ROSETTI MARINO

Consolidated Financial Statements

31 December 2018

Approved by the BoD on 29/03/19

I N D E X

1. DIRECTORS' REPORT ON OPERATIONS,

ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2018

Dear Shareholders,
The consolidated financial statements of the Group for 2018 report a net profit of Euro 5,543 thousand after depreciation and amortisation of Euro 5,818 thousand, impairment adjustments to current assets of Euro 1,270 thousand and allocations to provisions for risks of Euro 3,924 thousand.
Considering the economic crisis that has characterised the global economy in recent years and, in particular, the segments where the Group operates, we believe the results reported may be deemed wholly satisfactory and reflect the major commitment and effort shown by all Group personnel to whom we offer our most heartfelt thanks**.**
We present below an overview of the Group's operating performance and an outline of foreseeable future developments.

OPERATING PERFORMANCE

The year ended 31 December 2018 was characterised by a strong, 26.09% increase in volume of production (GIP of Euro 261 million in 2018 against Euro 207 million in 2017). The growth was recorded solely by the Energy Business Unit while the Shipping Business Unit saw its volume of production reduced to zero in 2018. The Process Plants Business Unit also recorded a decrease compared to prior year but the 2018 performance in terms of order acquisitions offered positive signs of a possible recovery in this segment, too.
The increase in production activities was reflected more than proportionately in profitability with margins clearly higher both in absolute terms and in percentage terms. In our opinion, the results achieved can be considered wholly satisfactory.
Another positive factor was the return to profitability – albeit to a limited extent – of all of the Italian subsidiaries except Rosetti Superyachts S.p.A. In 2018, said company struggled during its start-up phase in a market segment where the Group has not yet established itself. Among the foreign subsidiaries, we highlight the excellent performance of KCOI in Kazakhstan (although it was hit by the weakening of the local currency), even though its operations were only recently launched, and the good commercial prospects of both

Rosetti Pivot Ltd in Nigeria and Rosetti Marino Singapore Pte Ltd. Rosetti Congo Sarl was almost dormant during the year while the results of Basis Congo Sarl and, especially, Fores Engineering Algérie Eurl remained disappointing.

It is important to note that the Energy Business Unit managed to generate significant volumes of production in the Onshore, Technical Service and Subsea segments. While Oil & Gas Platforms remain the Group's most important product, in 2018, there was less reliance on that specific product and significant results were achieved in terms of risk diversification.

Another important factor is that the Group managed to achieve a healthy geographical diversification in terms of the destination of its products and services. Against an increasingly uncertain background of investment in Energy in Italy, in 2018, the Group operated in five separate geographical areas with diverse investment policies: the Mediterranean Basin, the North Sea, the Middle East, Western Africa and the Caspian Sea. We believe that operating across such an extensive geographical area helps reduce the Group's exposure to risk, not only in relation to business matters but also in terms of geopolitical factors. It is also worth stressing that the year 2018 saw the effective implementation of the business strategy the Group had decided to adopt with Engineering, Procurement and Contract Management activities remaining in Italy while Construction and Technical Services will be mainly carried out abroad. The results of foreign subsidiaries and associated companies made a decisive contribution to the Group's overall results for the year in terms of volumes and margins.

We draw your attention to certain features of the commercial policy adopted during the reporting period.

Although the volume of new order acquisitions was much lower than in 2017 (Euro 256 million in 2018 against Euro 388 million in 2017), it was still far higher than in previous years. Moreover, in 2018, the Group was awarded some major additional work under existing contracts and this, summed to total order acquisitions by the Group during the year, produced a figure very close to the prior year GIP.

Furthermore, commercial activities were very important in 2018 as they led to the presentation of several important tenders which are currently being assessed by potential clients. It is worth highlighting the fact that many of these tenders submitted by the Parent Company relate to Offshore Windpower platforms. Although it has not significant track record in this field, the Group is now considered a reliable partner in the Offshore Windpower segment by both the clients and the technology providers with which the Parent Company operates. The Group hopes that its commercial efforts in the Offshore Windpower segment will produce their first significant results in 2019, representing concrete progress in the drive to diversify from the Offshore Oil & Gas segment.

Along with the increase in volumes, there was also a clear recovery in operating performance with EBITDA up to Euro 28.5 million (Euro 6.4 million in 2017) and EBIT of Euro 17.5 million (negative by Euro 2.2 million in 2017).

In 2018, the Process Plants segment, where subsidiary Fores Engineering and its associated companies operate, enjoyed a major recovery in terms of margins although the volume of business was lower than in 2017.

In the Shipbuilding Business Unit, the most significant event during the year was the first order acquired by subsidiary Rosetti Superyachts S.p.A., as we will go on to describe in detail later.

We also note that the financial statements were badly affected by unfavourable exchange trends, especially regarding the Kazakh currency. This trend generated exchange losses of Euro (2,718) thousand at Group level (Euro (3,948) thousand at 31 December 2017).

A selection of the key performance indicators is provided below:

	31.12.18	31.12.17
G.I.P. (in thousands of Euro)	260,534	207,150
(A1+A2+A3 of the income statement)		
EBITDA (in thousands of Euro)	28,499	6,356
(A+B-10-12-13 of the income statement)		
EBITDA/GIP	10.94%	3.07%
EBIT (in thousands of Euro)	17.487	(2,164)

(A+B of the income statement)		
EBIT / GIP	6.71%	(1.04%)
Profit/(Loss) before tax (in thousands of Euro)	11,576	(4,935)
(voce 22 of the income statement)		
Profit/(Loss) before tax /GIP	4.44%	(2.38%)
Net profit/(loss)	5,543	(5,849)
(voce 23 of the income statement)		
Net profit/(loss)/GIP	2.13%	(2.82%)
R.O.E	3.11%	(3.14%)
(Net profit/(loss)/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 229 million in 2018 (Euro 168 million in 2017), the energy segment was confirmed as the Group's main operating segment.

For Oil & Gas platforms, the year was characterised by intensive design and contract management activity for projects destined for the North Sea. These projects will represent a significant portion of the workload in 2019 when the bulk of the procurement and construction activities will take place. During 2018, work also got underway on construction of Living Quarters for Qatar; this will continue throughout 2018 and related purchases were already completed in 2018. In Kazakhstan, the Group continued to work on a major project acquired in 2017 and on two smaller projects acquired in 2018 which will require further operating activities in 2019.

Thanks mainly to the knock-on effect of orders acquired by the Parent Company, subsidiary Basis Engineering S.r.l. managed to recover in terms of revenue and achieved its budget objectives. We also note that subsidiary Basis Congo Sarl continued to operate in line with prior year and that subsidiary Tecon S.r.l. was fully integrated.

During the year, two projects were completed in the Subsea segment, along with one project in the Onshore segment. All three of these projects included significant additional work and revenue on top of the initial amounts and the clients were highly satisfied with the performance of the Group.

In the Technical Services segment, activities in Egypt continued and will carry on at full capacity until midway through 2019. Parent Company personnel has made a very important contribution to the Company's performance on this project with the most important gas deposit in the Mediterranean coming on line in record time. Still in the Technical Services field, during the year, Senior Management of the Group decided to make a number of offers for Operation & Maintenance services and the outcome will be known in the first half of 2019. It also commenced work – still at a very early stage – on specialist services in Singapore for one of the world's most important Oil & Gas companies.

Finally, in the second half of 2018, brownfield activities were launched in Nigeria by local associated company Rosetti Pivot LLP. The Parent Company used a lot of energy for the operational launch of this company in the production, organisational, corporate and administrative fields. Bearing in mind the potential for a significant increase in the volume of work in Nigeria, it is expected that this commitment will continue in 2019.

Shipbuilding Business Unit

Shipbuilding did not generate any value of production in 2018 (Euro 3 million in 2017).

The positive note from this segment is the acquisition by subsidiary Rosetti Superyachts S.p.A. of its first order on 13.12.2018.

We note that, in 2018, there was increasing market interest in explorer ships and supply vessels.

Although it will take time for the business to achieve a good level of operations, we can say that the trends seen in 2018 confirm that the Group is taking steps in the right direction. Costs incurred in 2018 for

Designers and Naval Architects remained broadly similar to 2017 levels. However, the difference was that while, in 2017, these costs were incurred to create the range of superyachts needed to give the business credibility, in 2018, the costs were directed more towards creating offers in response to requests from potential customers.
The sales network continues to show positive interest in the Group and the work done is expected to bear fruit in the years ahead.

Process Plants Business Unit
This business segment is entirely handled by subsidiary Fores Engineering and its associated companies. In 2018, it generated value of production of around Euro 32 million against around Euro 36 million in 2017. Although the volume of business fell slightly compared to prior year, there was a significant improvement in profitability. After two difficult years caused by ineffective commercial policy, the business unit showed signs of recovery which, also thanks to the contribution of contracts acquired by the Parent Company, led to important order acquisitions towards the end of the year. It is important to underline the momentum produced by commercial efforts to boost production in 2018, with more than 80% destined for export markets.
The corrective actions taken in 2018 have involved the organisational structure as a whole. Measures have been taken to reduce costs and to rationalise decentralised structures like branches and subsidiaries.

CAPITAL EXPENDITURE

In 2018, the Group incurred capital expenditure totalling Euro 6,660 thousand with Euro 591 thousand invested in intangible assets and Euro 6,069 thousand in tangible assets.
The main investments in intangible assets regarded the purchase and implementation of software intended improve certain business processes.
Investments in tangible assets mainly 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.

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 positive despite a slight decrease compared to prior year.
Financial fixed assets mainly include a receivable of Euro 775 thousand from associated company Rigros S.r.l. representing 50% of a loans in Euro made to that company to provide it with the cash needed to purchase a plot of industrial land next to the Parent Company's headquarters.

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

	31.12.18	31.12.17
Short-term NFP (in thousands of Euro) (CIII + CIV of Assets – D4 current of Liabilities)	127,995	61,242
Fixed asset coverage margin (in thousands of Euro) (M/L term liabilities + total equity – fixed assets)	158,999	115,294
Fixed asset coverage ratio (M/L term liabilities + total equity / fixed assets)	2.61	2.14
Financial independence index (Total equity / Total assets)	47.77%	51.73%
Ratio of financial income(expense) to GIP (Financial income and expenses / GIP)	(1.20%)	(1.46%)

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.

Note that if exchange losses are not considered, net financial expenses represent -0.16% of GIP (+0.44% at 31 December 2017).
Moving onto 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 (e.g. Kazakhstan), 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.

Therefore, during the year, the Group invested a lot of resources on training activities that involved many employees (for example, the Parent Company invested an amount equal to 1.78% of its personnel costs). In particular, we highlight the launch of the training project called “Rosetti Academy” which will involve the current assistants to the Chief Executive Officer and other senior Group personnel, for a total of 55 persons. The project will grow and develop in the years ahead with the goal of training the next generation of Rosetti Marino Group managers. This figure confirms the special attention that has been paid to the professional development of human resources as we believe that people represent an essential resource for the continued success and development of the Group.
As at 31 December 2018, the headcount came to 1,415 employees, a net increase of 31 compared to 31 December 2017.
Some 173 employees were hired while 142 employees left the workforce due to natural turnover. In further detail, it should be noted that the number of executives increased by 8 while white-collar workers and blue-collar workers increased by 21 and 2, respectively. Headcount decreases were recorded by Fores Engineering Algerie Eurl (-6) and Fores Engineering S.r.l. (-22) and Fores Engineering Algerie Eurl (-1) while there were increases for Rosetti Kazakhstan Llp (+13), parent company Rosetti Marino S.p.A. (+10), Basis Engineering S.r.l. (+6), Kazakhstan Caspian Offshore Industries Llp (+5), Tecon S.r.l. (+2) and Rosetti Superyachts S.p.A. (+2).
Due to the type of business conducted, 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 2018, 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

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 environmental.

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 which incurred costs totalling Euro 1,100 thousand.
These activities have regarded the following projects, in particular:
- project called Rosmanditen involving the study, design and development of IT solutions to simulate tugboat manoeuvring;
- pre-competitive development of technical and technological solutions for the realisation of innovative technology for the Shipbuilding segment and the Oil & Gas segment;
- technical feasibility studies into innovative eco-sustainability solutions;
- technical feasibility studies to provide complex offerings for the development of innovative shipbuilding and energy products.

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

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 31.12.2018, the order backlog for contracts acquired but not yet completed amounted to around Euro 412 million (Euro 388 million at 31.12.2017).
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 for this business unit stands at Euro 387 million (Euro 373 million at 31 December 2017), including Euro 367 million in the offshore segment, Euro 1 million in the subsea segment, Euro 11 million in the Technical Service segment and Euro 8 million in the onshore segment.
The projects acquired in the last two years will lead to a higher volume of work in 2019 than in 2018. The increase will regard construction activities carried out at the Piomboni Yard in Marina di Ravenna but also in Qatar, Kazakhstan, Egypt and Nigeria.
The hope is that this volume of work will be maintained in 2019 through the acquisition of new orders thanks to the commercial efforts made in 2018 which led to the submission of many tenders and to approved supplier status being obtained.
In the North Sea, in addition to Oil & Gas platforms, the Group has gained recognition and approval for several Windpower platforms (electricity sub-stations) and tenders have already been submitted or will be submitted in the first few months of 2019. This is in partnership with technology providers specialising in the supply of high voltage electrical systems. The acquisition of a first project in this sector would mean a highly significant product diversification of the Group and a reduction in risk relating to the slow but gradual decline of Oil & Gas in favour of Renewables.

No new order acquisitions are expected in the Subsea segment in the short-term while tenders for Onshore projects will be submitted.
With regard to Technical Services, the Group hopes to win its first Operation & Maintenance contracts while, in the Brownfield segment, volumes are expected to increase in Nigeria while the business will remain strong in Kazakhstan.
In terms of geographical diversification, as well as consolidating in countries where it is already present, the Group is working hard on Business Development, focusing on the Congo, the United Arab Emirates and the Russian Federation.

Shipbuilding Business Unit

With regard to the Shipbuilding Business Unit, as already highlighted, demand for Superyachts is on the increase. The Group launched a series of initial activities in 2017 and there were further developments in 2018. If, on the one hand, the development of a range of boats divided into four categories and the search for a design and naval architect was an important basis for future development, on the other hand, there has been a major business development and marketing effort and this will play a major role in reaching ever more customers. We have seen growing demand for information and tenders from dealers, global brokers, naval architecture designers and firms and have laid the groundwork for our entry onto the US market.

Process Plant Business Unit

The start of 2019 is benefitting from an order backlog of around Euro 16 million thanks mainly to new orders acquired towards the end of 2018, an improvement on prior year.
In terms of the foreseeable workload for 2019, the outlook is healthy. The operating structure will be kept occupied and under-utilisation of capacity will be avoided.
Revised commercial processes and the new business development strategy have led to a significant volume of tenders, also thanks to the vast range of products and services that the Group can offer its clients.
Together with the renewed commercial effort, improved processes and the new business development strategy, the Group continues to

propose projects with optimal production costs, shorter execution periods and a lower incidence of fixed costs.
All of the above will ensure greater efficiency and effectiveness and will improve our market position and competitiveness.

Dear Shareholders,
The activities carried out by the Group in 2018 have generated a net profit of Euro 5,543 thousand.
We invite you to approve the financial statements, the accounting policies applied and the accompanying directors' report.

Ravenna 29/03/2019

For the Board of Directors
The Chief Executive Officer
Oscar Guerra

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018:

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

BALANCE SHEET (Amounts in thousands of Euro)

ASSETS		*2018*	*2017*
A)	**DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL**	**0**	**0**
B)	**NON-CURRENT ASSETS:**		
	I Intangible assets		
	1) start-up and expansion costs	16	10
	3) industrial patent rights	87	52
	4) concessions, licences, trademarks and similar rights	389	403
	5) goodwill	14	14
	6) assets in progress and payments on account	225	31
	7) other intangible assets	1,337	1,475
	TOTAL INTANGIBLE ASSETS	2,068	1,985
	II Tangible assets:		
	1) land and buildings	75,943	76,620
	2) plant and machinery	4,116	5,154
	3) industrial and commercial equipment	5,233	5,504
	4) other tangible assets	4,193	4,014
	5) assets under construction and payments on account	5,159	5,705
	TOTAL TANGIBLE ASSETS	94,644	96,997
	III Financial assets:		
	1) investments:		
	a) in subsidiaries	1	1
	b) in associated companies	97	147
	d-bis) in other entities	170	169
	Total investments	268	317
	2) receivables:		
	b) from associated companies		
	due after more than a year	1,024	1,550
	d bis) from others	719	537
	TOTAL FINANCIAL ASSETS	2,011	2,404
	TOTAL NON-CURRENT ASSETS	**98,723**	**101,386**
C)	**CURRENT ASSETS:**		
	I Inventory:		
	1) raw, ancillary and consumable materials	2,302	2,297
	3) contract work in progress	20,091	13,850
	5) payments on account	9,570	22,823
	TOTAL INVENTORY	31,963	38,970
	II Receivables:		
	1) due from clients (trade)		
	due within a year	91,822	101,668
	3) due from associated companies	3,692	899
	4) due from parent company	10	10
	5bis) tax receivables	8,806	6,266
	5ter) deferred tax assets	9,888	6,609
	5quarter) due from others		
	- due within a year	1,672	327
	- due after more than a year	446	217
	TOTAL RECEIVABLES	116,336	115,996
	III Current financial assets:		
	5) derivatives	6,467	13,327
	6) other securities	57,296	43,529
	TOTAL FINANCIAL ASSETS	63,763	56,856
	IV Cash and cash equivalents:		
	1) bank and post office accounts	75,978	42,581
	3) cash and cash equivalents on hand	147	82
	TOTAL CASH AND CASH EQUIVALENTS	76,125	42,663
	TOTAL CURRENT ASSETS	**288,187**	**254,485**
D)	**PREPAID EXPENSES AND ACCRUED INCOME**	**1,097**	**749**
TOTAL ASSETS		**388,007**	**356,620**

LIABILITIES AND SHAREHOLDERS' EQUITY		*2018*	*2017*
A)	**SHAREHOLDERS' EQUITY:**		
	I Share capital	4,000	4,000
	III Revaluation reserve	36,969	36,969
	IV Legal reserve	1,110	1,110
	VI Other reserves	141,931	149,809
	VII Cash flow hedge reserve	(1,640)	(250)
	VIII Retained earnings (Accumulated losses)	43	(86)
	IX Profit (Loss) for the year	5,543	(5,849)
	X Negative reserve for treasury shares held	(5,100)	(5,100)
	XI Consolidation reserve	23	23
	XII Translation reserve	(3,189)	(2,147)
	TOTAL EQUITY ATTRIBUTABLE TO THE GROUP	**179,690**	**178,479**
	Capital and reserves attributable to minorities	5,648	5,989
	TOTAL EQUITY ATTRIBUTABLE TO THE GROUP AND TO MINORITIES	**185,338**	**184,468**
B)	**PROVISIONS FOR RISKS AND CHARGES:**		
	1) Provisions for retirement benefits and similar	853	474
	2) Tax provisions	3,895	4,938
	3) Derivatives	1,679	250
	4) Other	13,889	9,889
	TOTAL PROVISIONS FOR RISKS AND CHARGES	**20,316**	**15,551**
C)	**T.F.R./EMPLOYEE SEVERANCE INDEMNITY PROVISION**	**4,321**	**4,270**
D)	**PAYABLES:**		
	3) shareholder loans payable	775	0
	4) bank borrowing:		
	- due within a year	11,893	38,277
	- due after more than a year	47,747	12,391
	5) payables to other lenders	10	0
	6) payments on account	63,932	55,251
	7) due to suppliers (trade)	40,775	34,805
	9) due to subsidiaries	1	1
	10) due to associated companies	21	58
	12) tax payables	4,632	4,078
	13) social security payables	2,152	2,036
	14) other payables	5,564	5,315
	TOTAL PAYABLES	**177,502**	**152,212**
E)	**ACCRUED EXPENSES AND DEFERRED INCOME**	**530**	**119**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**388,007**	**356,620**

INCOME STATEMENT (AMOUNTS IN THOUSANDS OF EURO)	*2018*	2017
A) VALUE OF PRODUCTION:		
1) Revenues from sales and services	253,886	230,714
3) Change in contract work in progress	6,648	(23,564)
4) Increase in internal works capitalised	113	27
5) Other revenues and income:		
a) operating grant income	484	578
b) other	1,450	2,343
TOTAL VALUE OF PRODUCTION	**262,581**	**210,098**
B) COST OF PRODUCTION:		
6) Raw, ancillary and consumable materials and goods	(77,294)	(41,383)
7) Services	(81,303)	(99,811)
8) Leases and rentals	(11,878)	(8,627)
9) Personnel:		
a) wages and salaries	(45,745)	(42,800)
b) social contributions	(11,484)	(8,938)
c) T.F.R. /Employee severance indemnity	(2,260)	(2,171)
d) retirement benefits and similar	(590)	(233)
e) other personnel costs	(2,391)	(141)
Total personnel costs	(62,470)	(54,283)
10) Amortisation, depreciation and writedowns:		
a) amortisation of intangible assets	(514)	(566)
b) depreciation of tangible assets	(5,304)	(5,057)
d) writedowns of current receivables and cash and cash equivalents	(1,270)	(469)
Total amortisation, depreciation and writedowns	(7,088)	(6,092)
11) Change in inventory of raw, ancillary and consumable materials and goods for resale	6	1,443
12) Provisions for risks	(3,924)	(2,428)
14) Sundry operating expenses	(1,143)	(1,081)
TOTAL COST OF PRODUCTION	**(245,094)**	**(212,262)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**17,487**	**(2,164)**
C) FINANCIAL INCOME AND EXPENSES:		
15) Income from equity investments:		
d) dividends and other income from other companies	1	1
16) Other financial income:		
c) from current securities other than equity investments	517	961
d) income other than the above		
- interest and fees from associated companies	59	0
- interest and fees from others and sundry income	672	675
17) Interest and other financial expenses:		
d) other	(1,655)	(720)
17bis) exchange gains and losses	(2,718)	(3,948)
TOTAL FINANCIAL INCOME AND EXPENSES	**(3,124)**	**(3,031)**
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS		
18) Revaluations:		
a) of equity investments	1	46
c) of current securities	9	74
d) of derivatives	19	389
19) Writedowns:		
b) of non-current financial assets	(1,335)	0
c) of current securities	(542)	(77)
c) of derivatives	(939)	(172)
TOTAL ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS	**(2,787)**	**260**
PROFIT (LOSS) BEFORE TAXATION (A+B+C+D)	**11,576**	**(4,935)**
20) Taxes on income for the year	(6,335)	(390)
NET PROFIT (LOSS) FOR THE YEAR INCLUDING AMOUNT PERTAINING TO NON-CONTROLLING INTERESTS	**5,241**	**(5,325)**
(Profit) loss for year pertaining to non-controlling interests	(302)	(524)
NET PROFIT (LOSS) - GROUP	**5,543**	**(5,849)**

STATEMENT OF CASH FLOWS (in thousands of Euro)	**31/12/2018**	**31/12/2017**
A. CASH FLOWS from operating activities (indirect method)		
Profit (Loss) for the period	5,543	(5,849)
Taxes on income	6,335	390
1. Profit (loss) for the period before taxes on income	11,878	(5,459)
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	7,347	5,229
Depreciation/Amortisation of non-current assets	5,818	5,623
Adjustments to value of financial assets and liabilities (derivative) not involving any cash flows	(1,390)	231
2. Cash flows before changes in NWC	23,653	5,624
Changes in net working capital		
(increase) decrease in inventory	6,981	39,930
(increase) decrease in current receivables	(130)	(12,523)
Increase (decrease) in trade payables and other payables	14,989	(34,564)
(increase) decrease in prepaid expenses and accrued income	(348)	139
Increase (decrease) in accrued expenses and deferred income	411	(19)
(increase) decrease in other working capital items	(570)	921
3. Cash flows after changes in NWC	44,986	(492)
Other adjustments		
(Taxes on income paid)	(5,781)	(757)
(Use of provisions)	(1,636)	(3,133)
CASH FLOWS from operating activities (indirect method) (A)	**36,719**	**(4,382)**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in:		
Intangible assets	(597)	(432)
Tangible assets	(2,951)	(7,754)
Non-current financial assets	393	(1,429)
Current financial assets	(6,907)	(15,310)
CASH FLOWS FROM INVESTING ACTIVITIES (B)	**(10,062)**	**(24,925)**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Debt		
Loans arranged	50,775	8,419
Loans repaid	(41,028)	(4,024)
Equity		
Dividends (and advances on dividends) paid	(1,900)	(1,140)
Revaluation/realignment		
Translation reserve	(1,042)	(917)
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**6,805**	**2,338**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**33,462**	**(26,969)**
OPENING CASH AND CASH EQUIVALENTS	**42,663**	**69,632**
CLOSING CASH AND CASH EQUIVALENTS	**76,125**	**42,663**

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.

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 2018 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 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 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 2018 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 Rosetti Marino Mocambique Limitada which was not included in the scope of consolidation because it was not yet operating at 31 December 2018.
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.
Until the financial statements as at 31 December 2017, Kazakhstan Caspian Offshore Industries Llp was consolidated using the proportional method. However, with effect from the financial statements as at 31 December 2017, it has been consolidated line-by-line because of the *de facto* control that the Parent Company exercises over said company due to the governance mechanisms established for the operational management of the company. This has made it possible to reflect the real size of the business conducted by the Group. Finally, we note that, in light of said change of consolidation method, comparative figures at 31 December 2017 have been restated on the same basis.

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%
BASIS ENGINEERING S.r.l.	Milan	500	100.0%
ROSETTI GENERAL CON. Lda (1)	Portugal	50	100.0%
ROSETTI KAZAKHSTAN Llp (2)	Kazakhstan	198	100.0%

FORES ENG. ALGERIE Eurl (3)	Algeria	1,118	100.0%
FORES DO BRASIL LTDA (4)	Brazil	112	100.0%
ROSETTI MARINO UK Limited	United Kingdom	0	100.0%
ROSETTI MARINO MOZAMBIQUE Limitada (*)	Mozam-bique	1	96.0%
ROSETTI MARINO SUPERYACHTS S.p.A.	Ravenna	1,500	90.0%
ROSETTI LYBIA Jsc	Libya	622	65.0%
TECON S.r.l.	Milan	47	60.0%
BASIS CONGO Sarl (5)	Congo	99	60.0%
ROSETTI MARINO SINGAPORE Pte Ltd	Singapore	63	100.0%
K.C.O.I. Llp (6)	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 (7) (*)	Nigeria	46	45.0%

(1) Including 2% held indirectly through Basis Engineering S.r.l.
(2) Including 10% held indirectly through Fores Engineering S.r.l.
(3) Held indirectly through Fores Engineering S.r.l.
(4) Including 75% held indirectly through Engineering S.r.l.
(5) Held indirectly through Basis Engineering S.r.l.
(6) Including 40% 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.
(7) Held indirectly through Basis Engineering S.r.l.
(*) Company currently dormant/non-operational

During 2018, the following changes compared to prior year had an impact on the consolidated financial statements:

- line-by-line consolidation of associated company Kazakhstan Caspian Offshore Industries Llp which was previously consolidated under the proportional method;
- Parent Company acquisition of 100% of HOFFMEISTER Pte Ltd, subsequently renamed Rosetti Marino Singapore Pte Ltd

(Singapore);
- proportional consolidation of associated company Rigros S.r.l., previously measured at cost as non-operational;
- disposal of 5.0% of the quota capital of subsidiary Tecon Srl (Italy) so the investment held decreased to 60.0%.

The subsidiaries and associated companies operate in the following sectors:
- Fores Engineering S.r.l., Fores Engineering Algérie Eurl and Fores do Brasil LTDA: design, construction and maintenance of automation and control systems;
- Basis Engineering S.r.l., Basis Congo Sarl and Tecon S.r.l.: multi-disciplinary design of oil and petrochemical facilities;
- Kazakhstan Caspian Offshore Industries Llp, Rosetti Libya Jsc and Rosetti Marino UK Limited: construction of offshore and onshore oil facilities;
- Rosetti Kazakhstan Llp and Rosetti Marino Singapore Pte Ltd: provision of technical services;
- Rosetti General Contracting Construcoes Serviços Lda: ship charter and services and operating activities on foreign markets;
- Rosetti Superyachts S.p.A.: construction of superyachts;
- Rigros S.r.l.: regeneration of a shipyard area next to the headquarters of parent company Rosetti Marino S.p.A..

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 2018:

	Share-	Profit for the

	holders' equity	year
AMOUNTS REPORTED IN FINANCIAL STATEMENTS OF ROSETTI MARINO S.p.A. AT 31/12/18	164,731	5,475
Consolidation adjustments:		
a. Difference between the carrying amount of consolidated equity investments and the valuation of those equity methods according to the equity method	13,115	156
b. Effect of accounting for finance lease agreements for tangible assets in accordance with the finance lease method	2,107	(115)
c. Reversal of unrealised profits/losses resulting from transactions between Group companies	(35)	(5)
d. Reversal of unrealised profits resulting from distribution of dividends between Group companies	0	0
e. Allocation of deferred tax assets and liabilities pertaining to the tax effect (where applicable) of consolidation adjustments	(228)	32
AMOUNTS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018	179,690	5,543

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.

These latest "Amendments" regarded the following accounting

standards:
- OIC 28 Equity;
- OIC 32 Derivatives.

These "Amendments" had no effect on the amounts reported in the financial statements at 31 December 2018.

The most significant accounting policies applied when preparing the financial statements at 31 December 2018 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.

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. 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. The rates applied are presented on the section of the notes containing comments on assets. 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 and securities (recorded as non-current assets)

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 estimated 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 Basis Engineering S.r.l. and Tecon S.r.l. which continues 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 recognised during the year in which distribution is approved by the company paying them.

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.

For a three-year period commencing in 2017, the Parent Company, together with subsidiaries Rosetti Superyachts S.p.A., Basis Engineering S.r.l. and Fores Engineering S.r.l., have opted to participate in the Rosetti Group consolidated taxation arrangement in terms of Articles 117-129 of the Consolidated Income Taxes Act (T.U.I.R.). The Parent Company acts as consolidating entity and determines a single taxable base for all group companies taking part in the tax consolidation. In this way, taxable income can be offset against tax losses in a single tax return. The agreement enables consolidating company Rosetti Marino S.p.A. to utilise the tax losses generated by the consolidated companies and obliges it to recognise a credit in their favour when and to the extent that the tax losses are utilised.

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

Start-up and expansion costs

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

	31/12/17	Incr.	Decr.	31/12/18
Start-up and expansion costs	10	11	(5)	16

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):

	31/12/17	Incr.	Decr.	31/12/18
Patents	52	73	(38)	87

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):

	31/12/17	Incr.	Decr.	Forex Diff	31/12/18
Licences	12	0	0	(2)	10
Concession of land rights	391	0	(12)	0	379
Total concessions licences, etc.	**403**	**0**	**(12)**	**(2)**	**389**

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.

Intangible assets in progress

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

	31/12/17	Incr.	Decr.	31/12/18
Intangible assets in progress	31	207	(13)	225

"Intangible assets in progress and payments on account" amounts to Euro 225 thousand and represents the value of work done up to 31.12.2018 on internal projects not yet completed.

Other intangible assets

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

	31/12/17	Incr.	Decr.	Forex Diff.	31/12/18
Loan arrangement expenses	61	0	(61)	0	0
Software	471	137	(278)	17	347
Leasehold improvements	943	163	(116)	0	990
Total other intangible assets	**1,475**	**300**	**(455)**	**17**	**1,337**

We note that, as in prior years, the Group has classified arrangement expenses relating to loans signed prior to 01.01.2016 as "Other intangible assets". This item was fully amortised in 2018.
The increase in "Software" mainly includes Euro 6 thousand for the purchase of Microsoft software, Euro 6 thousand for the purchase of engineering software for data collection and analysis, Euro 15 thousand to update the U-Travel app used by the Group to manage business trips and related employee expense claims, Euro 4 thousand for the development of a mobile app for the approval of purchase

requests and purchase orders, Euro 29 thousand to update the HRNet (human resources network) application used within the Group to manage employee details, Euro 34 thousand to develop procurement software used for document management and performance indicators. Euro 3 thousand for software used for the in-house development of apps and Euro 7 thousand to update the SAP ERM software to make it compliant with new electronic invoicing requirements. These additions were made by the Parent Company. Meanwhile, subsidiary Basis Engineering S.r.l. has invested around Euro 5 thousand on software for Engineering applications and subsidiary Fores Engineering S.r.l. has invested around Euro 4 thousand on inventory management software.

The increase in "Leasehold improvements" is due to the capitalisation of costs incurred by Basis Engineering S.r.l. to bring the leased property in Assago into line with the business requirements.

Decreases include Euro 455 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 loan agreement for loan arrangement expenses;
- Over the period of the land rights and property lease agreements for capex in those areas.

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 consolidation differences of Euro 10 thousand arising on the acquisition of 45% of Tecon S.r.l. and Euro 4 thousand arising on the acquisition of a Singapore company later renamed Rosetti Marino Singapore Pte Ltd.

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.

In 2018, ordinary depreciation charges were recognised at rates representing the useful lives of the tangible assets.

"Assets under construction and payments on account" mainly includes construction work on new office buildings and new warehouses at the Kazakhstan Yard by associated company Kazakhstan Caspian Offshore Industries LLP.

FINANCIAL ASSETS

Equity investments

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

	Interest held	**31/12/17**	**Incr.**	**Decr.**	**31/12/18**
Subsidiaries:					
Rosetti Marino Mocambique Ltd (*)	96%	1	0	0	1
Total subsidiaries		**1**	**0**	**0**	**1**
Associated companies:					
Rosetti Congo Sarl (*)	50%	76	0	0	76
Rigros S.r.l.	50%	50	0	(50)	0
Basis Pivot Ltd (*)	45%	21	0	0	21
Total subsidiaries		**147**	**0**	**(50)**	**97**
Other entities:					
SAPIR		3	0	0	3
CAAF Industrie		2	0	0	2
Consorzio Cura		1	0	0	1
Consorzio Destra Candiano		1	0	0	1
O.M.C.		20	0	0	20
Cassa Risparmio Ravenna		126	1	0	127
Other entities		16	0	0	16
Total other entities		**169**	**1**	**0**	**170**

(*)Non-operational/Dormant company.

As previously stated, we note that the decrease in the investment in associated company Rigros S.r.l is due to the line-by-line

consolidation of that companies after the start of operating activities during 2018.
We note that the carrying amount of the investment in Cassa di Risparmio di Ravenna S.p.A. has been increased by Euro 1 thousand to bring it into line with market value at 31.12.2018.

Receivables from associated companies

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

	31/12/17	**Incr.**	**Decr.**	**31/12/18**
Rosetti Pivot Ltd	0	1,584	0	1,584
Provision for impairment	0	0	(1,335)	(1,335)
Rigros S.r.l.	1,550	0	(775)	775
Total receivables	**1,550**	**1,584**	**(2,110)**	**1,024**

The receivable from associated company Rosetti Pivot Ltd entirely consists of a loan of Euro 1,584 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 amount allocated to the provision for impairment reflects a prudent appraisal by the Directors of the risk that the receivables will not be collected.
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 decrease at 31 December 2018 is due to the effect of the consolidation on a proportionate basis since the current reporting period. The loan bears interest at market-based rates, on an arm's length.

Receivables from others

This item, amounting to Euro 719 thousand (Euro 537 thousand at 31.12.2017), mainly consists of a long-term investment made by subsidiary Tecon S.r.l..

CURRENT ASSETS

INVENTORY

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

	31/12/2018	31/12/2017
Raw materials	3,303	3,272
Minus obsolescence provision	(1,001)	(975)
	2,302	2,297
Contract work in progress	20,091	13,850
	20,091	13,850
Advances to suppliers	9,570	22,823
Total inventory	**31,963**	**38,970**

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 1,001 thousand has been recorded.

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 decrease 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):

	31/12/18	31/12/17
Due from clients - Italy	23,163	31,762
Due from clients – Other EU	23,327	10,510
Due from clients – Non-EU	50,989	63,878
Provision for bad debts	(5,657)	(4,482)
Total due from clients (trade)	**91,822**	**101,668**

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 47.94% (51.37% in prior year) of the total due from the five leading clients by outstanding balance.

The provision for bad debts, which has increased 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.

Receivables from associated companies

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

	31/12/18			
	Trade	**Financial**	**Tot.**	**31/12/17**
Rigros S.r.l.	0	2	2	1
Rosetti Pivot Ltd	3,674	0	3,674	898
ROSETTI CONGO Sarl	16	0	16	0
TOTAL	**3,690**	**2**	**3,692**	**899**

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 10 thousand, 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):

	31/12/18	**31/12/17**
VAT receivable	7,573	1,383
Credit for substitute tax on reval'n of TFR	5	0
Foreign tax receivable	563	844
IRAP receivable	228	927
IRES receivable	437	3,112
Total	**8,806**	**6,266**

The VAT receivable includes the annual VAT credit of Euro 7,728 thousand arising on ordinary commercial transactions and a VAT credit of Euro 295 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 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 for 2018 and to refund requests made in relation to prior years.

Deferred tax assets

Deferred tax assets have been recognised on all positive temporary differences. The theoretical tax effects on temporary differences have been calculated based on current rates. The forecasts contained in the Business Plan 2019-2021 approved by the Board of Directors support the recoverability of the deferred tax assets recognised.

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):

	31/12/18	31/12/17
Due within a year:		
Due from employees	140	138
Insurance refunds receivable	0	6
Sundry	1,532	183
TOTAL	**1,672**	**327**
Due after more than a year:		
Guarantee deposits	446	217
TOTAL	**446**	**217**

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

"Sundry" includes Euro 1,264 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:

	31/12/17	Diff.	31/12/18
Derivatives	13,327	(6,860)	6,467
Other current securities	43,529	13,767	57,296
Total financial assets	**56,856**	**6,907**	**63,763**

The overall increase in this item is entirely due to temporary investments of cash.

Derivatives includes Euro 6,428 thousand of derivative instruments classified as held for trading as they do not satisfy hedge accounting requirements and Euro 39 thousand representing the Mark to Market value of the following hedging instruments:

Type: Forward sale contract

Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 6,021,356
Notional amount Euro: 5,245,541
Maturity: 29/03/2019
MTM: Euro 26,607

Type: Forward purchase contract
Underlying contract type: forward purchase Unicredit S.p.A.
Notional amount GBP: 1,430,241
Notional amount Euro: 1,579,881
Maturity: 31/07/2019
MTM: Euro 12,578

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 52 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 75,978 thousand at 31 December 2018 consisted entirely of funds held in bank accounts.

Cash and cash equivalents on hand

The balance at 31 December 2018 mainly consisted of cash on hand and amounted to Euro 147 thousand.
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):

	31/12/18	**31/12/17**
Accrued income for swaps on forward sales	5	0
Prepaid rental costs	49	160
Prepaid moveable asset rental costs	63	37
Other prepaid expenses	980	552
Total prepaid expenses and accrued income	**1,097**	**749**

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 2018, 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.

LEGAL RESERVE

This reserve includes portions of annual earnings allocated in prior years.

OTHER RESERVES

Extraordinary reserve

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 2017.

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 rights

This item amounts to Euro 853 thousand (Euro 474 thousand at 31.12.2017) and mainly includes amounts allocated for Directors’ leaving indemnities (Euro 510 thousand) and amounts provided for leaving bonuses of Senior Management (Euro 343 thousand).

Tax provisions

This item entirely consists of deferred taxes calculated on all taxable temporary differences and totalling Euro 3,895 thousand (Euro 4,124 thousand at 31.12.2017). At 31.12.2017, there was also a current tax provision of Euro 814 thousand but no such provision was required at 31.12.2018.
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.

Provisions for derivatives
This caption, amounting to Euro 1,679 thousand (Euro 250 thousand at 31.12.2017), represents the contra-entry to the amount recorded under the "Cash flow hedge reserve" in shareholders' equity. The key features of the derivatives are listed below:

IRS agreement – Rosetti Marino S.p.A.
Notional amount: Euro 8 million
Duration: 48 months
Period: 28/02/2019 - 28/02/2023
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro (104) thousand

IRS agreement – Rosetti Marino S.p.A.
Notional amount: Euro 18.8 million
Duration: 47 months
Period: 31/10/2018 - 31/07/2022
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro (139) thousand

IRS agreement – Rosetti Marino S.p.A.
Notional amount: Euro 10 million
Duration: 18 months
Period: 17/07/2018 - 31/01/2020
Rate: Euribor 3 months
Frequency: Six-monthly instalments
MTM: Euro (48) thousand

Forward sales contract – Rosetti Marino S.p.A.
Notional amount: USD 21.5 million
Maturity: 31/08/2020
MTM: Euro (1,246) thousand

IRS agreement – Basis Engineering S.r.l.
Notional amount Euro 2.5 million
Duration: 60 months
Period: 30.06.2016 – 30.06.2021
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro (7) thousand

IRS agreement – Fores Engineering S.r.l.
Notional amount Euro 10 million
Duration: 60 months
Period: 30.11.2016 – 30.11.2021
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro (24) thousand

Forward sales contract – Fores Engineering S.r.l.
Notional amount: USD 2 million
Maturity: 30.04.2019
MTM: Euro (58) thousand

Forward sales contract – Fores Engineering S.r.l.
Notional amount: USD 1.8 million
Maturity: 31.01.2019
MTM: Euro (53) 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 2018 were as follows (in thousands of Euro):

	31/12/17	Incr.	Decr.	Forex diff.	31/12/18
Provisions for future risks	3,132	0	(437)	0	2,695
Provision for future expenses on contracts	0	2,634	0	0	2,634
Provision for employee bonuses	0	2,127	0	0	2,127
Provision for contractual risks	3,157	1,290	(1,528)	(86)	2,833
Provision for sundry risks	3,600	0	0	0	3,600
Total other provisions	**9,889**	**6,051**	**(1,965)**	**(86)**	**13,889**

The provision for future risks represents the best possible estimate of probable liabilities arising from ongoing civil litigation with third parties.
The provision for contractual risks has been created to cover the risk of probable work under warranty in application of contractual penalty clauses and the emergence of additional costs necessary to recover the delay accumulated on certain ongoing projects.
The provisions for future expenses on contracts has been created to cover estimated risks in relation to contracts in progress.
At 31 December 2018, a provision for employee bonuses was created to recognise the portion of variable remuneration linked to achievement of specific business objectives.
The provision for sundry risks has been created to cover the estimated specific country risk due to the fact that the Group is party to major

transactions in high risk countries e.g. Kazakhstan, as previously described.

T.F.R./EMPLOYEE SEVERANCE INDEMNITY PROVISION

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

Balance at 31-12-2017	4,270
Amount accruing and recorded in income statement	2,260
Other movements	686
Utilisation	(2,895)
Balance at 31-12-2018	**4,321**

The TFR/employee severance indemnity provision at 31 December 2018 represents the indemnity accruing in favour of employees up to 31 December 2006. It 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 complementary 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:

- Euro 18.8 million regarding a loan arranged by the Parent Company with Unicredit Banca d'Impresa in 2018. In order to hedge the interest rate risk relating to this loan, 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;
- a loan of Euro 10 million arranged by the Parent Company with UBI Banca which provides for a fixed rate of interest and a bullet repayment upon expiry of the loan in 2021. As security for this loan, the Parent Company has granted a pledge on securities reported

under Current Assets with a value of Euro 11,792 thousand at 31.12.2018;

- a loan of Euro 10 million arranged by the Parent Company with Banca Popolare dell'Emilia Romagna which provides for a variable rate equal to the Euribor 3 month rate plus a spread of 0.8 percentage points, payment of interest in several six-monthly instalments and bullet repayment of the principal upon maturity which is scheduled for 2020. In order to hedge the interest rate risk relating to this loan, the company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described;
- a loan of Euro 8.5 million arranged by the Parent Company with Mediocredito Italiano in the first half of 2018 which provides for a variable rate equal to the Euribor 3 month rate plus a spread of 1.0 percentage points. The loan principal is repayable in quarterly instalments until the loan expires in 2023. In order to hedge the interest rate risk relating to this loan, the company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described;
- a loan of Euro 3.5 million arranged by the Parent Company with Banco BPM S.p.A. which provides for a fixed rate of interest and quarterly principal repayments until expiry in 2022. The Company has made use of the possibility of not measuring the loan at amortised cost as loan related expenses are not significant and the contractual interest rate is not significantly different from the market rate;
- a loan of Euro 6 million (of which Euro 2.0 million due within a year) from Cassa dei Risparmi di Forlì e della Romagna, as arranged by subsidiary Fores Engineering S.r.l. on 30.11.2016 and repayable in five years (final expiry date of 30.11.2021). In order to hedge the interest rate risk relating to this loan, the company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described;
- a loan of Euro 1.2 million arranged by subsidiary Fores Engineering S.r.l. with Banca Popolare dell'Emilia Romagna on 06.10.2015 and expiring on 06.10.2019;
- a loan of Euro 1.6 million arranged by subsidiary Basis Engineering

S.r.l. with Unicredit Banca d'Impresa in the first half of 2016, including Euro 0.6 million due within a year. In order to hedge the interest rate risk relating to this loan, the company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described.

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.

	31/12/18	**31/12/17**
Contract work in progress	12,887	13,961
Advances from third party clients	51,045	41,290
TOTAL PAYMENTS ON ACCOUNT	**63,932**	**55,251**

The increase 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):

	31/12/18	**31/12/17**
Due to suppliers - Italy	26,015	22,674
Due to suppliers – Other EU	3,054	2,867
Due to suppliers – Non-EU	11,706	9,264
TOTAL	**40,775**	**34,805**

These payables relate to commercial transactions subject to normal market terms and conditions with payment due within a year. The decrease is mainly due to the different timing of contracts.

Payables to subsidiaries

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

	31/12/18	31/12/17
Rosetti Marino Mocambique Ltd	1	1
TOTAL	**1**	**1**

This item represents a liability towards Rosetti Marino Mocambique Limitada in respect of share capital subscribed but not yet paid.

Payables to associated companies

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

	31/12/18	31/12/17
Rigros S.r.l.	0	37
Basis Pivot Ltd	21	21
TOTAL	**21**	**58**

The reduction in the payable to Rigros S.r.l. is due to the fact that the investment is now consolidated following the start of operating activities in 2018. 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):

	31/12/18	31/12/17
Personal income tax deducted at source	2,204	1,881
Income taxes payable	1,880	74
Substitute tax on revaluation of TFR	0	4
VAT	370	1,931
Other taxes not on income	178	188
Total tax payables	**4,632**	**4,078**

This item mainly consists of personal income tax deducted at source from the remuneration of employees and freelance workers and income tax payables.

Tax periods after 2013 have yet to be finalised and are still open to assessment.

Social security payables

This item includes employee and employer social security contributions payable to social security institutions. The balance is broadly in line with 31 December 2017.

Other payables

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

	31/12/18	**31/12/17**
Due to employees	4,962	4,730
Due to freelance contractors	60	18
Due to pension funds	471	439
Sundry payables	71	128
Total other payables	**5,564**	**5,315**

This item mainly consists of amounts due to employees.

ACCRUED EXPENSES AND DEFERRED INCOME

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

Accrued expenses:	**31/12/18**	**31/12/17**
Accrued loan interest expenses	109	88
Accrued expenses re forward sales/ Purchases	370	1
Other	45	24
	524	**113**
Deferred income:		
Other	6	6
	6	**6**
	530	**119**

Total accrued expenses and deferred income

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):

	2018	2017
Energy Business Unit	216,583	166,926
Shipbuilding Business Unit	0	2,868
Process Plants Business Unit	34,448	57,397
Sundry services	2,855	3,523
Total revenues from sales and services	**253,886**	**230,714**

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

	2018	2017
Revenues from Italian clients	37,771	21,369
Revenues from other EU clients	38,451	42,996
Revenues from non-EU clients	177,664	166,349
Total revenues from sales and services	**253,886**	**230,714**

Given the nature of the Company's business, revenues are fairly concentrated with 51.88% of total revenues from sales and services generated by the five largest clients (43.75% in prior year). This concentration is mainly apparent in the Energy Business Unit.

"Revenues from sales" refer to invoices issued for contracts in progress and for contracts completed as at 31 December 2018 whereas, in prior year, they entirely referred to contracts completed as at 31 December 2017. The comparative figures for prior year are consistent with the above.

CHANGE IN CONTRACT WORK-IN-PROGRESS

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

	2018	2017
Opening contract WIP at 01/01	(13,850)	(36,901)
Exchange difference	407	(513)
Closing contract WIP at 31/12	20,091	13,850
Total change in contract WIP	**6,648**	**(23,564)**

At 31 December 2018, contract work in progress included Euro 15,191 thousand relating to the Energy Business Unit, Euro 4,868 thousand relating to the Process Plants Business Unit and Euro 32 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 INTERNAL WORKS CAPITALISED

In 2018, the costs capitalised under this caption included costs incurred by the Parent Company, mainly for work on modifications to the entrance doors to the metalwork building at the San Vitale Yard, costs incurred by Italian subsidiary Basis Engineering S.r.l. for work on new offices and costs incurred by Italian associated company Rigros S.r.l. for improvements to a plot of land owned by it.

OTHER REVENUES AND INCOME

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

	2018	2017
Grants towards operating expenses	484	578
Total "Grants towards operating expenses"	**484**	**578**
Recharge of expenses to third parties	722	965
Hires and rentals	89	96
Gains on asset disposals	27	23
Reversal of excess provisions for risks	300	532
Out of period income	39	466
Other	273	261
Total other revenues	**1.450**	**2,343**

“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 grants of Euro 55 thousand received by the Parent Company from Fondirigenti and Fondimpresa in reimbursement of costs incurred to run training programs, Euro 188 thousand of grants in the form of tax credits maturing on research and development activities carried out in 2015 (Euro 135 thousand) and in 2017 (Euro 53 thousand), Euro 4 thousand of grants in the form of tax credits maturing in respect of donations made to cultural activities during the year and Euro 47 thousand of grants from the Ministry for Infrastructure and Transport in relation to the Rosmanditen initiative. We also highlight the grants recorded by subsidiaries Fores Engineering S.r.l. (Euro 77 thousand), Tecon S.r.l. (Euro 23 thousand) and Basis Engineering S.r.l. (Euro 7 thousand).

Other revenues have decreased mainly because of the absence of certain non-recurring items.
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):

	2018	2017
Raw materials	63.049	39.381
Ancillary materials and consumables	13.892	1.845
Other purchases	353	157
Total purchases	**77.294**	**41.383**

The increase in this item compared to prior year is due to the different timing of activities for which materials have to be purchased, as well as to a change in the operating model for certain contracts. The increase must be read together with the change in sub-contract costs which show a significant decrease.

COSTS FOR SERVICES

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

	2018	2017
Sub-contracting and outsourcing	55,505	68,011
Repairs and maintenance	1,565	1,111
Electricity, water and heating	683	827
Other production costs	7,312	15,369
Sundry personnel costs	5,172	4,452
Selling costs	3,966	3,702
Statutory auditors' fees	71	71
Directors' fees	1,079	589
External auditors' fees	158	151
General, administrative and insurance costs	5,792	5,528
Total costs for services	**81,303**	**99,811**

The decrease compared to prior year reflects the different timing of operating activities.

LEASE AND RENTAL COSTS

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

	2018	2017
Property rental	2,464	1,298
Hire / rental of moveable assets	9,134	7,084
Maintenance of leased / rented property	4	4
Concession fees	77	78
Software rental	199	163
Total lease and rental costs	**11,878**	**8,627**

The increase in this item – especially with regard to the hire/rental of moveable assets – also reflects the different timing of operating activities in the two reporting periods.

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:

	31/12/17	Increases	Decreases	31/12/18
Executives	39	11	(3)	47
White collar	820	154	(133)	841
Blue collar	525	8	(6)	527
Total	**1,384**	**173**	**(142)**	**1.415**

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 01/01/18	(3,272)
- Change in inventory obsolescence provision	(26)
- Closing inventory at 31/12/18	3,304
Total	**6**

The change in the inventory obsolescence provision is entirely due to amount allocated for the period.

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):

	2018	2017
Taxes and duties other than income tax	785	987
Losses on asset disposals	7	1
Out of period expenses	95	14
Other operating expenses	256	79
Total sundry operating expenses	**1,143**	**1,081**

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):

	2018	2017
c) Income from current securities other than equity investments:		
- dividends from securities management	2	2
- interest income on securities	263	692
- gains on disposals	252	267
Total	**517**	**961**

d) Income other than the above:		
- interest from associated companies	59	0
Total	**59**	**0**
d) Income other than the above:		
- interest from others and sundry income:		
- bank interest income	11	47
- interest income from customers	35	132
- sundry interest income	626	496
Total	**672**	**675**

INTEREST AND OTHER FINANCIAL EXPENSES

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

	2018	2017
d) other:		
- interest expense on current accounts	12	3
- interest expense on bank loans	700	636
- securities management commission	106	19
- losses on securities	149	27
- sundry interest expenses	688	35
Total	**1,655**	**720**

EXCHANGE GAINS AND LOSSES

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

	2018	2017
Exchange gains	961	227
Unrealised exchange gains	161	197
Exchange losses	(1,477)	(455)
Unrealised exchange losses	(2,363)	(3,917)
Total	**(2,718)**	**(3,948)**

ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS

"Adjustments to value of financial assets" shows a negative balance of Euro (2,787) thousand and includes the following adjustments:

- revaluation of equity investments by Euro 1 thousand;
- revaluation of current securities by Euro 9 thousand;
- revaluation of derivative instruments by Euro 19 thousand;
- writedown of non-current financial assets by 1,335 thousand;
- writedown of current securities by Euro 542 thousand;
- writedown of derivative instruments by Euro 939 thousand.

TAXES ON INCOME FOR THE YEAR

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

	2018	2017
Current taxes	9,622	1,086
Prior year taxation	(80)	(40)
Deferred taxes	86	211
Deferred tax income	(3,293)	(867)
Total taxes on income for the year	**6,335**	**390**

The effective tax rate at Group level is 54.73% (-7.90% in 2017).

OFF BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Guarantees given

Sureties

This item consists of Euro 119,203 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.

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: Ministry for Infrastructure and Transport – Rosetti Marino S.p.A.
Amount received: Euro 47 thousand
Date received: 21/11/2018
Reason: grant to finance projects for product or process innovation in the shipping field, whether launched or under launch – project called "ROSMANDITEN"

Name of funding body: Gestore dei Servizi Energetici GSE S.p.A. – Rosetti Marino S.p.A.
Amount received: Euro 56 thousand
Date received: various dates in 2018
Reason: grants to net metering account

Name of funding body: Ministry for the Economy and Finance – Rosetti Marino S.p.A.
Amount offset against other taxes: Euro 142 thousand
Date of offsetting: 16/04/2018
Reason: R&D grant for costs incurred in 2016

Name of funding body: Ministry for the Economy and Finance – Rosetti Marino S.p.A.
Amount offset against other taxes: Euro 188 thousand
Date of offsetting: 17/12/2018
Reason: R&D grant for costs incurred in 2015 and 2017

Name of funding body: Ministry for the Economy and Finance – Fores

Engineering S.r.l.
Amount offset against other taxes: Euro 174 thousand
Date of offsetting: 16/02/2018
Reason: R&D grant for costs incurred in 2016

Name of funding body: Ministry for the Economy and Finance – Tecon S.r.l.
Amount offset against other taxes: Euro 23 thousand
Date of offsetting: 18/06/2018
Reason: R&D grant for costs incurred during the year

Name of funding body: Ministry of Economic Development – Tecon S.r.l.
Amount accruing: Euro 1 thousand
Date received: 08/05/2018
Reason: grant in terms of Sabatini Law

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There have been no events with a significant impact on operations between the reporting date and the date of these financial statements.

ANNEXES

The following annexes contain supplementary information in addition to that provided in the Notes of which they are an integral part.
The said information is contained in the following annexes:
- Statement of movements on shareholders' equity for the years ended 31 December 2018 and 31 December 2017;
- Detailed analysis of tangible assets at 31 December 2018;
- 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 2018

(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 2016	**4.000**	**36.969**	**1.110**	**149.240**	**(481)**	**(132)**	**(5.100)**	**(1.230)**	**23**	**1.755**	**186.154**	**4.946**
Net profit for 2016:												
- to reserves	0	0	0	569	0	46	0	0	0	(615)	0	0
- dividends	0	0	0	0	0	0	0	0	0	(1.140)	(1.140)	0
Translation reserve	0	0	0	0	0	0	0	(917)	0	0	(917)	519
Cash flow hedge reserve	0	0	0	0	231	0	0	0	0	0	231	0
Change in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0
Net profit for 2017	0	0	0	0	0	0	0	0	0	(5.849)	(5.849)	524
BALANCE AT 31 DECEMBER 2017	**4.000**	**36.969**	**1.110**	**149.809**	**(250)**	**(86)**	**(5.100)**	**(2.147)**	**23**	**(5.849)**	**178.479**	**5.989**
Net profit for 2017:												
- to reserves	0	0	0	(7.106)	0	129	0	0	0	6.977	0	0
- dividends	0	0	0	(772)	0	0	0	0	0	(1.128)	(1.900)	0
Translation reserve	0	0	0	0	0	0	0	(1.042)	0	0	(1.042)	(39)
Cash flow hedge reserve	0	0	0	0	(1.390)	0	0	0	0	0	(1.390)	0
Change in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0
Net profit for 2018	0	0	0	0	0	0	0	0	0	5.543	5.543	(302)
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**

STATEMENT OF MOVEMENTS ON TANGIBLE ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Euro)

	Situazione iniziale			Movements during the year										Closing situation		
	Historical	Accum.	Balance	Additions		Disposals			Change of category		Exchange	Depreciation		Historical	Accum.	Balance
	cost	Deprec'n	31/12/2017	Purchases	Int. Works	H/Cost	Revaluations	Acc Dep'n	Hist cost	Acc Dep'n	Diff	Rate	Ordinary	Cost	Deprec'n	31/12/2018
Yards and buildings:																
- land	35.091	(4.862)	30.229	0	0	0	0	0	0	0	(51)	0%	0	35.040	(4.862)	30.178
- yards and buildings	73.369	(27.377)	45.992	58	0	(60)	0	0	3.683	0	(1.990)	3%	(2.267)	75.060	(29.644)	45.416
- light constructions	5.894	(5.495)	399	80	0	0	0	0	0	0	0	10%	(130)	5.974	(5.625)	349
Plant and machinery:																
- plant	18.043	(13.717)	4.326	66	0	(94)	0	84	0	0	(1)	10%	(913)	18.014	(14.546)	3.468
- dry dock	7	(7)	0	0	0	0	0	0	0	0	0	10%	0	7	(7)	0
- treatment plant	239	(239)	0	0	0	0	0	0	0	0	0	15%	0	239	(239)	0
- machinery	6.721	(5.892)	829	74	0	(59)	(34)	93	0	0	0	16%	(255)	6.702	(6.054)	648
- electrical systems	26	(26)	0	0	0	0	0	0	0	0	0	10%	0	26	(26)	0
Industrial and commercial equipment	11.685	(6.181)	5.504	1.126	0	(216)	0	146	(19)	0	(489)	25%	(819)	12.087	(6.854)	5.233
Other tangible assets:																
- office furniture	1.888	(1.071)	817	550	0	(121)	0	83	0	0	(35)	12%	(243)	2.282	(1.231)	1.051
- IT equipment	3.236	(2.514)	722	461	10	(180)	0	180	19	0	(47)	20%	(256)	3.499	(2.590)	909
- commercial vehicles	552	(489)	63	4	0	(3)	0	3	0	0	0	20%	(36)	553	(522)	31
- automobiles	533	(207)	326	212	0	0	0	0	0	0	(36)	25%	(116)	709	(323)	386
- pontoon	3.707	(1.622)	2.085	0	0	0	0	0	0	0	0	8%	(269)	3.707	(1.891)	1.816
Assets under construction and payments on a/c	5.705	0	5.705	3.438	(10)	0	0	0	(3.683)	0	(291)	0%	0	5.159	0	5.159
Total	**166.696**	**(69.699)**	**96.997**	**6.069**	**0**	**(733)**	**(34)**	**589**	**0**	**0**	**(2.940)**		**(5.304)**	**169.058**	**(74.414)**	**94.644**

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

Article 2427(14) of the Italian Civil Code

Description of temporary differences	*Deferred Tax Assets at 31/12/2017*		*Decreases*		*Increases*		*Exchange Diff.*	*Deferred Tax Assets at 31/12/2018*	
Deductible differences	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**		**Taxable amount**	**Tax**
Entertainment costs	0	0	0	0	0	0		0	0
Contracts measured at revenue							0	0	0
Prior year losses	0	0	0	0	0	0		0	0
Provision for contractual risks	2.051	493	1.529	367	92	22	0	614	148
Provision for bad debts	2.195	524	12	0	2.121	509	0	4.304	1.033
Provision for future expenses	6.125	1.470	1.558	104	0	0	0	4.567	1.366
Unrealised exchange losses	691	165	691	165	188	45	0	188	45
Amortisation of intangible assets	0	0	0	0	0	0	0	0	0
Depreciation of tangible assets	1.546	421	115	27	0	0	(2)	1.431	392
Directors' fees payable	8	1	0	0	0	0	0	8	1
Tax losses	8.546	2.195	4.282	1.030	76	473	(3)	4.340	1.635
Inventory obsolescence provision	971	231	0	0	25	6	0	996	237
Loss-making contracts	4.477	875	4.477	876	17.646	4.235	0	17.646	4.234
Loss-making contracts	0	0	0	0	2.471	593	0	2.471	593
Other provisions	769	234	329	66	211	52	(16)	651	204
Consolidation entries	0	0	0	0	0	0	0	0	0
IRES losses	0	0	0	0	0	0		0	0
Total	**27.379**	**6.609**	**12.993**	**2.635**	**22.830**	**5.935**	**(21)**	**37.216**	**9.888**

Description of temporary differences	*Deferred Taxes at 31/12/2017*		*Decreases*		*Increases*		*Exchange Diff*	*Deferred Taxes at 31/12/2018*	
Taxable differences	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**		**Taxable amount**	**Tax**
Dividends not received	0	0	0	0	0	0		0	0
Grants Law 132 Art.55	0	0	0	0	0	0		0	0
Unrealised exchange gains	42	10	42	11	25	6	0	25	5
Depreciation of tangible assets	9.085	3.386	0	0	590	118	(315)	9.675	3.189
Amortisation of intangible assets	15	2	0	0	0	0	0	15	2
Other provisions	558	106	558	105	458	110	0	458	111
Consolidation entries	1.907	620	133	32	0	0	0	1.774	588
Dividends not received	0	0	0	0	0	0		0	0
Total	**11.607**	**4.124**	**733**	**148**	**1.073**	**234**	**(315)**	**11.947**	**3.895**

EXTERNAL AUDITORS' REPORT

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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, 2018, 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, 2018, 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. (the "Company") 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.

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, 2018, 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, 2018 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, 2018 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 8, 2019

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