

Costs for services

This item may be broken down as follows (in thousands of Euro):

	2020	2019
Sub-contracting and outsourcing	90,785	107,997
Repairs and maintenance	1,336	1,719
Electricity, water and heating	1,230	1,279
Other production costs	17,814	15,743
Sundry personnel costs	2,144	5,552
Selling costs	549	3,429
Statutory auditors' fees	68	71
Directors' fees	888	1,065
External auditors' fees	154	170
General, administrative and insurance costs	4,515	5,742
Total costs for services	**119,483**	**142,767**

The decrease compared to prior year reflects the reduction in production activities.

Lease and rental costs

This item may be broken down as follows (in thousands of Euro):

	2020	2019
Property rental	2,072	3,430
Hire / rental of moveable assets	6,185	3,667
Maintenance of leased or rented property/assets	3	4
Concession fees	47	58
Software rental	361	447
Total lease and rental costs	**8,668**	**7,606**

The increase in this item is mainly due to the nature of the contracts in progress which required increased rental/hire of moveable assets.

Personnel costs

The income statement contains a breakdown of personnel costs. The increase is mainly concentrated in the Kazakhstan companies as a result of the higher value of production in that country.

The following table shows changes in the workforce by category during the year:

	31/12/19	Increases	Decreases	31/12/20

Sen. Managers	48	3	(2)	49
White collar	850	46	(174)	722
Blue collar	362	1	(56)	307
Total	**1,260**	**50**	**(232)**	**1,078**

Depreciation, amortisation and writedowns

The breakdown required has been provided in the Income Statement.
Details of depreciation charges on tangible assets are provided in a specific attachment.
"Writedowns of current receivables" represents the accrual made for the year to ensure that the bad debt provision covers the credit risk regarding outstanding receivables.

Change in inventory of raw materials

This item may be broken down as follows (in thousands of Euro):

- Opening inventory at 01/01/20	(3,364)
- Change in inventory obsolescence provision	(658)
- Closing inventory at 31/12/20	3,297
Total	**(725)**

The change in the inventory obsolescence provision is entirely due to the decrease for the year.

Allocations to provisions for risks

This item includes the amounts allocated as described under the caption "Provisions for Risks and Charges".

Sundry operating expenses

This item may be broken down as follows (in thousands of Euro):

	2020	**2019**
Taxes and duties other than income tax	622	1,077
Loss on asset disposals	7	61
Out of period expenses	214	142
Other operating expenses	248	581
Total sundry operating expenses	**1,091**	**1,861**

FINANCIAL INCOME AND EXPENSES

Income from equity investments

This item includes dividends from other companies of Euro 1 thousand, as paid by Porto Intermodale Ravenna S.p.A. (S.A.P.I.R).

Other financial income

This item may be broken down as follows (in thousands of Euro):

	2020	2019
c) Income from current securities other than equity investments:		
- dividends from securities management	0	3
- interest income on securities	1,353	1,601
- gains on disposals	25	561
Total	**1,378**	**2,165**
d) Income other than the above:		
- interest from subsidiaries	3	0
- interest from associated companies	92	172
- interest from others and sundry income:		
- bank interest income	104	30
- interest income from customers	0	8
- sundry interest income	18	47
- other income	0	1
Total	**217**	**258**

Interest and other financial expenses

This item may be broken down as follows (in thousands of Euro):

	2020	2019
d) other:		
- interest expense on bank current accounts	5	0
- interest expense on bank loans	799	764
- securities management commission	5	60
- losses on securities	628	6
- sundry interest expenses	274	702
Total	**1,711**	**1,532**

Exchange gains and losses

This item may be broken down as follows (in thousands of Euro):

	2020	2019
Exchange gains	2,890	1,137
Unrealised exchange gains	393	546
Exchange losses	(1,797)	(1,674)
Unrealised exchange losses	(625)	(231)
Total	**861**	**(222)**

ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS

“Adjustments to value of financial assets” shows a negative balance of Euro (1,189) thousand and includes the following adjustments:
- revaluation of current securities by Euro 56 thousand;
- revaluation of derivative instruments by Euro 4 thousand;
- writedown of equity investments by Euro (864) thousand;
- writedown of current securities by Euro (186) thousand;
- writedown of derivative instruments by Euro (199) thousand.

TAXES ON INCOME FOR THE YEAR

This item is analysed as follows (in thousands of Euro):

	2020	2019
Current taxes	2,102	13,900
Prior year taxation	108	(607)
Deferred taxes	79	108
Deferred tax income	(9,405)	(852)
Total taxes on income for the year	**(7,116)**	**12,549**

The effective tax rate at Group level is 17.41% (44.44% in prior year).

OFF BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

GUARANTEES GIVEN

Sureties

This item consists of Euro 92,771 thousand of sureties given by insurers and banks to the Group’s clients as guarantees of proper performance of works and to release amounts withheld for guarantee purposes.

DISCLOSURES IN TERMS OF ARTICLE 1(125) OF LAW NO 124 OF 4 AUGUST 2017

As required by Article 1(125 et seq) of Law 124/2017 on the issue of transparency over public funding, we provided below details of the grants and economic benefits of all types received from public administrations and from parties/entities controlled by them, even indirectly:

Name of funding body: Gestore dei Servizi Energetici GSE S.p.A. – Rosetti Marino S.p.A.
Amount received: Euro 70 thousand
Date received: various dates in 2020
Reason: grants to net metering account

Name of funding body: Ministry for Infrastructure and Transport – Rosetti Marino S.p.A.
Amount received: Euro 186 thousand
Date received: 16/01/2020
Reason: grant towards realisation of a number of pilot projects with the aim of developing a system for the liquefaction, storage and distribution/receipt of LNG (liquefied natural gas) - project “GAINN4CORE”

Name of funding body: Ministry for Infrastructure and Transport – Rosetti Marino S.p.A.
Amount received: Euro 105 thousand
Date received: 31/07/2020
Reason: grant towards realisation of a project with the aim of developing a system for the storage and micro-liquefaction of lNG (liquefied natural gas) at the port of Ravenna - project “GAINN4MOS”

Name of funding body: Ministry for the Economy and Finance – Rosetti Marino S.p.A.
Amount offset against other taxes: Euro 322 thousand
Date received: 16/12/2020
Reason: R&D grant for costs incurred in 2019

Name of funding body: Ministry of Infrastructure and Transport – Rosetti Marino S.p.A.
Amount received: Euro 95 thousand
Date received: 16/12/2020
Reason: grant to finance projects for product or process innovation in the shipping field – project called "ROSMANDITEN

Name of funding body: Ministry of cultural heritage and tourism – Rosetti Marino S.p.A.
Amount offset against other taxes: Euro 1 thousand
Date received: 16/12/2020
Reason: Art Bonus subsidy for payments incurred in 2018

Name of funding body: Ministry of cultural heritage and tourism – Rosetti Marino S.p.A.
Amount offset against other taxes: Euro 2 thousand
Date received: 16/12/2020
Reason: Art Bonus subsidy for payments incurred in 2019

Name of funding body: Ministry for the Economy and Finance – Fores Engineering S.r.l.
Amount accruing: Euro 99 thousand
Date of offsetting: 18/04/2020
Reason: Tax Credit for R&D activities in 2017 - Art.1 of Law no 190 of 23 December 2014 (Government Budget 2015)

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

In the period between the reporting date and now, there have been no events that could have a significant impact on operating performance, except for the ongoing situation regarding the Covid-19 pandemic. On that matter, reference should be made to the comments set out in the Directors' Report.

ANNEXES

The following annexes contain supplementary information in addition to that provided in the Notes of which they are an integral part.
Said information is contained in the following annexes:
- Statement of movements on shareholders' equity for the years ended 31 December 2020 and 31 December 2019;
- Detailed analysis of tangible assets at 31 December 2020;
- Temporary differences resulting in recognition of deferred tax assets and liabilities.

ROSETTI MARINO S.p.A.
STATEMENT OF MOVEMENTS ON CONSOLIDATED SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Euro)

	Share capital	Revaluation reserve	Legal reserve	Other reserves	Cash flow hedge reserve	Ret. Earnings (Accum. losses)	Neg. Reserve for treasury shares held	Translation reserve	Consolidation reserve	Net profit for the year	Total	Equity of minority interests
BALANCE AT 31 DECEMBER 2018	**4.000**	**36.969**	**1.110**	**141.931**	**(1.640)**	**43**	**(5.100)**	**(3.189)**	**23**	**5.543**	**179.690**	**5.648**
Net profit for 2018:												
- to reserves	0	0	0	2.942	0	(59)	0	0	0	(2.883)	0	0
- dividends	0	0	0	0	0	0	0	0	0	(2.660)	(2.660)	0
Translation reserve	0	0	0	0	0	0	0	(198)	0	0	(198)	(28)
Cash flow hedge reserve	0	0	0	0	855	0	0	0	0	0	855	0
Change in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0
Net profit for 2019	0	0	0	0	0	0	0	0	0	4.470	4.470	11.221
BALANCE AT 31 DECEMBER 2019	**4.000**	**36.969**	**1.110**	**144.873**	**(785)**	**(16)**	**(5.100)**	**(3.387)**	**23**	**4.470**	**182.157**	**16.841**
Net profit for 2019:												
- to reserves	0	0	0	4.440	0	(158)	0	0	0	(4.282)	0	0
- dividends	0	0	0	(1.712)	0	0	0	0	0	(188)	(1.900)	0
Translation reserve	0	0	0	0	0	0	0	(2.598)	0	0	(2.598)	(2.612)
Cash flow hedge reserve	0	0	0	0	362	0	0	0	0	0	362	0
Revaluation of tangible assets	0	23.740	0	0	0	0	0	0	0	0	23.740	
Change in scope of consolidation	0	0	(100)	0	0	0	0	0	0	0	(100)	0
Net loss for 2020	0	0	0	0	0	0	0	0	0	(32.604)	(32.604)	(1.146)
BALANCE AT 31 DECEMBER 2020	**4.000**	**60.709**	**1.010**	**147.601**	**(423)**	**(174)**	**(5.100)**	**(5.985)**	**23**	**(32.604)**	**169.057**	**13.083**

STATEMENT OF MOVEMENTS ON TANGIBLE ASSETS FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of Euro)

	Opening situation			Movements during the year									Closing situation		
				Additions			Disposals								
	Historical Cost	Accum. Deprec'n	Balance 31/12/19	Purchases	Int. Works	Revaluation	H/Cost	Revaluations	Acc Dep'n	Change of category	Forex diff.	Ordinary deprec'n	Historical Cost	Accum. Deprec'n	Balance 31/12/20
Yards and buildings:															
- land	35.050	(4.862)	30.188	0	0	30.101	0	223	0	1.513	(88)	0	66.799	(4.862)	61.937
- yards and buildings	79.128	(31.936)	47.192	36	0	0	(40)	0	17	1.271	(3.921)	(1.848)	76.474	(33.767)	42.707
- light constructions	6.006	(5.735)	271	27	9	0	(18)	0	6	0	0	(97)	6.024	(5.826)	198
Plant and machinery:															
- plant	18.062	(15.385)	2.677	148	110	0	(3)	0	3	0	0	(632)	18.317	(16.014)	2.303
- dry dock	7	(7)	0	0	0	0	0	0	0	0	0	0	7	(7)	0
- treatment plant	239	(239)	0	0	0	0	0	0	0	0	0	0	239	(239)	0
- machinery	6.212	(5.795)	417	18	6	0	0	0	0	0	0	(152)	6.236	(5.947)	289
- electrical systems	26	(26)	0	0	0	0	0	0	0	0	0	0	26	(26)	0
Industrial and commercial equipment	12.915	(7.567)	5.348	185	0	0	(324)	0	218	35	(797)	(752)	12.014	(8.101)	3.913
Other tangible assets:															
- office furniture	2.423	(1.489)	934	30	0	0	(33)	0	27	23	(62)	(222)	2.381	(1.684)	697
- IT equipment	3.727	(2.862)	865	130	0	0	(89)	0	86	34	(84)	(238)	3.718	(3.014)	704
- commercial vehicles	539	(511)	28	0	0	0	0	0	0	0	0	(16)	539	(527)	12
- automobiles	844	(439)	405	26	0	0	(28)	0	26	22	(59)	(112)	805	(525)	280
- barge	3.707	(1.972)	1.735	0	0	0	0	0	0	0	0	(163)	3.707	(2.135)	1.572
Assets under construction and payments on a/c	2.601	0	2.601	1.620	(125)	0	0	0	0	(2.898)	(23)	0	1.175	0	1.175
Total	**171.486**	**(78.825)**	**92.661**	**2.220**	**0**	**30.101**	**(535)**	**223**	**383**	**0**	**(5.034)**	**(4.232)**	**198.461**	**(82.674)**	**115.787**

TEMPORARY DIFFERENCES RESULTING IN THE RECOGNITION OF DEFERRED TAX ASSETS AND LIABILITIES

Article 2427(14) of the Italian Civil Code

	Deferred Tax Assets at 31/12/2019		***Decreases***		***Increases***		***Forex diff.***	***Deferred Tax Assets at 31/12/2020***	
Deductible differences	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**		**Taxable amount**	**Tax**
Provision for contractual risks	173	42	0	0	36	9	0	209	51
Provision for bad debts	771	185	0	0	557	90	0	1.328	275
Provision for contingent risks	2.354	907	3.924	870	1.910	351	0	340	388
Unrealised exchange losses	96	23	99	24	385	93	0	382	92
Depreciation of tangible assets	1.280	351	302	84	0	0	(1)	978	266
Directors' fees payable	8	1	0	0	0	0	0	8	1
Tax losses	15.237	4.252	216	52	40.835	9.324	(61)	55.856	13.463
Inventory obsolescence provision	653	159	105	25	763	183	(16)	1.311	301
Loss-making contracts	12.052	2.891	11.303	2.712	14.596	3.227	0	15.345	3.406
Provisions for employee bonuses	341	82	357	86	16	4	0	0	0
Other provisions	863	247	575	125	289	70	(25)	577	167
Total	**33.828**	**9.140**	**16.881**	**3.978**	**59.387**	**13.351**	**(103)**	**76.334**	**18.410**

	Deferred Taxes at 31/12/2019		***Decreases***		***Increases***		***Forex diff.***	***Deferred Taxes at 31/12/2020***	
Taxable increases	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**		**Taxable amount**	**Tax**
Unrealised exchange gains	47	11	47	11	122	29	0	122	29
Depreciation of tangible assets	10.310	3.375	0	0	780	156	(586)	11.090	2.945
Amortisation of intangible assets	15	2	0	0	0	0	0	15	2
Other provisions	494	118	491	118	241	58	0	244	58
Revaluation of land for statutory reporting purposes only	0	0	0	0	22.786	6.357	0	22.786	6.357
Consolidation entries	1.640	556	146	35	0	0	0	1.494	521
Total	**12.506**	**4.062**	**684**	**164**	**23.929**	**6.600**	**(586)**	**35.751**	**9.912**

EXTERNAL AUDITORS' REPORT

_INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Rosetti Marino S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Rosetti Marino S.p.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020, the consolidated statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

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 Rosetti Marino S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. 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 what explained in the notes regarding the revaluation of land that the Parent Company carried out at December 31, 2020, pursuant to law no. 126/2020 and the effects this has had on the value of fixed assets, shareholders' equity, tax payables for the substitute tax and on the provision for deferred taxes liabilities.

Our opinion is not modified in respect of this matter.

Responsibilities of the Directors and the Board of Statutory Auditors 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 the Italian law governing financial statements and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance, identified at 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 OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Rosetti Marino S.p.A. are responsible for the preparation of the report on operations of Rosetti Group as at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Rosetti Group as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of Rosetti Group as at December 31, 2020 and is prepared in accordance with the law.
With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Mauro Di Bartolomeo
Partner
Bologna, Italy
April 12, 2021