ROSETTI MARINO

Consolidated Financial Statements

31 December 2019

Approved by the BoD on 30/03/2020

INDEX

1. DIRECTORS' REPORT ON OPERATIONS,

ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

Dear Shareholders,
The consolidated financial statements of the Group for 2019 report a net profit of Euro 4,470 thousand after depreciation and amortisation of Euro 7,065 thousand, allocations of Euro 636 thousand to the provision for bad debts included in current assets and allocations of Euro 449 thousand to provisions for risks.
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 2019 was characterised by a strong, 29.98% increase in volume of production (GIP of Euro 339 million in 2019 against Euro 261 million in 2018). The growth was recorded in all operating segments but, most significantly, in the Energy Business Unit which, alone, recorded a Euro 62 million increase.
The increase in GIP was accompanied by increases in EBITDA (Euro 33.4 million in 2019 against Euro 28.5 million in 2018), EBIT (Euro 25.2 million in 2019 against Euro 17.5 million in 2018) and Profit before Tax (Euro 28.2 million in 2019 against Euro 11.6 million in 2018) while Net Profit decreased slightly (Euro 4.45 million against Euro 5.54 million in 2018) because of certain taxes paid by the foreign subsidiaries that could not be recovered.
The positive results for the year were greatly driven by operations outside Italy and, above all, by the Group's Kazakh companies which registered an exceptional performance. This was sufficient to offset the losses of Basis Engineering and RSY and to make an important contribution to the results of the Parent Company.
Business in Italy was affected by a decline in the profitability of a project destined for Denmark and this hit the results of the Parent Company in particular. However, on the positive side, all projects

were delivered in line with their contractual due dates and clients were greatly satisfied with the performance of the Group companies. As well as guaranteeing significant volumes of work in Project Management, Engineering, Procurement and Construction, this led to the start of discussions with Clients over a series of incentives – some already agreed and some still under discussion – with a view to improving the economic performance of the projects. Outside Italy, as already mentioned, the highest volumes and profitability were recorded in Kazakhstan where the local Group companies completed very important projects for the two biggest oil companies in that country. These projects enabled one of these oil companies to achieve enormous savings in terms of loss of production during the shutdown of the Kashagan field and involved the delivery to the other oil company of the first hi-tech control rooms ever realised in Kazakhstan for the remote control of the Tengiz field. The Group's ability to make complex structures locally, even in areas with limited industrial experience and culture, has also been proven in Qatar where, during the year, the local Branch of the Parent Company completed the construction of a large Living Quarters unit that represents the first Offshore platform ever realised in that country. Looking at other geographical areas, we highlight the fine performance of the Technical Services realised in Egypt and Nigeria, even though the latter were suspended in the second half of the year and will only be able to recommence in the first quarter of 2020. Finally, we highlight the Group's entry into the United Arab Emirates through a local company - Rosetti Ali&Sons (RAS) – whose shareholders include the Parent Company with a 49% interest and an important local partner thanks to which the Group has access to a 40 hectare yard in the Port of Abu Dhabi and to the advantages for local content offered by UAE law (In Country Value). This is a highly significant business initiative because, together with the Qatar venture, it consolidates the Group's presence in the Middle East, the geographical area with the world's lowest hydrocarbon production costs.

Important objectives were achieved in 2019 also in terms of products and services. Of particular significance for the Energy Business Unit was the award of its first ever project in the field of Wind Platforms. Meanwhile, the Shipbuilding Business Unit was awarded a contract for its first ever LNG powered vessel while the new Repair & Refit Service also got underway – this activity was made possible by the fact that the Parent Company took over management of the Drydock at the San Vitale Yard at the start of 2019.

A selection of the key performance indicators is provided below:

	31.12.19	31.12.18
G.I.P. (in thousands of Euro)	338,632	260,534
(A1+A2+A3 of the income statement)		
EBITDA (in thousands of Euro)	33,383	28,499
(A+B-10-12-13 of the income statement)		
EBITDA / GIP	9.86%	10.94%
EBIT (in thousands of Euro)	25,233	17,487
(A+B of the income statement)		
EBIT / GIP	7.45%	6.71%
Profit before tax (in thousands of Euro)	28,240	11,576
(item 22 of the income statement)		
Profit before tax /GIP	8.34%	4.44%
Net profit (in thousands of Euro)	4,470	5,543
(item 23 of the income statement)		
Net profit / GIP	1.32%	2.13%
R.O.E	2.49%	3.11%
(Net profit / Opening Group equity)		

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

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

Energy Business Unit

With value of production of around Euro 291 million in 2019 (Euro 229 million in 2018), the energy segment was confirmed as the Group’s main operating segment.

For Oil & Gas platforms, in Italy, the year was characterised by intensive activity for projects destined for the North Sea and they will account for a significant slice of the workload in 2020, too. Also during 2019, work was practically completed at the yard in Qatar on construction of the first ever Living Quarters platform built in that country; this work will continue in 2020 with offshore activities which – as well as involving the installation of this new platform – will include a series of modifications to an existing Living Quarters unit. The great success of this project has enjoyed a lot of positive feedback – also in political circles - in Qatar, a country that is still subject to embargoes imposed by Arab countries and, specifically, by those countries where structures of this type were historically built. For this reason, the Group has decided to consolidate its presence in Qatar by transforming the current Branch of the Parent Company into a limited liability company incorporated under Qatari law. This decision, along with the decision to consolidate the Group’s presence in the United Arab Emirates through company RAS, represents a decisive step in the strengthening of the Group’s presence in the Middle East. The Middle East is a geographical area of particular interest also on consideration of the market difficulty that can be expected in the near future.

In 2019, production activity was particularly healthy in Kazakhstan where Group company KCOI registered an exceptional volume of work at very interesting margins and made a decisive contribution to the good results reported in the Consolidated Financial Statements.

In Nigeria, the business performed extremely well in the first half of the year but, unfortunately, this was not repeated in the second half of the year because the client – Nigeria’s leading Oil Company – finished its annual budget for the Brownfield works that Group company RPL is carrying out and work is only expected to recommence in the first four months of 2020.

We also note that, during 2019, two Subsea projects were delivered and the Group continued to provide Technical Services, especially in

Egypt. Finally, work continued on On-Shore projects which were mainly carried out in collaboration with Group company KCOI as they were destined for Kazakhstan.

Shipbuilding Business Unit

Shipbuilding activities enjoyed a recovery during the year and recorded value of production of Euro 7 million.

In addition to the start of work on the first Superyacht order taken by the Group through subsidiary RSY – on which work will continue throughout 2020 and in early 2021 – during 2019, the Group acquired its first contract for an LNG powered tugboat and for a barge with cryogenic storage tanks for the transportation of LNG destined for the bunkering of cruise ships coming into the Port of Venice. The Superyacht project and the LNG carrier project are examples of the capacity that Group has shown in looking to new markets – given the lack of projects for the types of vessel that have formed part of Rosetti Marino's shipbuilding tradition – also in environments with very different quality and technology than the traditional areas which are still grappling with a crisis that shows little sign of abating. Again, with regard to diversification, it is important to highlight that the new ship Repair & Refit business got underway in 2019. This was made possible by the fact that the Parent Company has taken over operation of the drydock at the San Vitale yard. The strategic interest in this activity mainly regards the Superyacht market but, given the lack of a track record in that field, the Group decided to identify a business partner already active in the Repair & Refit segment for smaller yachts while, at the same time, also looking into possible opportunities in the merchant shipping sector. During the year, merchant ships provided the initial source of business in this area and offered regular work throughout the period with results and margins that were more than satisfactory.

Process Plants Business Unit

This business segment is entirely handled by subsidiary Fores Engineering and its associated companies. In 2019, it generated value of production of around Euro 40 million against around Euro 32 million in 2018.

The average margins generated by the projects acquired were acceptable and confirmed signs of a market recovery that could, however, be put into doubt by events that have characterised the beginning of 2020 i.e. the effects of the Covid-19 pandemic and the oil price slump. In any case, the award to the Group of a project for Russia was particularly significant both because of the country of destination – Russia offers enormous potential – and because of the significant size of the project and the interesting margins offered by the contract.

CAPITAL EXPENDITURE

In 2019, the Group incurred capital expenditure totalling Euro 11,052 thousand with Euro 8,345 thousand invested in intangible assets and Euro 2,707 thousand in tangible assets.
The main investments in intangible assets regarded the goodwill paid on the acquisition of a 49% equity interest in the Abu Dhabi based company now called Rosetti Ali & Sons Llc and the purchase and implementation of software intended to improve certain business processes.
Investments in tangible assets mainly regarded associated company Kazakhstan Caspian Offshore Industries Ltd and, to a lesser extent, the production sites of the Parent Company. The investments aimed to improve both production facilities and infrastructures.
The level of capital expenditure confirms the Group's commitment to becoming ever more competitive while operating safely and respecting the environment.

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 loan in Euro made to that company in 2017 to provide it with the cash needed to purchase a plot of industrial land next to the Parent Company's headquarters. They also include a loan made to associated company Rosetti Pivot Ltd to cover its cash funding requirements during the start-up phase and before its operating activities commence.

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

	31.12.19	31.12.18
Short-term NFP (in thousands of Euro)	120,207	127,995
(CIII + CIV of Assets – D4 current of Liabilities)		
Fixed asset coverage margin (in thousands of Euro)	155,370	158,999
(M/L term liabilities + total equity – fixed assets)		
Fixed asset coverage ratio	2.50	2.61
(M/L term liabilities + total equity / fixed assets)		
Financial independence index	48.87%	47.77%
(Total equity / Total assets)		
Ratio of financial income(expense) to GIP	0.20%	(1.20%)
(Financial income and expenses / GIP)		

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

With regard to the financial risks relating to trade receivables, we note that the Group operates primarily with longstanding clients, including leading oil companies or their subsidiaries and leading Italian shipping companies. Given the longstanding relationships with clients and their financial soundness, no specific guarantees are required for receivables from clients. However, we note that, as the Group tends to operate on a few, very large contracts, its receivables are highly concentrated on a small number of clients. Given this fact, it is

standard practice before acquiring an order, to conduct a thorough assessment of the financial impact of that order and a prior evaluation of the client's financial situation and to continue to monitor outstanding receivables thoroughly during performance of the work.
The Group has a healthy, positive net financial position and has obtained a good rating from the banks with which it deals. Accordingly, there are no difficulties in raising financial resources or risks associated with interest rate fluctuation.
The Group is exposed to the exchange rate risk as a result of its operations on international markets. In order to protect itself against this risk, as in previous years, the Group has arranged exchange rate risk hedging transactions when it has acquired significant orders from clients in foreign currencies and issued significant orders to suppliers in foreign currencies.
It should be noted that when business is conducted in countries whose local currencies are not easily traded and are subject to significant fluctuation (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 2.45% of its personnel costs).
In particular, we highlight the continuation of the training project called "Rosetti Academy", launched in 2018, which is designed to train and develop personnel, across the Group, involving both management personnel and young people with high potential. During the year, around 90 individuals were involved in the project.
The project will grow and develop in the years ahead with the goal of training the next generation of Rosetti Marino Group managers. The project described above 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 2019, the headcount came to 1,260 employees, a net decrease of 155 compared to 31 December 2018.
Some 162 employees were hired while 317 employees left the workforce due to natural turnover. In further detail, it should be noted that the number of executives increased by 1 while white-collar workers increased by 9 and blue-collar workers decreased by 165, respectively.
Headcount decreases were recorded by Kazakhstan Caspian Offshore Industries Llp (-194), Rosetti Kazakhstan Llp (-42) and Fores Engineering Algerie Eurl (-2) while there were increases for the Parent Company Rosetti Marino S.p.A. (+49, including employees hired by foreign branches), Tecon S.r.l. (+13), Fores Engineering S.r.l. (+12), Basis Engineering S.r.l. (+4), Basis Congo Sarl (+4) and Rosetti Superyachts S.p.A. (+1).
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 2019, the Parent Company Supervisory Board duly sent us Six Monthly Reports on its activities in the first and second halves of the year. The Board of Directors has acknowledged these reports which do not contain any facts or issues worth of note.

Information on the environment and on risks regarding climate change

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

Although these risks are limited, they are thoroughly assessed and evaluated by the unit responsible for environment and climate change issues. This is done also considering the increasing global attention to the consequences of climate change and to the potential economic, social and environmental issues which now require companies to assess effects on their business that might have to be deal with in the medium term. For these reasons, the Company is committed to the constant search for solutions that guarantee the responsible use of natural resources, efficient energy consumption and management of atmospheric emissions.

The attention paid to environmental issues is borne out by the fact that the Parent Company has been certified compliant with international standard ISO14001 for many years.
The Group has made a major effort to develop and spread a Culture of Sustainability with particular attention to the following objectives:
- minimising the environmental impact by reducing energy consumption, atmospheric emissions and waste production;
- constantly improving our systems for the detection and assessment of environmental risks and effects and implementing the necessary measures to prevent and reduce such risks and effects.

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

Research and development

Research and development is mainly carried out by the Parent Company's Business Development unit which incurred costs totalling Euro 2,698 thousand.
These activities have regarded the following projects, in particular:
- project called Rosmanditen involving the study, design and development of IT solutions to simulate ASD tugboat manoeuvring;
- acquisition of new technical skills and understanding for the development of an innovative integrated desalination system for the production of pure water;
- acquisition of new theoretical and applied skills in order to develop innovative concepts in the field of wind substations;
- acquisition of new theoretical and applied skills for the design and development of innovative, modular solutions, that minimise structural weight and simplify construction and assembly, in the field of wind substations;
- acquisition of new understanding and new technical skills with regard to the basic concepts that may be applied in designing and developing innovative solutions for topside Oil&Gas Ultra High Pressure and High Temperature;
- acquisition of new understanding and new technical skills through feasibility studies for the development of new technologies, using a

multi-function platform, for the towage, transport and launch of vessels with all shapes of hull.

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 31.12.2019, the order backlog for contracts acquired but not yet completed amounted to around Euro 246 million (Euro 412 million at 31.12.2018).

We note the following with regard to the main commercial and operational developments on the market in the various segments where the Group operates:

Energy Business Unit

The order backlog stands at Euro 188 million (Euro 387 million at 31 December 2018).

It is fairly realistic to believe that the sudden, dramatic slump in the price of oil recorded in March 2020, together with the global economic effects of the Covid-19 pandemic (analysed in more detail below), will have severe repercussions on the new investments that Energy Companies decide to undertake. In particular, in the Oil & Gas industry, it is likely that new investment in those parts of the world with the highest production costs – e.g. the North Sea – will be postponed or cancelled. Meanwhile, we expect investment in areas with lower production costs, like the Middle East, to be confirmed. Moreover, also based on discussions held to date with leading clients, we believe that investments already underway - and which have reached a good level of progress – can be expected to continue

uninterrupted.
Finally, at such a difficult time, it is probable that maintenance projects or projects to maintain production at facilities already partially or fully depreciated will not be suspended; the reduction in investment in new facilities will almost certainly lead to decisions focusing on the increased exploitation of existing facilities, through "Brownfield" projects.
Based on these considerations we believe that, once the existing order backlog has been completed, the production site that could be worst affected by the market related difficulties is the Piomboni Yard – it is currently working solely on Greenfield projects for the North Sea. In contrast, the development of the Business could be assisted by the recent positioning gained in the Middle East and, especially, in Qatar – also thanks to recent developments in the local competitive environment which have been favourable for the Group – and in the United Arab Emirates, where local Group company RAS recently become an approved vendor of the Abu Dhabi National Oil Company. In both Qatar and the UAE, the Company is currently taking part in some highly interesting competitive tendering processes. Therefore, it is foreseeable that the major efforts made in recent years to penetrate the market in the Middle East, as strongly supported by the high level of performance of the facilities realised in that part of the world, will open up interesting growth opportunities for the Group in that area, even in times of turbulence on the oil market in light of the recent oil price crash.
In the Technical Services segment, the company has been tendering for Operation & Maintenance services since last year. This type of activity should not be particularly affected by the oil price slump and, through Nigerian subsidiary RPL, the Group is tendering for a contract from Nigeria's largest oil company – the contract should be awarded in the first half of 2020.
Likewise, it is reasonable to believe that the client projects on which the Group is working in Kazakhstan – through local subsidiary KCOI – will be able to continue as they have already reached a very advanced stage; the new tendering processes the Group is taking part in will also be completed. Moreover, given the nature of the Kazakhstan economy, which is primarily based on the extractive industry, in the

current environment, it is likely that incentives to encourage the expansion of existing deposits through the development of new extraction facilities will be introduced. This would enable us to speed up the return on the significant commercial investment the Group has made in Kazakhstan while also making further development a probability.
Finally, in the Offshore Wind sector, it is reasonable to believe that investment will slow down because of the loss in demand caused by the Covid-19 pandemic and, generally, the loss of competitiveness of Renewable Energy compared to the low cost of fossil fuels. This factor – not a certainty as yet – could have repercussions on the workload of the Piomboni Yard and on the Parent Company's commercial strategy which, in recent years, has focused a lot on this sector.

Shipbuilding Business Unit

As previously mentioned, the Shipbuilding Business Unit has enjoyed something of a recovery. As at 31 December 2019, the order backlog stood at Euro 29 million.
The global economic crisis triggered by the Covid-19 pandemic should not badly affect Superyacht clients. Indeed, there could be greater market interest in such vessels as they are considered safer than cruise ships. In contrast, cruise ship sales will suffer for the medium term. In fact, during the most recent nautical crisis that began with the economic downturn in September 2008, the Superyacht segment was anti-cyclical and there was no significant drop in demand. In 2020, the first Superyacht produced by subsidiary RSY will reach a good level of progress and there is strong market interest in this product. We believe that the combined effect of these two factors can constitute an important success factor for the positioning of the company in the Superyacht segment. We expect that, from 2020, the company will start to enjoy the commercial satisfaction it expected when the decision to enter this market was taken.
At the same time, we will continue to pursue commercial opportunities that become available in the merchant shipping sector. In this area, we are looking closely at possibilities relating to LNG vessels, even though a temporary slowdown in demand can be expected because of the problems faced by the cruise companies. We

will also seek to exploit the company's excellent positioning in certain foreign countries to extend our offering to include the Shipbuilding Market. In particular, we are currently preparing a very interesting offer for a certain number of tugboats and pusher craft.
Finally, our Repair & Refit activities for merchant ships will continue and, hopefully, similar activities for Superyachts will be launched.

Process Plants Business Unit
The Process Plants Business Unit came in 2020 with an order backlog of around Euro 29 million, mainly thanks to new orders taken towards the end of 2019; this represented an improvement on prior year.
The comments made in relation to the Energy Business Unit also apply to the Process Plants Business Unit with the additional factor that the Covid-19 pandemic could also have negative repercussions for the procurement of components used the Group and by Fores Engineering in particular. In order to limit the adverse effects of the crisis that can reasonably be expected, it will be essential to rely on the geographical diversification of the client base and, in particular, on the Group's commercial presence in areas with low hydrocarbon production costs (Middle East) or in countries whose dependence on hydrocarbons means they cannot give up on investment needed to maintain their production (Russia, Kazakhstan, Algeria).

COVID-19

Since January 2020, Italy and the rest of the world have been affected by the spread of Covid-19 and by the restrictive measures introduced by the public authorities in affected countries in an attempt to contain the virus. These circumstances are extraordinary in both scope and nature and are producing repercussions, both direct and indirect, on economic activity. They have created an environment of general uncertainty and future developments and related effects cannot be foreseen at present.
Group Management moved swiftly to assess the likely effects on the operations of the various Group companies based on the information

available and the scenarios that seemed likely to materialise. This assessment was carried out in order promptly to draw up an action plan to deal with the situation.
In more detail, in terms of the potential impact on operating activities, we highlight the fact that the health emergency has led to the temporary suspension of activities at the Ravenna yards and to a slowdown at the main yards currently operational in other countries, as a result of limits on movements. These suspensions and slowdowns will not expose the Group to the risk of expenses due to failure to comply with contractual deadlines because they are clearly attributable to force majeure. Meanwhile, with regard to the main projects in progress, Group Management and the clients in question are currently seeking to reschedule the remaining activities, making the maximum use of the flexibility offered by contractual arrangements, in order to safeguard economic and technological performance even in the difficult, current situation. Group Management also believes it can limit the foreseeable negative economic consequences, especially in relation to the temporary suspension of activity at the Ravenna yards, by making use of the measures already introduced by our Government i.e. using up annual leave accumulated by employees and using the *cassa integrazione* (an existing, government assisted "furlough" scheme). Therefore, while a deterioration in the Group's results can undoubtedly be expected in 2020, we believe that the extent of the deterioration can be contained thanks to the high level of international diversification achieved by the Group in recent years and its presence in parts of the world currently less affected by the Covid-19 emergency; the other measures promptly adopted, as previously described, will also help.
Furthermore, the situation is not expected to have any worrying impact on the Group's financial position. In particular, the high level of cash and cash equivalents and investments in highly liquid securities whose nature means they are not exposed – except to a limited extent – to current turbulence on the financial markets will enable the Group to cope readily with the fall in value of production expected for the year in progress. Nonetheless, in order to avoid any reduction in the availability of liquid resources that could be triggered by the health emergency, Group Management has, as an additional

response to the current situation, arranged three new, unsecured loans for a total amount of Euro 18 million.
Finally, for accounting purposes, Group Management has concluded that the health emergency caused by Covid-19, which first emerged in China in January and only more recently in Italy, constitutes a subsequent event that need not be reflected in the amounts reported in the financial statements in accordance with Italian Accounting Standard OIC 29. Moreover, it does not constitute a subsequent event that could cast doubt on the Group's ability to continue to operate as a going concern, for the reasons outlined above. Accordingly, it has not been taken into account during the valuation process regarding the amounts reported in the Group's consolidated financial statements at 31 December 2019. Group Management has also assessed the potential effect that the situation triggered by the health emergency could have on the recoverability of assets reported in the financial statements, including trade receivables, and on compliance with covenants (at 31 December 2019 all covenants were respected in full) and has concluded that there are no issues in this regard. Nonetheless, the Directors will continue to monitor these matters constantly throughout the remainder of 2020.

In conclusion, based on the analysis performed and described above, it is reasonable to believe that the Group has sufficient resources to deal with the future problems that may be caused by the health emergency triggered by Covid-19 and by the expected decline in investment in the oil industry. This is also in consideration of the financial resources currently available, which may be considered sufficient to cope with any slowdown in demand. Other key factors include the process of internationalisation constantly pursued by the Group in recent years and the satisfactory competitive positioning that has been achieved, thanks to said process, in parts of the world that may be considered less exposed to the risk of a decline in demand for extractive systems and facilities. A further opportunity to contain the effects of the situation on the oil market, especially at the Ravenna sites, could lie in the expected increase in production of Superyachts and offshore wind structures as a result of the diversification process recently implemented by the Group.

Dear Shareholders,
The activities carried out by the Group in 2019 have generated a net profit of Euro 4,470 thousand.
We invite you to approve the financial statements, the accounting policies applied and the accompanying directors' report.

Ravenna 30/03/2020

For the Board of Directors
The Chief Executive Officer
Oscar Guerra

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019:

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

BALANCE SHEET (Amounts in thousands of Euro)

ASSETS	*2019*	*2018*
A) DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**0**	**0**
B) NON-CURRENT ASSETS:		
I Intangible assets		
1) start-up and expansion costs	12	16
3) industrial patent rights	125	87
4) concessions, licences, trademarks and similar rights	378	389
5) goodwill	5,854	14
6) assets in progress and payments on account	25	225
7) other intangible assets	1,785	1,337
TOTAL INTANGIBLE ASSETS	8,179	2,068
II Tangible assets:		
1) land and buildings	77,651	75,943
2) plant and machinery	3,094	4,116
3) industrial and commercial equipment	5,348	5,233
4) other tangible assets	3,967	4,193
5) assets under construction and payments on account	2,601	
TOTAL TANGIBLE ASSETS	92,661	94,644
III Financial assets:		
1) investments:		
a) in subsidiaries	1	1
b) in associated companies	778	97
d-bis) in other entities	161	170
2) receivables:		
a) from subsidiaries		
due after more than a year	80	0
b) from associated companies		
due after more than a year	1,315	1,024
d-bis) from others	578	719
TOTAL FINANCIAL ASSETS	2,913	2,011
TOTAL NON-CURRENT ASSETS	**103,753**	**98,723**
C) CURRENT ASSETS:		
I Inventory:		
1) raw, ancillary and consumable materials	2,646	2,302
3) contract work in progress	39,259	20,091
5) payments on account	8,779	9,570
TOTAL INVENTORY	50,684	31,963
II Receivables:		
1) due from clients (trade)		
due within a year	75,760	91,822
3) due from associated companies	3,236	3,692
4) due from parent company	12	10
5bis) tax receivables	11,610	8,806
5ter) deferred tax assets	9,140	9,888
5quarter) due from others		
- due within a year	1,572	1,672
- due after more than a year	404	446
TOTAL RECEIVABLES	101,734	116,336
III Current financial assets:		
5) derivatives	4,927	6,467
6) other securities	64,404	57,296
TOTAL FINANCIAL ASSETS	69,331	63,763
IV Cash and cash equivalents:		
1) bank and post office accounts	80,488	75,978
3) cash and cash equivalents on hand	76	147
TOTAL CASH AND CASH EQUIVALENTS		80,564
TOTAL CURRENT ASSETS	**302,313**	**288,187**
D) PREPAID EXPENSES AND ACCRUED INCOME	**1,152**	**1,097**
TOTAL ASSETS	**407,218**	**388,007**

LIABILITIES AND SHAREHOLDERS' EQUITY		*2019*	*2018*
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	144,873	141,931
	VII Cash flow hedge reserve	(785)	(1,640)
	VIII Retained earnings (Accumulated losses)	(16)	43
	IX Net profit (loss) for the year	4,470	5,543
	X Negative reserve for treasury shares held	(5,100)	(5,100)
	XI Consolidation reserve	23	23
	XII Translation reserve	(3,387)	(3,189)
	TOTAL EQUITY ATTRIBUTABLE TO THE GROUP	**182,157**	**179,690**
	Capital and reserves attributable to minorities	16,841	5,648
	TOTAL EQUITY ATTRIBUTABLE TO THE GROUP AND TO MINORITIES	**198,998**	**185,338**
B)	**PROVISIONS FOR RISKS AND CHARGES:**		
	1) Provisions for retirement benefits and similar	701	853
	2) Tax provisions	4,883	3,895
	3) Derivatives	814	1,679
	4) Other	7,851	13,889
	TOTAL PROVISIONS FOR RISKS AND CHARGES	**14,249**	**20,316**
C)	**T.F.R.**	**4,398**	**4,321**
D)	**PAYABLES:**		
	3) shareholder loans payable	775	775
	4) bank borrowing:		
	- due within a year	29,688	11,893
	- due after more than a year	41,440	47,747
	5) payables to other lenders	38	10
	6) payments on account	37,314	63,932
	7) due to suppliers (trade)	63,729	40,775
	9) due to subsidiaries	1	1
	10) due to associated companies	21	21
	12) tax payables	3,780	4,632
	13) social security payables	2,369	2,152
	14) other payables	9,991	5,564
	TOTAL PAYABLES	**189,146**	**177,502**
E)	**ACCRUED EXPENSES AND DEFERRED INCOME**	**427**	**530**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**407,218**	**388,007**

INCOME STATEMENT (AMOUNTS IN THOUSANDS OF EURO)	*2019*	2018
A) VALUE OF PRODUCTION:		
1) Revenues from sales and services	316,831	253,886
3) Change in contract work in progress	21,801	6,648
4) Increase in internal works capitalised	123	113
5) Other revenues and income:		
a) operating grant income	365	484
b) other	7,864	1,450
TOTAL VALUE OF PRODUCTION	**346,984**	**262,581**
B) COST OF PRODUCTION:		
6) Raw, ancillary and consumable materials and goods	(99,324)	(77,294)
7) Services	(142,767)	(81,303)
8) Leases and rentals	(7,606)	(11,878)
9) Personnel:		
a) wages and salaries	(47,490)	(45,745)
b) social contributions	(11,774)	(11,484)
c) T.F.R. /Employee severance indemnity	(2,249)	(2,260)
d) retirement benefits and similar	(290)	(590)
e) other personnel costs	(584)	(2,391)
Total personnel costs	(62,387)	(62,470)
10) Amortisation, depreciation and writedowns:		
a) amortisation of intangible assets	(2,052)	(514)
b) depreciation of tangible assets	(5,013)	(5,304)
d) writedowns of current receivables and cash and cash equivalents	(636)	(1,270)
Total amortisation, depreciation and writedowns	(7,701)	(7,088)
11) Change in inventory of raw, ancillary and consumable materials and goods for resale	344	6
12) Provisions for risks	(449)	(3,924)
14) Sundry operating expenses	(1,861)	(1,143)
TOTAL COST OF PRODUCTION	**(321,751)**	**(245,094)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**25,233**	**17,487**
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	2,165	517
d) income other than the above		
- interest and fees from associated companies	172	59
- interest and fees from others and sundry income	86	672
17) Interest and other financial expenses:		
d) other	(1,532)	(1,655)
17bis) exchange gains and losses	(222)	(2,718)
TOTAL FINANCIAL INCOME AND EXPENSES	**670**	**(3,124)**
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS		
18) Revaluations:		
a) of equity investments	757	1
b) of non-current financial assets	1,335	0
c) of current securities	49	9
d) of derivatives	473	19
19) Writedowns		
a) of equity investments	(80)	0
b) of non-current financial assets	0	(1,335)
c) of current securities	(34)	(542)
d) of derivatives	(163)	(939)
TOTAL ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS	**2,337**	**(2,787)**
PROFIT (LOSS) BEFORE TAXATION (A+B+C+D)	**28,240**	**11,576**
20) Taxes on income for the year	(12,549)	(6,335)
NET PROFIT (LOSS) FOR THE YEAR INCLUDING AMOUNT PERTAINING TO NON-CONTROLLING INTERESTS	**15,691**	**5,241**
Profit (loss) for year pertaining to non-controlling interests	11,221	(302)
NET PROFIT (LOSS) - GROUP	**4,470**	**5,543**

STATEMENT OF CASH FLOWS (in thousands of Euro)	**31/12/2019**	**31/12/2018**
A. CASH FLOWS from operating activities (indirect method)		
Profit (loss) for the period	4,470	5,543
Taxes on income	12,549	6,335
1. Profit (loss) for the period before taxes on income	17,019	11,878
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	3,468	7,347
Depreciation/Amortisation of non-current assets	7,065	5,818
Adjustments to value of financial assets and liabilities (derivatives) not involving any cash flows	855	(1,390)
2. Cash flows before changes in NWC	28,407	23,653
Changes in net working capital		
(increase) decrease in inventory	(18,438)	6,981
(increase) decrease in current receivables	16,458	(130)
Increase (decrease) in trade payables and other payables	1,008	14,989
(increase) decrease in prepaid expenses and accrued income	(55)	(348)
Increase (decrease) in accrued expenses and deferred income	(103)	411
(increase) decrease in other working capital items	11,235	(570)
3. Cash flows after changes in NWC	38,512	44,986
Other adjustments		
(Taxes on income paid)	(13,401)	(5,781)
(Use of provisions)	(11,639)	(1,636)
CASH FLOWS from operating activities (indirect method) (A)	**13,472**	**36,719**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in:		
Intangible assets	(8,163)	(597)
Tangible assets	(3,030)	(2,951)
Non-current financial assets	(902)	393
Current financial assets	(5,568)	(6,907)
CASH FLOWS FROM INVESTING ACTIVITIES (B)	**(17,663)**	**(10,062)**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Debt		
Loans arranged	35,042	50,775
Loans repaid	(23,554)	(41,028)
Equity		
Dividends (and advances on dividends) paid	(2,600)	(1,900)
Revaluation/realignment		
Translation reserve	(198)	(1,042)
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**8,630**	**6,805**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**4,439**	**33,462**
OPENING CASH AND CASH EQUIVALENTS	**76,125**	**42,663**
CLOSING CASH AND CASH EQUIVALENTS	**80,564**	**76,125**

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 2019 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 2019 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 subsidiaries Rosetti Marino Mocambique Limitada, Rosetti Marino Project Ooo and Rosetti Marino Ooo which were not included in the scope of consolidation because they were not yet operating at 31 December 2019.
Investments in associated companies have been included using the equity method except for Rosetti Congo Sarl and Basis Pivot Ltd which have been excluded because they are non-operational.

A list of equity investments in subsidiaries and associated companies is provided below (in thousands of Euro):

Company name	Location	Share capital	% interest held
Subsidiaries			
FORES ENGINEERING S.r.l.	Forlì	1,000	100.0%
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 Ltd	United Kingdom	0	100.0%
ROSETTI MARINO SUPERYACHTS S.p.A.	Ravenna	1,500	100.0%
ROSETTI MARINO	Russia	1	90.0%

PROJECT Ooo (*)			
ROSETTI MARINO Ooo (*)	Russia	1	90.0%
ROSETTI MARINO SINGAPORE Pte Ltd	Singapore	63	100.0%
ROSETTI MARINO MOZAMBIQUE Ltd (*)	Mozam-bique	1	96.0%
ROSETTI LYBIA Jsc	Libya	622	65.0%
TECON S.r.l.	Milan	47	60.0%
BASIS CONGO Sarl (5)	Congo	99	60.0%
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%
ROSETTI ALI E SONS Llc (8)	Abu Dhabi	36	49.0%

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

During 2019, the following changes compared to prior year occurred:
- Acquisition, from subsidiary Rosetti Kazakhstan Llp, of 35% of the share capital of associated company Kazakhstan Caspian Offshore Industries Llp;
- Acquisition of 10% of the share capital of subsidiary Rosetti Superyachts S.p.A.;
- Incorporation of subsidiary Rosetti Marino Ooo with its head office

in Odintsovo – a district of Moscow – and subscription of 90% of the wholly paid share capital;
- Incorporation of subsidiary Rosetti Marino Project Ooo with its head office in Odintsovo – a district of Moscow – and subscription of 90% of the wholly paid share capital;
- Acquisition of 49% of the share capital of the Abu Dhabi based company now called Rosetti Ali & Sons Llc.

The subsidiaries and associated companies included in the scope of consolidation operate in the following sectors:
- Fores Engineering S.r.l., Fores Engineering Algèrie Eurl and Fores do Brasil Ltda: design, construction and maintenance of automation and control systems;
- Basis 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, Rosetti Marino UK Limited and Rosetti Ali & Sons Llc: construction of offshore and onshore oil facilities;
- Rosetti Kazakhstan Llp and Rosetti Marino Singapore Pte Ltd: provision of technical services;
- Rosetti Superyachts S.p.A.: construction of superyachts;
- Rosetti General Contracting Construcoes Serviços Lda: ship charter;
- Rigros S.r.l.: regeneration of a shipyard area next to the headquarters of the Parent Company.

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

The following is the statement of reconciliation between the shareholders' equity and profit for the year reported in the financial statements of the Parent Company and the corresponding consolidated figures as at 31 December 2019:

	Share-holders' Equity	Profit for the Year
AMOUNTS REPORTED IN FINANCIAL STATEMENTS OF ROSETTI MARINO S.p.A. AT 31/12/19	162,993	188
Consolidation adjustments:		
a. Difference between the carrying amount of consolidated equity investments and the valuation of those equity methods according to the equity method	23,956	10,918
b. Effect of accounting for finance lease agreements for tangible assets in accordance with the finance lease method	1,992	(115)
c. Reversal of unrealised profits/losses resulting from transactions between Group companies	(120)	(85)
d. Reversal of unrealised profits resulting from distribution of dividends between Group companies	(6,288)	(6,288)
e. Allocation of deferred tax assets and liabilities pertaining to the tax effect (where applicable) of consolidation adjustments	(376)	(148)
AMOUNTS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019	182,157	4,470

ACCOUNTING POLICIES

The accounting policies described below were updated by the Italian Accounting Standards Board / "OIC" in the version issued on 22 December 2016 – in response to the changes introduced by Legislative Decree 139/2015 – and amended by both the "Amendments" issued on 29 December 2017 and the "Amendments" issued on 28 January

2019.
The most significant accounting policies applied when preparing the financial statements at 31 December 2019 in compliance with the requirements of Article 2426 of the Italian Civil Code and the aforementioned accounting standards are as follows:

Intangible assets

Intangible assets are recognised at purchase or production cost, including related expenses. They are systematically amortised over their expected useful lives.
When, irrespective of the amortisation already recorded, the value of an intangible asset is impaired, it is adjusted accordingly. If, in subsequent years, the grounds for an impairment loss cease to apply, the original amount is restored, except with regard to goodwill, consolidation difference and “Deferred expenses” in terms of Article 2426(5) of the Italian Civil Code. Advertising and research and development costs are expensed in their entirety during the year in which they are incurred.
The difference between the acquisition cost and the equity of subsidiaries is allocated, where possible, to the assets and liabilities of the entities included in the consolidation. Any residual, positive amount is allocated to the asset caption “Goodwill” and amortised over five years when this amount expresses future income generating capacity.

Tangible assets

Tangible assets are recognised at purchase or production cost, net of any grants towards capital expenditure and adjusted for certain assets in application of specific revaluation laws. 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

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

<u>Raw Materials</u>:

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

Contract work in progress and revenue recognition:

Contract work in progress spanning more than one year is measured at year-end on the basis of the consideration accruing with reasonable certainty (the percentage completion method). Consideration accruing is calculated by applying the completion percentage determined using the cost-to-cost method to estimate total revenues.

This percentage is calculated as the ratio of costs incurred as at 31 December to estimated total costs.

Additional consideration is included in contract revenues only when it is formally accepted by the client before the reporting date or, if there has been no formal acceptance, at the reporting date, it is highly probable that the request for additional consideration will be accepted based on the most recent information and historical experience.

Contract work in progress of a duration of less than one year is measured at specific production cost (completed contract method).

Payments on account made by clients while a project is ongoing, in respect of work done and usually agreed on a “state of completion” basis, is recorded under revenue while advances received from clients at the outset of contract work are recognised under the item “Payments on account” on the liabilities side of the balance sheet.

Contracts are considered completed when all costs have been incurred and the work has been accepted by the clients. Any losses on contracts that can be estimated with reasonable accuracy are deducted from the value of contract work in progress, on the assets side of the balance sheet, in the period they come to light. If such losses exceed the value of the contract work in progress, the Company records a specific provision for risks, on the liabilities side of the balance sheet, for the excess amount.

Receivables

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

Trade receivables due after more than a year from the time of initial recognition – without payment of interest or with interest significantly different than market rates – are initially recognised at the amount determined by discounting future cash flows at the market rate of interest. The difference between the initial recognised value of the receivable as so determined and terminal value is recorded in the income statement as financial income over the period of the receivable, using the effective interest method.
The value of receivables, determined as above, is adjusted, as necessary, by a specific provision for bad debts, as deducted directly from the receivables in order to bring them into line with their estimated realisable amount. The estimate of the provision for bad debts includes forecast losses due to credit risks that have already materialised or are considered probable as well as losses for other collection issues that have already emerged, or which have not yet emerged but are considered probable.

Current financial assets
Current financial assets are recognised at the lower of purchase or subscription cost, including directly attributable auxiliary expenses, and realisable amount based on market performance.
The original cost of such securities is restored when the grounds for previously recognised impairment adjustments cease to apply.

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

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

Provisions for risks and charges

Provisions for risks and contingencies are created to cover losses or liabilities that are certain or probable but whose amount and due date could not be determined at year end. The amounts provided represent the best possible estimate based on the information available. When measuring risks and contingencies, risks and losses that came to light between the reporting date and the date the consolidated financial statements were prepared were also taken into account.

Risks for which the emergence of a liability is merely possible are disclosed in the Note on provisions without making any accrual to a provision for risks and charges.

Derivative instruments

Derivative instruments are financial assets and liabilities measured at fair value and are mainly used as hedging instruments to manage the risk of exchange rate and interest rate fluctuation.

Derivatives are classified as hedging instruments only when, at the start of the hedge, there is a close, documented relationship between the item hedged and the financial instrument and the effectiveness of the hedge – as regularly tested - is high.

When the derivatives hedge the risk of changes in cash flow from the hedged instruments ("cash flow hedges"), the effective portion of the gains or losses on the derivative financial instrument is suspended under equity. Gains or losses relating to the ineffective portion of a hedge are recorded in the income statement. When the related operation is realised, gains and losses accumulated in equity to date are recorded in the income statement when the operation in question is realised (as adjustments to the income statement captions affected by the hedged cash flows). Therefore, changes in the fair value of hedging derivatives are allocated:

- in the income statement, to captions D18 or D19 in case of a fair value hedge of an asset or liability recorded in the financial statements together with changes in the fair value of the hedged items (where the change in the fair value of the hedged item is greater in absolute terms than the change in the fair value of the hedging instrument, the difference is recorded in the income statement caption affected by the hedged item);

- in a specific equity reserve (under caption AVII “Reserve for cash flow hedges”) in case of cash flow hedges in order to offset the effects of the hedged cash flows (the ineffective portion is recorded under captions D18 and D19).

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

TFR/Employee severance indemnity provision

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

	31/12/18	Incr.	Decr.	31/12/19
Start-up and expansion costs	16	0	(4)	12

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):

	31/12/18	Incr.	Decr.	31/12/19
Patents	87	84	(46)	125

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):

	31/12/18	Incr.	Decr.	Forex Diff	31/12/19
Licences	10	0	0	1	11
Concession of land rights	379	0	(12)	0	367
Total concessions licences etc.	**389**	**0**	**(12)**	**1**	**378**

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

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

Intangible assets in progress

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

	31/12/18	Incr.	Decr.	31/12/19
Intangible assets in progress	225	0	(200)	25

"Intangible assets in progress and payments on account" amounts to Euro 25 thousand and represents the value of work done up to 31.12.2019 on internal projects not yet completed. These projects regard the updating of the software used to manage non-compliance, internal audit, lessons learned and corrective action (Euro 7 thousand) and to work performed on the drydock at the S. Vitale yard in relation to the separation of the waters used in the hull washing process (Euro 18 thousand).

The decrease in this item compared to prior year is mainly due to completion by the Parent Company of work on the updating of software used to keep the welding register (Euro 38 thousand) and on the reinforcement of the quay at the San Vitale yard (Euro 83 thousand).

Other intangible assets

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

	31/12/18	Incr.	Decr.	Forex effect	31/12/19
Deferred Expenses	0	14	(5)	0	9
Software	347	309	(273)	17	400
Leasehold improvements	990	633	(247)	0	1,376
Total other intangible assets	**1,337**	**956**	**(525)**	**17**	**1,785**

The increase in this caption is mainly due to Euro 175 thousand for the purchase and implementation by the Parent Company of management software used in the various business processes and to Euro 622 thousand for leasehold improvements carried out at the S. Vitale Yard (Euro 488 thousand changes to the launchways and Euro 134 thousand for resurfacing of the quayside).

Decreases include Euro 525 thousand of amortisation for the year. Amortisation is charged at different rates for the various types of capitalised cost, as follows:

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

Goodwill

This item regards the positive difference between the amount paid by the Parent Company to acquire investments in Group companies and the corresponding portion of equity of said companies at the acquisition date. In more detail, the balance consists of the residual consolidation differences of Euro 7 thousand arising on the acquisition of 40% of Tecon S.r.l., Euro 3 thousand arising on the acquisition of a Singapore company later renamed Rosetti Marino Singapore Pte Ltd and Euro 5,844 thousand arising on the acquisition of a U.A.E. company later renamed Rosetti Ali & Sons Llc. The goodwill arising on the acquisition of the U.A.E. company during the reporting period was Euro 7,305 thousand while Euro 1,461 thousand of amortisation was charged during the period.

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 2019, 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 not yet completed by associated company Kazakhstan Caspian Offshore Industries Llp on new office buildings and new warehouses at the Kazakhstan Yard, by the Parent Company on the upgrading of facilities at the San Vitale Yard and by associated company Rigros S.r.l..

FINANCIAL ASSETS

Equity investments

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

	Interest held	31/12/18	Incr.	Decr.	31/12/19
Subsidiaries:					
Rosetti Marino Mocambique Ltd (*)	96%	1	0	0	1
Rosetti Marino Project Ooo (*)	90%	0	0	0	0
Rosetti Marino Ooo (*)	90%	0	0	0	0
Total subsidiaries		**1**	**0**	**0**	**1**
Associated companies:					
Rosetti Congo Sarl (*)(**)	50%	76	0	(76)	0
Rosetti Pivot Ltd	49%	0	757	0	757
Basis Pivot Ltd (*)	45%	21	0	0	21
Total associated companies		**97**	**757**	**(76)**	**778**
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	127	0	(3)	124
Other entities	16	0	(6)	10
Total other entities	**170**	**0**	**(9)**	**161**

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

With regard to investments in associated companies, it should be noted that the carrying amount of the investment in associated company Rosetti Congo Sarl is now zero following a writedown of Euro 250 thousand which also includes provision for the pro-rata amount of negative equity of Euro 182 thousand. Meanwhile, the investment in associated company Rosetti Pivot Ltd has been revalued and increased by Euro 757 thousand in order to align the carrying amount with the relevant portion of equity per the financial statements at 31 December 2019. This investment had been written down by Euro 1,205 thousand in prior years.

The investment in Cassa di Risparmio di Ravenna S.p.A. has been written down by Euro 3 thousand to bring its carrying amount into line with market value at 31 December 2019.

Receivables from subsidiaries

This item, amounting to Euro 80 thousand (Euro 0 at 31 December 2018), entirely consists of the residual amount of Euro 80 thousand of a loan granted to subsidiary Rosetti Marino Project Ooo in order to meet its funding requirements during the start-up period before its operating activities get underway. The loan bears interest at a rate in line with market rates.

Receivables from associated companies

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

	31/12/18	**Incr.**	**Decr.**	**31/12/19**
Rosetti Pivot Ltd	1,584	0	(1,044)	540
Provision for impairment	(1,335)	1,335	0	0
Rigros S.r.l.	775	0	0	775
Total receivables	**1,024**	**1,335**	**(1,044)**	**1,315**

The receivable from associated company Rosetti Pivot Ltd entirely consists of a loan of Euro 540 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 provision for impairment created in prior years has been reversed in full now that the company in question has made a positive start to its activities and has repaid part of the loan.
The receivable from associated company Rigros S.r.l. consists of 50% of a loan totalling Euro 1,550 thousand that was granted to said company to enable it to purchase a plot of land next to the Parent Company headquarters. The loan bears interest at a rate in line with market rates.

Receivables from others
This item, amounting to Euro 578 thousand (Euro 719 thousand at 31.12.2018), 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):

	31/12/2019	**31/12/2018**
Raw materials	3,364	3,303
minus obsolescence provision	(718)	(1,001)
	2,646	2,302
Contract work in progress	39,259	20,091
	39,259	20,091
Advances to suppliers	8,779	9,570
Total inventory	**50,684**	**31,963**

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 718 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 increase compared to prior year is due to the different percentage of completion of contracts in progress.

RECEIVABLES

Due from clients (trade)

This item includes receivables from clients arising as a result of normal commercial transactions.

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

	31/12/19	31/12/18
Due from clients - Italy	4,826	23,163
Due from clients – Other EU	15,674	23,327
Due from clients – Non-EU	57,844	50,989
Provision for bad debts	(2,584)	(5,657)
Total due from clients (trade)	**75,760**	**91,822**

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 71.13% (47.94% in prior year) of the total due from the five leading clients by outstanding balance.

The provision for bad debts, which has decreased compared to prior year, is considered reasonable in light of the collection risks relating to trade receivables. It has been determined on an overall basis taking account of collection risks relating to certain specific factors. The decrease is partially due to utilisation of the provision after the Parent Company signed a settlement agreement with Mellitah Oil & Gas in respect of a receivable dating back to previous years. 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):

	31/12/19			
	Trade	**Financial**	**Total**	**31/12/18**
Rigros S.r.l.	0	3	3	2
Rosetti Pivot Ltd	2,567	63	2,630	3,674
ROSETTI CONGO Sarl	301	302	603	16
Total	**2,868**	**368**	**3,236**	**3,692**

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

Receivables from parent company

The receivables from parent company Rosfin S.p.A., amounting to Euro 12 thousand (Euro 10 thousand at 31 December 2018), 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):

	31/12/19	**31/12/18**
VAT receivable	5,701	7,573
Credit for substitute tax on reval'n of TFR	10	5
Foreign tax receivable	844	563
IRAP receivable	1,155	228
IRES receivable	3,900	437
Total	**11,610**	**8,806**

The VAT receivable includes the annual VAT credit of Euro 5,624 thousand arising on ordinary commercial transactions and a VAT credit of Euro 77 thousand accruing in prior years for which a refund has been requested.

The IRAP credit is due to both to the fact that payments made on account in prior years exceeded the tax actually due and to credits

arising in 2014 and 2017 pursuant to Article 19(1) B of Decree Law no 91/2014 (the "competitiveness" decree). Said decree made it possible to convert any A.C.E. (Economic Growth Subsidy) surplus into an IRAP credit, to be split into five equal annual amounts. The amount represents the remaining credit that may be used in the next three years.
The IRES receivable is mainly due to the fact that income tax payments made on account in prior years exceeded the taxes actually due for 2019 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. Deferred tax assets due to tax losses have been recognised as the Company believes it is reasonably certain that there will be sufficient future taxable income against which to offset the tax loss carryforwards within the period during which they are deductible under tax law.
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):

	31/12/19	**31/12/18**
Due within a year:		
Due from employees	95	140
Insurance refunds receivable	3	0
Sundry	1,474	1,532
Total	**1,572**	**1,672**
Due after more than a year:		
Guarantee deposits	404	446
Total	**404**	**446**

All of the above amounts are considered recoverable so no provision for bad debts has been recorded.
"Sundry" includes Euro 1,288 thousand (the equivalent of USD 1,447 thousand) of receivables due from Broadview Engineering Limited in

respect of payment for its equity interest in newly incorporated Nigerian company Shoreline Logistics Nigeria Limited.

CURRENT FINANCIAL ASSETS

The following table shows changes in current financial assets:

	31/12/18	Diff	31/12/19
Derivatives	6,467	(1,540)	4,927
Other current securities	57,296	7,108	64,404
Total financial assets	**63,763**	**5,568**	**69,331**

The overall increase in this item is entirely due to temporary investments of cash.
Derivatives includes Euro 4,899 thousand of derivative instruments classified as held for trading as they do not satisfy hedge accounting requirements and Euro 28 thousand representing the Mark to Market value of the following hedging instruments:

Type: Forward sale contract – Rosetti Marino S.p.A.
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 2,830 thousand
Notional amount Euro: 2,540 thousand
Maturity: 03/01/2020
MTM: Euro 17 thousand

Type: Forward sale contract – Rosetti Marino S.p.A.
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 4,600 thousand
Notional amount Euro: 4,074 thousand
Maturity: 30/04/2020
MTM: Euro 3 thousand

Type: Forward sale contract – Rosetti Marino S.p.A.
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.

Notional amount USD: 500 thousand
Notional amount Euro: 449 thousand
Maturity: 29/05/2020
MTM: Euro 7 thousand

Type: Forward sale contract – Basis Engineering S.r.l.
Notional amount Euro: 209 thousand
Transaction 30/10/2019
Maturity: 30/06/2020
MTM: Euro 1 thousand

Changes in the fair value of derivative instruments classified as held for trading are recognised in the Balance Sheet and recorded in the Income Statement in items D18d or D19d.
Other current securities entirely consists of temporary investments of cash, mainly in insurance policies (Euro 59 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 80,488 thousand at 31 December 2019 (Euro 75,978 at 31 December 2018) consisted entirely of funds held in bank accounts.

Cash and cash equivalents on hand

The balance at 31 December 2019 mainly consisted of cash on hand and amounted to Euro 76 thousand (Euro 147 thousand at 31 December 2018).
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):

	31/12/19	31/12/18
Accrued income for swaps on forward sales	0	5
Prepaid rental costs	37	49
Prepaid moveable asset rental costs	27	63
Other prepaid expenses	1,088	980
Total prepaid expenses and accrued income	**1,152**	**1,097**

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 2019, 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
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 2018.

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 701 thousand (Euro 853 thousand at 31 December 2018) and mainly includes amounts allocated for Directors’

leaving indemnities (Euro 360 thousand) and amounts provided for leaving bonuses of Senior Management (Euro 341 thousand).

Tax provisions

This item includes a deferred tax provision calculated on all taxable temporary differences and totalling Euro 4,062 thousand (Euro 3,895 thousand at 31 December 2018) as well as a current tax provision of Euro 821 thousand.

Note that the theoretical tax effect of the temporary differences has been calculated based on current tax rates. The change in this item compared to prior year is shown in an attachment to these Notes.

Provision for derivatives

This caption, amounting to Euro 814 thousand (Euro 1,679 thousand at 31 December 2018), 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:

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Mediocredito Italiano S.p.A.
Notional amount Euro: 6,500 thousand
Duration: 48 months
Period: 28/02/2019 - 28/02/2023
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 96 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Unicredit S.p.A.
Notional amount Euro: 13,750 thousand
Duration: 47 months
Period: 31/10/2018 - 31/07/2022
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 114 thousand

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

Underlying contract type: loan from BPER Banca S.p.A.
Notional amount Euro: 10,000 thousand
Duration: 18 months
Period: 17/07/2018 - 17/01/2020
Rate: Euribor 3 months
Frequency: Six-monthly instalments
MTM: Euro 19 thousand

Type: IRS agreement– Rosetti Marino S.p.A.
Underlying contract type: loan from Credit Agricole Italia S.p.A.
Notional amount Euro: 9,381 thousand
Duration: 48 months
Period: 16/07/2019 - 17/07/2023
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 70 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Mediocredito Italiano S.p.A.
Notional amount Euro: 9,000 thousand
Duration: 59 months
Period: 31/07/2019 - 17/06/2024
Rate: Euribor 6 months
Frequency: Six-monthly instalments
MTM: Euro 24 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Banco BPM
Notional amount Euro: 5.000 thousand
Duration: 39 months
Period: 11/10/2019 - 31/12/2022
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 29 thousand

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Unicredit S.p.A.

Notional amount Euro: 5.000 thousand
Duration: 48 months
Period: 24/10/2019 - 31/10/2023
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 24 thousand

Type: Forward sales contract – Rosetti Marino S.p.A.
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 520 thousand
Notional amount Euro: 405 thousand
Expiry: 29/05/2020
MTM: Euro 55 thousand

Type: Forward sales contract – Rosetti Marino S.p.A.
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 2.213 thousand
Notional amount Euro: 1.708 thousand
Expiry: 31/08/2020
MTM: Euro 236 thousand

Type: Forward sales contract – Rosetti Marino S.p.A.
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 1.700 thousand
Notional amount Euro: 1.467 thousand
Expiry: 28/02/2020
MTM: Euro 44 thousand

Type: Forward sales contract – Rosetti Marino S.p.A.
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 1.800 thousand
Notional amount Euro: 1.556 thousand
Expiry: 31/01/2020

MTM: Euro 46 thousand

Type: Forward sales contract – Rosetti Marino S.p.A.
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 2.458 thousand
Notional amount Euro: 2.143 thousand
Expiry: 31/03/2020
MTM: Euro 36 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 4 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 18 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 2019 were as follows (in thousands of Euro):

	31/12/18	Incr.	Decr.	Forex diff.	31/12/19
Provisions for future risks	2,695	2,451	(890)	(1)	4,255
Provision for future expenses on contracts	2,634	0	(2,634)	0	0
Provision for employee bonuses	2,127	0	(2,127)	0	0
Provision for contractual risks	2,833	1,300	(2,337)	0	1,796
Provision for sundry risks	3,600	0	(1,800)	0	1,800
Total other provisions	**13,889**	**3,751**	**(9,788)**	**(1)**	**7,851**

The provision for future risks represents the best possible estimate of probable liabilities arising from ongoing civil litigation with third parties.

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. It should be noted that a complaint has been made by a client of the Parent Company. It has not yet led to legal action but, based on the information currently available, the Directors have estimated the possible liabilities and they have been reflected in these financial statements.

T.F.R./EMPLOYEE SEVERANCE INDEMNITY PROVISION

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

Balance at 31-12-2018	4,321
Amount accruing and recorded in income statement	2,249
Other movements	0
Utilisation	(2,172)
Balance at 31-12-2019	**4,398**

The TFR/employee severance indemnity provision at 31 December 2019 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:

- financing of Euro 18.8 million granted to the Parent Company by Unicredit Banca d'Impresa and consisting of two loans. The first loan, signed in 2018, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2022 (outstanding amount at 31 December 2019 – Euro 13.8 million). The second loan, signed in 2019, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2023 (outstanding amount at 31 December 2019 – Euro 5.0 million). In order to hedge the interest rate risk relating to these loans, for each of the agreements, 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 9.4 million granted to the Parent Company by Credit Agricole Italia S.p.A. during the year. The loan provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2023. 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 granted to the Parent Company by BPER Banca S.p.A. which provides for a floating rate of interest, payment of interest in 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;
- financing of Euro 7.5 million granted to the Parent Company by Banco BPM S.p.A. and consisting of two loans. The first loan, signed in 2017, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2022 (outstanding amount at 31 December 2019 – Euro 2.5 million). The second loan, signed in 2019, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2022 (outstanding amount at 31 December 2019 – Euro 5.0 million). In order to hedge the interest rate risk relating to these loans, for each of the agreements, 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 5.0 million granted to the Parent Company by Monte dei Paschi di Siena S.p.A. during the year. The loan provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2022;
- financing of Euro 15.5 million granted to the Parent Company by Mediocredito Italiano S.p.A. and consisting of two loans. The first

loan, signed in 2018, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2023 (outstanding amount at 31 December 2019 – Euro 6.5 million). The second loan, signed in 2019, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2024 (outstanding amount at 31 December 2019 – Euro 9.0 million). In order to hedge the interest rate risk relating to these loans, for each of the agreements, 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 0.9 million granted to subsidiary Basis Engineering S.r.l. by Unicredit Banca d'Impresa. 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 4.0 million granted to subsidiary Fores Engineering S.r.l. by Cassa dei Risparmi di Forlì e della Romagna which is repayable over five years until 30 November 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.

Payables to other lenders

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

Payments on account

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

	31/12/19	31/12/18
Contract work in progress	8,601	12,887
Advances from third party clients	28,713	51,045
Total payments on account	**37,314**	**63,932**

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

Due to suppliers (trade)

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

	31/12/19	31/12/18
Due to suppliers - Italy	30,156	26,015
Due to suppliers – Other EU	5,216	3,054
Due to suppliers – Non-EU	28,357	11,706
Total	**63,729**	**40,775**

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

Payables to subsidiaries

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

	31/12/19	31/12/18
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):

	31/12/19	31/12/18
Basis Pivot Ltd	21	21
Total	**21**	**21**

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

Tax payables

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

	31/12/19	31/12/18
Personal income tax deducted at source	2,448	2,204
Income taxes payable	189	1,880
Foreign income taxes payable	1,013	60
VAT	104	370
Other taxes not on income	26	118
Total tax payables	**3,780**	**4,632**

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 2014 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 2018.

Other payables

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

	31/12/19	31/12/18
Due to employees	5,229	4,962
Due to freelance contractors	16	60
Due to pension funds	480	471
Sundry payables	4,266	71
Total other payables	**9,991**	**5,564**

This item largely consists of amounts due to employees. The increase in “Sundry payables” mainly relates to the residual portion of the liability of Euro 4,164 thousand towards Ali & Sons Marine Engineering Factory for the acquisition of 49% of the share capital of the Abu Dhabi based company now called Rosetti Ali e Sons Llc.

ACCRUED EXPENSES AND DEFERRED INCOME

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

Accrued expenses:	**31/12/19**	**31/12/18**
Accrued loan interest expenses	117	109
Accrued expenses re forward sales / purchases	275	370
Other	28	45
	420	**524**
Deferred income:		
Other	7	6
	7	**6**
Total accrued expenses and deferred income	**427**	**530**

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):

	2019	2018
Energy Business Unit	268,489	216,583
Shipbuilding Business Unit	4,960	0
Process Plants Business Unit	40,568	34,448
Sundry services	2,814	2,855
Total revenues from sales and services	**316,831**	**253,886**

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

	2019	2018
Revenues from Italian clients	6,385	37,771
Revenues from other EU clients	93,741	38,451
Revenues from non-EU clients	216,705	177,664
Total revenues from sales and services	**316,831**	**253,886**

Given the nature of the Company's business, revenues are fairly concentrated with 71.00% of total revenues from sales and services generated by the five largest clients (51.88% in prior year). This concentration is mainly apparent in the Energy Business Unit.

Change in contract work-in-progress

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

	2019	2018
Opening contract WIP at 1/1	(20,091)	(13,850)
Exchange difference	0	407
Closing contract WIP at 31/12	41,892	20,091
Total change in contract WIP	**21,801**	**6,648**

At 31 December 2019, contract work in progress included Euro 20,041 thousand relating to the Energy Business Unit, Euro (476) thousand relating to the Process Plants Business Unit and Euro 2,236 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 2019, the costs capitalised under this caption included costs incurred by the Parent Company, mainly for work at the San Vitale Yard on modifications to the entrance doors to the metalwork building (Euro 33 thousand) and on changes to the launchways (Euro 18 thousand); costs incurred by subsidiary Basis Engineering S.r.l. for work on the construction of a new warehouse; and costs incurred by associated company Rigros S.r.l. for improvements to a plot of land owned by it (Euro 50 thousand).

Other revenues and income

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

	2019	2018
Grants towards operating expenses	365	484
Total “Grants towards operating expenses”	**365**	**484**
Recharge of expenses to third parties	498	722
Hires and rentals	43	89
Gains on asset disposals	84	27
Reversal of excess provisions for risks	6,725	300
Out of period income	90	39
Other	424	273
Total other revenues	**7,864**	**1,450**

“Grants towards operating expenses” mainly comprises Euro 75 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 received by the Parent Company from Fondirigenti and Fondimpresa in reimbursement of costs incurred to run training programs (Euro 22 thousand), grants in the form of tax credits maturing on research and development activities carried out in 2018 (Euro 103 thousand), grants in the form of tax credits maturing in respect of donations made to cultural activities during the year

(Euro 7 thousand) and grants from the Ministry for Infrastructure and Transport in relation to the Rosmanditen initiative (Euro 47 thousand). We also highlight the grants recorded by subsidiaries Fores Engineering S.r.l. (Euro 99 thousand) and Basis Engineering S.r.l. (Euro 10 thousand) as received from Fondirigenti and Fondimpresa in reimbursement of costs incurred to run several company training programs.

Note that Reversal of excess provisions for risks regards provisions that were created in prior years but are no longer required.

COST OF PRODUCTION

Purchases

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

	2019	2018
Raw materials	92,360	63,049
Ancillary materials and consumables	6,789	13,892
Other purchases	175	353
Total purchases	**99,324**	**77,294**

The increase compared to prior year reflects the increase in production activities.

Costs for services

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

	2019	2018
Sub-contracting and outsourcing	107,997	55,505
Repairs and maintenance	1,719	1,565
Electricity, water and heating	1,279	683
Other production costs	15,743	7,312
Sundry personnel costs	5,552	5,172
Selling costs	3,429	3,966
Statutory auditors’ fees	71	71
Directors’ fees	1065	1,079
External auditors’ fees	170	158
General, administrative and insurance costs	5,742	5,792
Total costs for services	**142,767**	**81,303**

The increase in costs for services is mainly due to higher sub-contracted and outsourced production costs. This is due to the fact that, during the year, several major contracts reached an advanced stage at which significant activities were outsourced to third parties.

Lease and rental costs

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

	2019	2018
Property rental	3,430	2,464
Hire / rental of moveable assets	3,667	9,134
Maintenance of leased / rented property	4	4
Concession fees	58	77
Software rental	447	199
Total lease and rental costs	**7,606**	**11,878**

The decrease 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:

	31/12/18	Increases	Decreases	31/12/19
Executives	47	2	(1)	48
White collar	841	137	(128)	850
Blue collar	527	23	(188)	362
Total	**1,415**	**162**	**(317)**	**1,260**

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 01/01/19	(3,303)
- Change in inventory obsolescence provision	283
- Closing inventory at 31/12/19	3,364
Total	**344**

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):

	2019	**2018**
Taxes and duties other than income tax	1,077	785
Losses on asset disposals	61	7
Out of period expenses	142	95
Other operating expenses	581	256
Total sundry operating expenses	**1,861**	**1,143**

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):

	2019	2018
c) Income from current securities other than equity investments:		
- dividends from securities management	3	2
- interest income on securities	1,601	263
- gains on disposals	561	252
Total	**2,165**	**517**
d) Income other than the above:		
- interest from associated companies	172	59
Total	**172**	**59**
d) Income other than the above:		
- interest from others and sundry income:		
- bank interest income	30	11
- interest income from customers	8	35
- sundry interest income	47	626
- other income	1	0
Total	**86**	**672**

Interest and other financial expenses

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

	2019	2018
d) other:		
- interest expense on current accounts	0	12
- interest expense on bank loans	764	700
- securities management commission	60	106
- losses on securities	6	149
- sundry interest expenses	702	688
Total	**1,532**	**1,655**

Exchange gains and losses

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

	2019	2018
Exchange gains	1,137	961
Unrealised exchange gains	546	161
Exchange losses	(1,674)	(1,477)
Unrealised exchange losses	(231)	(2,363)
Total	**(222)**	**(2,718)**

ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS

“Adjustments to value of financial assets” shows a negative balance of Euro (2,337) thousand and includes the following adjustments:
- revaluation of equity investments by Euro 757 thousand;
- revaluation of non-current financial assets by Euro 1,335 thousand;
- revaluation of current securities by Euro 49 thousand;
- revaluation of derivative instruments by Euro 473 thousand;
- writedown of equity investments by Euro 80 thousand;
- writedown of current securities by Euro 34 thousand;
- writedown of derivative instruments by Euro 163 thousand.

TAXES ON INCOME FOR THE YEAR

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

	2019	2018
Current taxes	13,900	9,622
Prior year taxation	(607)	(80)
Deferred taxes	108	86
Deferred tax income	(852)	(3,293)
Total taxes on income for the year	**12,549**	**6,335**

The effective tax rate at Group level is 44.44% (54.73% in prior year).

OFF BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

GUARANTEES GIVEN

Sureties

This item consists of Euro 106,271 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: 28/10/2019
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 75 thousand
Date received: various dates in 2019
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 103 thousand
Data received: 16/12/2019
Reason: R&D grant for costs incurred in 2018

Name of funding body: Ministry of cultural heritage and tourism – Rosetti Marino S.p.A.
Amount offset against other taxes: Euro 1 thousand
Date received: 16/12/2019
Reason: Art Bonus subsidy for payments incurred in 2018

Name of funding body: Ministry for the Economy and Finance – Fores Engineering S.r.l.
Amount accrued: Euro 77 thousand
Date of offsetting: 18/03/2019
Reason: Tax Credit for R&D activities in 2017 - Art.1 of Law no 190 of 23 December 2014 (Government Budget 2015)

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Since January 2020, Italy and the rest of the world have been affected by the spread of Covid-19 and by the restrictive measures introduced by the public authorities in affected countries in an attempt to contain the virus. These circumstances are extraordinary in both scope and nature and are producing repercussions, both direct and indirect, on economic activity. They have created an environment of general uncertainty and future developments and related effects cannot be foreseen at present. Group Management moved swiftly to assess the likely effects on the operations of the various Group companies based on the information available and the scenarios that seemed likely to materialise. For further details, refer to the Directors' Report on Operations.

On 5 February 2020, when it was being tugged to the port of Ravenna by salvage and rescue vessel the Macistone, the barge "AMT MARINER", as purchased by the Parent Company, ran aground near Bari for reasons yet to be determined. The barge was later refloated and is now at anchor in the port of Bari waiting to come in for repairs. No costs relating to this episode have been reflected in the financial statements as the company that was transporting the vessel is solely responsible for such expenses.

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 2019 and 31 December 2018;
- Detailed analysis of tangible assets at 31 December 2019;
- 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 2019
(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 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**
Net profit for 2018:												
- to reserves	0	0	0	2.942	0	(59)	0	0	0	(2.883)	0	0
- dividends	0	0	0	0	0	0	0	0	0	(2.660)	(2.660)	0
Translation reserve	0	0	0	0	0	0	0	(198)	0	0	(198)	(28)
Cash flow hedge reserve	0	0	0	0	855	0	0	0	0	0	855	0
Change in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0
Net profit for 2019	0	0	0	0	0	0	0	0	0	4.470	4.470	11.221
BALANCE AT 31 DECEMBER 2019	**4.000**	**36.969**	**1.110**	**144.873**	**(785)**	**(16)**	**(5.100)**	**(3.387)**	**23**	**4.470**	**182.157**	**16.841**

STATEMENT OF MOVEMENTS ON TANGIBLE ASSETS FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of Euro)

	Opening situation			Movements during the year										Closing situation		
	Historical	Accum.	Balance	Additions		Disposals			Change of category		Forex	Depreciation		Historical	Accum.	Balance
	Cost	Deprec'n	31/12/18	Purchases	Int. Works	H/Cost	Revaluations	Acc Dep'r	Storico	Fondo	Diff.	Rate	Ordinary	Cost	Deprec'n	31/12/19
Yards and buildings:																
- land	35.040	(4.862)	30.178	0	0	0	0	0	0	0	10	0%	0	35.050	(4.862)	30.188
- yards and buildings	75.060	(29.644)	45.416	492	262	(49)	0	0	2.938	0	425	3%	(2.292)	79.128	(31.936)	47.192
- light constructions	5.974	(5.625)	349	75	0	(43)	0	2	0	0	0	10%	(112)	6.006	(5.735)	271
Plant and machinery:																
- plant	18.014	(14.546)	3.468	99	0	(46)	(5)	45	0	0	0	10%	(884)	18.062	(15.385)	2.677
- 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	6.702	(6.054)	648	16	0	(495)	(11)	464	0	0	0	16%	(205)	6.212	(5.795)	417
- electrical systems	26	(26)	0	0	0	0	0	0	0	0	0	10%	0	26	(26)	0
Industrial and commercial equipment	12.087	(6.854)	5.233	863	0	(126)	0	52	0	0	91	25%	(765)	12.915	(7.567)	5.348
Other tangible assets:																
- office furniture	2.282	(1.231)	1.051	142	0	(8)	0	2	0	0	7	12%	(260)	2.423	(1.489)	934
- IT equipment	3.499	(2.590)	909	237	0	(19)	0	11	0	0	10	20%	(283)	3.727	(2.862)	865
- commercial vehicles	553	(522)	31	17	0	(31)	0	26	0	0	0	20%	(15)	539	(511)	28
- automobiles	709	(323)	386	132	0	(4)	0	0	0	0	7	25%	(116)	844	(439)	405
- barge	3.707	(1.891)	1.816	0	0	0	0	0	0	0	0	8%	(81)	3.707	(1.972)	1.735
Assets under construction and payments on a/c	5.159	0	5.159	635	(262)	0	0	0	(2.938)	0	7	0%	0	2.601	0	2.601
Total	**169.058**	**(74.414)**	**94.644**	**2.708**	**0**	**(821)**	**(16)**	**602**	**0**	**0**	**557**		**(5.013)**	**171.486**	**(78.825)**	**92.661**

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

Article 2427(14) of the Italian Civil Code

Deductible differences	*Deferred Tax Assets at 31/12/2018*		*Decreases*		*Increases*		*Forex diff.*	*Deferred Tax Assets at 31/12/2019*	
	Taxable amount	**Tax**	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**		**Taxable amount**	**Tax**
Provision for contractual risks	614	148	441	106	0	0	0	173	42
Provision for bad debts	4.304	1.033	4.120	989	587	141	0	771	185
Provision for contingent risks	4.567	1.366	2.689	574	476	115	0	2.354	907
Unrealised exchange losses	188	45	189	45	97	23	0	96	23
Depreciation of tangible assets	1.431	392	151	41	0	0	0	1.280	351
Directors' fees payable	8	1	0	0	0	0	0	8	1
Tax losses *	4.340	1.635	6.729	1.613	17.626	4.230	0	15.237	4.252
Inventory obsolescence provision	996	237	375	86	32	8	0	653	159
Loss-making contracts	17.646	4.234	15.826	3.798	10.232	2.455	0	12.052	2.891
Provisions for employee bonuses	2.471	593	2.162	519	32	8	0	341	82
Other provisions	651	204	198	49	410	91	1	863	247
Total	**37.216**	**9.888**	**32.880**	**7.820**	**29.492**	**7.071**	**1**	**33.828**	**9.140**

** Note that, for tax consolidation purposes, the Parent Company has utilised the tax losses of subsidiaries participating in the tax consolidation arrangement in the amount of Euro 1,601 thousand*

Taxable differences	*Deferred Taxes at 31/12/2018*		*Decreases*		*Increases*		*Forex diff.*	*Deferred Taxes at 31/12/2019*	
	Taxable amount	**Tax**	**Taxable amount**	**Tax**	**Taxable amount**	**Tax**		**Taxable amount**	**Tax**
Unrealised exchange gains	25	5	25	5	47	11	0	47	11
Depreciation of tangible assets	9.675	3.189	0	0	635	127	59	10.310	3.375
Amortisation of intangible assets	15	2	0	0	0	0	0	15	2
Other provisions	458	111	455	109	491	116	0	494	118
Consolidation entries	1.773	588	133	32	0	0	0	1.640	556
Total	**11.946**	**3.895**	**613**	**146**	**1.173**	**254**	**59**	**12.506**	**4.062**

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, 2019, 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, 2019, 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.

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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, 2019, 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, 2019 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, 2019 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 10, 2020

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