



*Financial
Statements at
31/12/2021*

I N D E X

	<u>Page</u>
1. Directors' Report on Operations, accompanying the Financial Statements as at 31 December 2021	3
2. Financial Statements as at 31 December 2021:	
Balance Sheet	16
Income Statement	20
Statement of Cash Flows, indirect method	22
- Notes to the Financial Statements	
• Basis of preparation	24
• Accounting policies	24
• Other information	28
• Comments on main asset items	29
• Comments on main liability items	39
• Comments on main income statement items	47
3. Board of Statutory Auditors Report on the Financial Statements as at 31 December 2021	53
4. External auditors' report	56
5. Minutes of Shareholders' General Meeting held to approve the Financial Statements as at 31 December 2021	60

1. DIRECTORS' REPORT ON OPERATIONS,
ACCOMPANYING THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2021

Dear Shareholders,

The financial statements hereby submitted for your review and approval provide a faithful representation of the Company's current situation.

They report a net loss of Euro 47,281 thousand after depreciation and amortisation of Euro 2,691 thousand, allocations to provisions for doubtful debts of Euro 202 thousand, allocations to provisions for risks of Euro 125 thousand and impairment adjustments to investments of Euro 1,407 thousand.

We provide below an overview of the Company's operating performance in the last year and details of foreseeable future developments.

OPERATING PERFORMANCE

The reporting period was again adversely affected by the spread of the Covid-19 pandemic and it greatly suffered from the failure to acquire orders in 2020 as a result of the slump in the price of oil. Both of these events led to a further, significant reduction in volume of production (it was down by 19% from Euro 146 million in 2020 to Euro 118 million in 2020) and a knock-on effect on results for the year.

Covid-19 related consequences further increased the time taken to complete contracts acquired before the outbreak of the pandemic and few were completed during the year. The impact was felt, especially, in the construction and commissioning phases where the fourth wave of the virus caused major delays because of employees absent in quarantine and the fact that many Italian and foreign Vendors were unable to travel to construction sites. Cost increases due to the need to find replacement personnel and operate with several shifts also worsened the situation for a number of key sub-contractors who had already been severely tested by the difficult market conditions; this had caused serious problems for the Ravenna area, in particular, where the "ban on drilling" had put work in the Natural Gas District on hold for more than two years.

In order to avoid suspending works and prevent even worse consequences for clients, the Company had to cover part of the losses of these sub-contractors, thus further increasing its own costs. These additional expenses were on top of the extra cost of the extended presence of the Company's own "Project Teams" on contracts and of the utilisation of production areas for at least six months more than expected.

Alongside this difficult situation, the Company has had to deal with a lack of willing on the part of clients to accept and recognise possible extra contractual revenues both because works were not completed during the year and because Energy Companies also found themselves in financial difficulty because of low oil prices, a situation that has changed greatly only recently.

The drastically negative operating performance caused by the severe effects of the pandemic also affected the Shipbuilding Business Unit. It also saw major, unforeseen operating cost increases and an increase in the time needed to complete contracts. Nonetheless, the year 2021 was also characterised by the delivery by subsidiary Rosetti Superyachts S.p.A. (RSY) of its first superyacht; this event created significant interest and success on the market and could lead to important future effects for the Company, too.

Although an unprecedented loss has been reported for 2021, the year also recorded two extremely important positive factors. The first of these was the strong recovery on the part of the Energy market, as a consequence of the general economic recovery as the pandemic eased. This trend then accelerated strongly in the first quarter of 2022 when, following the outbreak of the conflict in Ukraine, European Energy Companies began frantically to seek Natural Gas procurement sources that can reduce their reliance on Russia, in the short-medium term. The second positive factor recorded in 2021 is the confirmation of the great confidence that Energy Companies place in the Company. During this period of extreme difficulty, the Company has demonstrated exceptional operational reliability and flexibility.

These positive factors have been confirmed by the order backlog which, at 31 December 2021, had already grown by 192% compared to prior year (Euro 266 million against Euro 91 million at 31 December 2020) and which, thanks to new orders taken, has increased by a further Euro 75 million in the first few months of 2022. Therefore, the order backlog currently stands at Euro 341 million. Moreover, major new tenders will soon be awarded and the Company is reasonably hopeful that it will secure more important contracts. The improved commercial environment is not limited to demand for new Oil & Gas Platforms. Rather, it also regards the Company's product range in the Renewable Energy (Offshore Wind and Biomethane, in particular) and superyachts markets.

Finally, we note that the financial statements have benefited much less than in prior year from dividends received from subsidiaries (Euro 725 thousand in 2021 against Euro 4,303 thousand in 2020).

A selection of the key performance indicators is provided below:

	<u>31.12.21</u>	<u>31.12.20</u>
G.I.P. (in thousands of Euro) (A1+A2+A3 of the Income Statement)	117,550	145,702
EBITDA (in thousands of Euro) (A+B-10-12-13 of the Income Statement)	(51,526)	(33,458)
EBITDA / GIP	(43.83%)	(22.96%)
EBIT (in thousands of Euro) (A+B of the Income Statement)	(54,545)	(36,398)
EBIT / GIP	(46.40%)	(24.98%)
Profit (Loss) before tax (in thousands of Euro)	(54,904)	(31,828)
Profit (Loss) before tax / GIP	(46.71%)	(21.84%)
Net Profit (Loss) (in thousands of Euro) (Income Statement item 21)	(47,281)	(24,527)
Net Profit (Loss) / GIP	(40.22%)	(16.83%)
R.O.E. (Net Profit (Loss) / Opening Equity)	(29.68%)	(15.05%)

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 Company 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 Company operates is provided below. Please refer to the Notes to the Financial Statements for more detailed analysis of the numbers themselves:

Energy Business Unit

The decline in value of production in 2021 was entirely attributable to the Energy Business Unit which recorded a significant decrease (-31%) compared to prior year (Euro 94 million in 2021 against Euro 136 million in 2020).

Production activities were carried out in the Oil & Gas Platform sector (Euro 74 million), the Wind Power sector (Euro 15 million), the Brown Field sector (Euro 3 million) and the Onshore sector (Euro 1 million).

New order acquisitions in the Energy Business Unit totalled around Euro 218 million in 2021 and improved by a further Euro 75 million in the first quarter of 2022. However, this strong sales performance had a minimal impact on the 2021 reporting period. The only related activities that year involved engineering work and a few purchases that resulted in only a small percentage of completion of works.

During the period, the operating activities were primarily focused on completing contracts acquired before the pandemic. This largely involved working to make up on delays accumulated during the restrictions that severely affected these contracts for around two years. Only in the first quarter of 2022 has it been possible to complete, finally, projects for Qatar, the United Kingdom and Denmark. Negotiations with clients are currently underway with a view to obtaining the recognition of some of the additional costs incurred because of Covid. Senior Management believes these negotiations could bear fruit with a positive P&L impact in 2022. With regard to new order acquisitions in 2021, it is work highlighting the fact that the Company has managed to negotiate highly advantageous terms of payment with its clients and these will guarantee positive cash flows from contracts. At a time when Energy prices are particularly high, the Company has found clients open and willing to accept price adjustment mechanisms to reflect the increases in the cost of materials seen in the last few months of 2021. Furthermore, the Company intends to incorporate automatic price adjustment mechanisms into all new contracts under negotiation.

Finally, it is worth highlighting the fact that the activities carried out during the year in the Renewable Energy field were met with full satisfaction on the part of a client base that was wholly new to Rosetti Marino. This leaves room for optimism over the positive development of the Offshore Wind business where there has been a growing number of calls for tenders. The same applies to the Biomethane business where the Company is present through subsidiary Green Methane. – control of which was acquired during the first half of 2021 – which, since the start of 2022, has recorded a strong increase in orders.

Shipbuilding Business Unit

Despite the adverse effects of the Covid pandemic, the value of production realised in 2021 increased considerably (+187%) compared to prior year (Euro 23 million in 2021 against Euro 8 million in 2020) confirming that the sector has been kickstarted again after a prolonged standstill.

Despite the significant increase in the volume of work and the satisfactory level of new order acquisitions – Euro 29,607 thousand – operating activities during the period were characterised (as for the Energy Business Unit) by the difficult progress with work on contracts acquired before the pandemic and by efforts to make up delays that led to an explosion in direct costs and to hefty losses on contracts. Nonetheless, the year was characterised by the final delivery and notable commercial success of the first superyacht ever built by the Group, the RSY 38m EXPLORER. The vessel won the “Revelation of the Year” award at Cannes Boat Show and is currently on display at Palm Beach Boat Show. Work is currently in progress on two new orders for the same model of superyacht and negotiations for more sales contracts are in progress. The year was also characterised by a more than acceptable performance in the Repair & Refit sector where volumes are expected to grow further, also thanks to the first orders taken for repair work on superyachts. Finally, it should be recalled that, in 2021, the Group purchased the AMT Carrier barge. The specifications of this barge are far superior to those of the AMT Mariner (which was scrapped during the year) because it is capable not only of transporting and launching vessels activities but can also tow them, thus opening up important new opportunities to the Company, still in the Repair & Refit field.

CAPITAL EXPENDITURE

In 2021, the Company incurred capital expenditure totalling Euro 3,126 thousand with Euro 55 thousand invested in intangible assets and Euro 3,071 thousand in tangible assets.

As a result of the pandemic, much of the planned investment has been postponed and only that capex necessary in order to guarantee the proper functioning of production activities has been carried out.

The main item of capital expenditure during the period amounts to a total of Euro 2,880 thousand (including purchase

cost and improvements) and regards the purchase of the semi-submersible barge called the AMT Carrier. The purchase of this vessel was necessary in order to replace the Mariner barge after it was damaged in a shipwreck in 2020; said incident put it out of use and led to its scrapping (note that our insurance cover paid out on the losses suffered as a result of the accident in question).

We note that the AMT Carrier is similar to its predecessor but more versatile and much more recently built. In addition to the activities historically carried out with the older vessel, the Company will now be able to bring vessels to dry dock and carry out other towing manoeuvres, enabling it to expand its Repair & Refit activities.

EQUITY INVESTMENTS

Direct investments in subsidiaries and associated companies underwent the following changes in 2021:

- liquidation of subsidiary Rosetti General Contracting Construcões Servicos Lda, registered office in Madeira;
- liquidation of subsidiary Rosetti Marino Singapore Ltd, registered office in Singapore;
- acquisition of 60% of the quota capital of GM Green Methane Srl, registered office in Ravenna;
- acquisition of a further 10% of the share capital of subsidiary Rosetti Ooo, registered office in Russia;
- merger through absorption of subsidiary Basis Congo Sarl by associated company Rosetti Congo Sarl;
- liquidation of associated company Fores do Brasil Sistemas e Equipamentos Industrias Ltda, registered office in Brazil;

The subsidiaries and associated companies continue to operate on their respective markets, thus carrying out the mission assigned to them and continuing to integrate with the Company and with other Group companies when this is required by contracts for complex multi-purpose facilities. We would recall that the subsidiaries and associated companies (both direct and indirect) have operated in the following segments:

- Fores Engineering Srl and Fores Engineering Algerie Eurl: design, construction and maintenance of automation and control systems;
- Basis Pivot Ltd and Tecon Srl: engineering companies mainly involved in multi-disciplinary design of oil and petrochemical facilities;
- Kazakhstan Caspian Offshore Industries Llp, Rosetti Ali & Sons Llc, Rosetti Congo Sarl, Rosetti Libya Jsc, Rosetti Pivot Ltd, Rosetti Marino Project Ooo and Rosetti Marino UK Ltd: companies that construct offshore and onshore oil facilities;
- Rosetti Kazakhstan Llp: supply of technical services;
- Rigros S.r.l.: management of a plot of land designated for industrial use;
- Rosetti SuperYachts Spa: superyacht building;
- GM Green Methane Srl: construction of biomethane facilities.

FINANCIAL SITUATION

For a more detailed analysis of cash flows during the year, please see the statement of cash flows included in an attachment to the financial statements.

At this point, we highlight the fixed asset coverage ratio (financed through equity) and the net financial position (including current financial assets) which is clearly positive; these figures confirm the Company's financial solidity.

Some of the key financial and equity ratios are shown below:

	<u>31.12.21</u>	<u>31.12.20</u>
Short-term NFP (in thousands of Euro) (C.III + C.IV of Assets – D.4 current of Liabilities)	58,112	52,969
Fixed assets coverage margin (in thousands of Euro) (M/L term liabilities + total equity – fixed assets)	70,525	87,962
Fixed assets coverage ratio (M/L term liabilities + total equity / fixed assets)	1.61	1.76
Financial independence index (Total equity / Total assets)	38.71%	54.84%
Ratio of financial income(expense) to GIP (Income Statement items 16+17+17bis / GIP)	+0.22%	+0.75%

It should be noted that “Net financial position” is not specifically defined under Italian GAAP. Therefore, the methods applied by the Company 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.

Moving onto the financial risks relating to trade receivables, we note that the Company 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. Nonetheless, it should be noted that, as the Company 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 common 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. The process continues during execution of the work with careful monitoring of outstanding receivables.

The Group’s short-term net financial position is comfortably positive so there are no difficulties in raising financial resources or risks associated with interest rate fluctuation.

Some of the loans arranged by the Company are also subject to covenants which were respected as at 31 December 2021.

We also note that, thanks to large advance payments received, the two contracts in progress for project D33 – destination Russia – as analysed in more detail in the “Business outlook” paragraph below, currently have a highly positive treasury balance (around Euro 30 million); this means there will be no financial risk in the event that works are suspended as a result of any future legislative measures (at present, there are no sanctions that prevent work from continuing as normal). The Company 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 and in compliance with the policy approved by the Executive Committee on 13 June 2018, the Company 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. . In relation to project D33 for a client in Russia, the Company is safeguarded against the exchange rate risk resulting from the weakening of the Rouble thanks to the particular terms of the contract with the end client.

PERSONNEL

The skill and professionalism of our personnel and the way in which our people conduct themselves represent the Company’s main resource.

During the year, as in prior year, training and professional development activities slowed down considerably because of the pandemic which made it possible to conduct classroom based activities for much of the year. Nonetheless, a sum

equal to 0.83% of personnel costs was still invested in training and professional development.

This confirms the special attention that has always been paid to the professional development of all employees as we believe it is essential to the continued success and development of the Company.

At 31 December 2021, the headcount stood at 414 employees (including 8 employees currently seconded to foreign subsidiaries and associated companies whose contracts have been suspended). This represents a 22 employee decrease on prior year. The decrease in the total headcount is due to reductions in the number of senior managers (-4) and white collar employees (1-8) while the number of blue collar workers remains unchanged.

Due to the type of business conducted, the risk of accidents, including potentially fatal accidents, is high. For this reason, the Company 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 and 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 Company's business activities are those typical of enterprises that operate in the plant engineering and shipbuilding.

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. The "Business outlook" paragraph and the "Significant events after the reporting date" section of the Notes also contain comments on the Company's exposure to direct and indirect risks potentially deriving from the conflict that has recently broken out between Russia and Ukraine.

Activities relating to Legislative Decree 231/11 on administrative responsibility

For 2021, the Supervisory Board has duly issued 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 worthy of note.

Information on the environment and on risks regarding climate change

The Company 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 dealt 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 Company has been certified compliant with international standard ISO14001 for many years.

For some years, the Company has made a major effort to develop and spread a Culture of Sustainability with particular attention paid 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 in October 2018. This was followed by a series of initiatives designed to encourage the spread of a culture of sustainability among all Company employees.

Transactions in treasury shares

No transactions in treasury shares were carried out during the year. Therefore, the number of treasury shares owned by the Company remained unchanged at 200,000 shares with a nominal value of Euro 1.00 each i.e. 5.0% of share capital.

Intra-Group relations

As you are aware, the Company heads an industrial group including many companies, some of which (Fores Engineering S.r.l., Rosetti Marino UK, Rosetti Kazakhstan Llp, KCOI Llp, Rosetti Libya Jsc, Rosetti SuperYachts S.p.A., Tecon S.r.l., Rosetti Marino Project Ooo and GM Green Methane Srl) are under the direct control and coordination of the Company.

The Group companies enter into industrial, commercial and financial transactions (exchanges of services, technical, commercial and administrative assistance plus the purchase and sale of materials, the rental of ships, short-term loans, etc.) between themselves. These transactions take place on an arm's length basis at normal market conditions.

The following table contains details of the income statement transactions (expressed in thousands of Euro) that took place in 2021 with subsidiaries, associated companies, parent companies and companies controlled by parent companies:

Description	Value of production	Cost of production	Dividends	Financial income
Parent Company:				
Rosfin Spa	10	0	0	0
Subsidiaries:				
Fores Engineering Srl	198	2,311	0	6
GM Green Methane Srl	123	0	0	0
Rosetti Kazakhstan Llp	42	17	0	0
Rosetti Marino UK Ltd	1,140	9,360	0	0
Tecon Srl	116	1,598	0	0
Rosetti Marino Project Ooo	10,910	0	0	3

Rosetti Superyachts Spa	7,069	0	0	0
KCOI Llp	648	71	0	113
<u>Associated Companies:</u>				
Rigos Srl	0	0	0	5
Rosetti Congo Sarl	0	0	0	0
Rosetti Ali & Sons Ltd	90	0	0	0
Rosetti Pivot Ltd	246	47	0	34

The following table contains details of the financial relations (expressed in thousands of Euro) that took place in 2021 with subsidiaries, associated companies, parent companies and companies controlled by parent companies:

Description	Financial receivables	Trade receivables	Financial payables	Trade payables
<u>Parent Company:</u>				
Rosfin Spa	12	0	0	0
<u>Subsidiaries:</u>				
Fores Engineering Srl	2,000	115	0	2,121
GM Green Methane Srl	966	88	0	0
Rosetti Kazakhstan Llp	0	13	0	0
Rosetti Marino UK Ltd	0	164	0	1,945
Tecon Srl	0	0	0	1,194
Rosetti Superyachts Spa	0	77	0	11
Rosetti Marino Project Ooo	80	9,062	0	0
Rosetti Libya Jsc	0	0	281	0
KCOI Llp	7,500	201	0	0
<u>Associated Companies:</u>				
Rigos Spa	1,550	5	0	0
Rosetti Ali & Sons Ltd	0	201	0	0
Rosetti Congo Sarl	0	0	0	62
Basis Pivot Ltd	0	0	21	0
Rosetti Pivot Ltd	397	2,759	0	0

Research and development

In 2021, the Company carried out research and development activities and focused its efforts mainly on projects considered particularly innovative and which demanded a major commitment of resources, primarily from our Business Development and Ship Technology and Development departments.

In 2021, we incurred R&D costs totalling Euro 594 thousand.

These activities have regarded the following projects, in particular:

- acquiring new knowledge and technical skills by conducting feasibility studies and theoretical/applied analysis for the experimental development of chemistry/physics/engineering solutions to transform a fossil fuel (methane) into a clean fuel (blue hydrogen) while optimising energy and water consumption and layout.
- acquiring new knowledge and technical capabilities by conducting feasibility studies on conceptual definition, design and scale-up and/or constructive methodologies in relation to innovative new concept foundation structures for floating marine wind turbines also able to operate in adverse wind and sea conditions, as well as related energy conversion sub-stations.
- acquisition of new knowledge and technical capabilities through preliminary analysis and feasibility studies with a view to the development of innovative wave power generation solutions.
- acquiring new knowledge and technical skills through conceptual studies, theoretical feasibility reviews and pre-design work on innovative solutions for the reduction of CO2 emissions or for the capture, reutilisation and

transformation of CO₂ into synthetic fuel, as follows:

- study of valid, scalable, replicable solutions for the conversion of existing offshore infrastructures and renewable energy technologies to reduce CO₂ emissions;
 - development of solutions for the reutilisation and/or transformation of CO₂ into synthetic fuel (electrified green methanol, subject to patent application);
 - acquisition of new knowledge and technical skills for the development of innovative methods of CO₂ absorption, using ionic liquids, for possible transformation into synthetic fuel;
 - development of methods of capturing and utilising CO₂ in olivine ore, a magnesium and calcium silicate, for use in the ceramics or construction sector;
 - development of innovative solutions for the disposal of mud and sand build ups for the constant maintenance of the seabed near keys with zero emissions (CO₂, NO_x, SO_x).
- acquisition of new knowledge and technical skills through feasibility studies, technical investigations and preliminary design for the experimental and pre-competitive development of innovative vessels powered by lithium batteries and hydrogen fuel cells i.e. zero emissions.

We are confident that the successful outcome of these innovations will produce have a positive impact on the Company's future performance.

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

Other business locations

In addition to the headquarters in Via Trieste, Ravenna (site of the Company offices and pre-fabrication workshops), the Company's activities have taken place at the following locations:

- Piomboni Yard (Marina di Ravenna): assembly of structures for the Energy Business Unit;
- San Vitale Yard (port of Ravenna): Shipbuilding activities;
- Milan Offices: engineering design of Energy sector projects;
- Poland Branch: currently dormant;
- Libya Branch: currently dormant;
- Abu Dhabi Branch: currently dormant;
- Algeria Branch: currently dormant;
- Qatar Branch: construction of an accommodation module and revamping of an existing platform.
- Kazakhstan Branch: currently dormant.

BUSINESS OUTLOOK

At 31.12.2021, the order backlog for contracts acquired but not yet completed amounted to around Euro 266 million. This has increased thanks to new orders of Euro 75 million acquired in the first few months of 2022 taking the current order backlog to Euro 341 million.

In terms of market trends and the main commercial and operational issues in the sectors in which the Company operates, we highlight the following:

Energy Business Unit

The order backlog for this business unit stands at Euro 305 million, including Euro 255 million in the Oil & Gas Platform segment, Euro 10 million in the Wind segment and Euro 40 million in the Brown Field segment.

We must highlight the fact that the most significant project in progress in the platforms business is destined for the Baltic Sea in Russia (Kaliningrad Offshore). Despite the many, severe sanctions that have been imposed on Russia as a result of the conflict in Ukraine, Senior Management highlights a number of strong reasons for calm. Above all, cash flow from the contract is highly positive in the Company's favour. Second, the client – the most important private sector Oil Company in the Russian Federation – has shown itself very keen to complete the project not only by continuing to fulfil its contractual obligations but, also, by advancing several important payments (at present, all receivables from the Russian client have been collected and there were no problems with the transfer of the amounts in question to Italy). Third, the contract currency is the Euro and the Company is not exposed to any risks regarding the weakening of the Rouble. Moreover, the platform jacket – the first item to be delivered as part of the project – is currently under construction in Kaliningrad, all of the materials are already on site and construction work is proceeding to plan. Finally, we note that the Company is monitoring the potential impact of sanctions on work on the contract on the Russian market. This is being performed with the support of analysis by law firms and professional associations and no serious issues have been identified to date.

Given the above, it is clear that the Company will do everything possible to complete the project and meet client expectations, for as long as the contract cash situation remains positive and unless there are any legislative impediments that bring work on the project to a hold. We sincerely hope that this tragic conflict will end as soon as possible and with it the dramatic humanitarian, social and economic consequences that it has caused.

That said, it is equally important to state that the conflict in Ukraine has triggered a search – probably irreversible – for other sources of hydrocarbons procurement, instead of Russia, especially on the part of European countries. Since February 2022, this process has led to a rapid acceleration in the launch of projects that had been on hold for years and which now have ideal economic and geopolitical conditions. In more detail, in addition to the new contract recently acquired for Argentina, the Company is optimistic about winning at least one contract destined for Libya and one destined for Qatar. For this very reason, it has been decided that the platform destined for Argentina will be built at the yard of associated company Rosetti Ali & Sons Llc in Abu Dhabi rather than in Ravenna where the yard will be kept available for the Libyan platforms.

Another consequence of the strong, recent market recovery has been the high level of demand for Technical Services from Oil Companies to the Company in order to accelerate the start of projects. It is worth recalling that projects of this type involve low economic volumes. However, they are risk-free, generate high margins and do not require requests for any bank guarantees. This makes them of great interest to Rosetti Marino. A sharp increase in volumes for this type of activity is expected in the second half of 2022.

Finally, it should be noted that, from 2022 onwards, the Group is expected to show a major increase in the volume of work in the Offshore Wind sector and in the production of Biomethane plants thanks to orders acquired through subsidiary GM Green Methane.

Shipbuilding Business Unit

The order backlog of the Shipbuilding Business Unit amounts to around Euro 36 million, including Euro 10 million in the Tugboats sector, Euro 27 million in the Superyachts sector and Euro 1 million in the Repair & Refit sector.

In terms of shipbuilding, the Company has decided to concentrate on superyachts – as a result of orders taken by subsidiary RSY - and on Refit & Repair.

The orders recently taken by RSY and ongoing negotiations for new contracts make it reasonable to expect a healthy volume of work and increasing profitability going forward. This represents a return on the investment made in recent years in order to break into this business. For now, the Company is concentrating on replicas and variants of the RSY 38m EXPLORER but, from 2023 onwards, it will look at new, larger yachts.

The characteristics of the Repair & Refit sector are similar to those described for Energy BU Technical Service projects. Volumes are expected to increase thanks to the Company's entry into the superyacht business and to new opportunities for the towing of vessels with the new Carrier barge.

In conclusion, based on the analysis performed and described above, it is reasonable to believe that the Company will enjoy the effects of the market recovery and, from the second half of 2022, this will also be translated into a recovery in profitability. Therefore, in light of the current order backlog and the much improved market outlook (which led the Company Board of Directors to update the Business Plan 2022-2024, improving the results forecast), we believe that in 2022 the Company will already manage to return to profit with significantly improved results following in the two years thereafter.

Dear Shareholders,

The activities carried out by the Company in 2021 have produced a net loss of Euro 47,281,123.80.

As there is no need to reschedule losses as long as existing equity reserves exceed the losses, we propose to the General Meeting to take the net loss for the year of Euro 47,281,123.80 to accumulated losses.

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

Ravenna, 31/03/2022

For the Board of Directors
The Chief Executive Officer
Oscar Guerra

2. FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021:

- *Balance Sheet*
- *Income Statement*
- *Notes to the Financial Statements*

Balance Sheet

	31-12-2021	31-12-2020
Balance Sheet		
Assets		
B) Non-current assets		
I – Intangible assets		
4) concessions, licences, trademarks and similar rights	342,372	354,385
7) other	970,166	1,265,843
Total intangible assets	1,312,538	1,620,228
II – Tangible assets		
1) land and buildings	75,489,600	76,506,590
2) plant and machinery	1,660,687	2,480,276
3) industrial and commercial equipment	183,248	227,826
4) other tangible assets	3,093,777	2,101,027
5) assets under construction and payments on account	330,501	264,603
Total tangible assets	80,757,813	81,580,322
III – Financial assets		
1) investments in		
a) subsidiaries	15,373,365	14,466,375
b) associated companies	7,807,820	8,142,031
d-bis) other entities	149,676	148,272
Total investments	23,330,861	22,756,678
2) receivables		
a) from subsidiaries		
due after more than a year	7,580,000	7,580,000
Total receivables from subsidiaries	7,580,000	7,580,000
b) due from associated companies		
due within a year	396,635	366,089
due after more than a year	1,550,000	1,550,000
Total receivables from associated companies	1,946,635	1,916,089
d-bis) from others		
due within a year	47,438	47,438
due after more than a year	737,600	785,035
Total receivables from others	785,038	832,473
Total receivables	10,311,673	10,328,562
Total financial assets	33,642,534	33,085,240

Total non-current assets (B)	115,712,885	116,285,790
C) Current assets		
I – Inventory		
1) raw, ancillary and consumable materials	129,560	125,456
3) contract work in progress	23,239,892	36,071,514
5) payments on account	2,719,630	4,623,433
Total inventory	26,089,082	40,820,403
II - Receivables		
1) due from clients (trade)		
due within a year	26,121,571	27,977,012
Total receivables from clients (trade)	26,121,571	27,977,012
2) due from subsidiaries		
due within a year	12,685,215	3,619,919
Total receivables from subsidiaries	12,685,215	3,619,919
3) due from associated companies		
due within a year	2,964,163	2,808,009
Total receivables from associated companies	2,964,163	2,808,009
4) due from parent companies		
due within a year	12,200	12,200
Total receivables from parent companies	12,200	12,200
5) due from entities controlled by parent companies		
Total receivables from entities controlled by parent companies	0	0
5-bis) tax receivables		
due within a year	2,393,260	5,745,771
due after more than a year	1,701,468	0
Total tax receivables	4,094,728	5,745,771
5-ter) deferred tax assets	22,846,900	15,232,983
5-quater) receivables from others		
due within a year	1,405,992	1,267,340
due after more than a year	156,450	29,882
Total receivables from others	1,562,442	1,297,222
Total receivables	70,287,219	56,693,116
III – Current financial assets		
5) derivatives – assets	478,564	1,825,290
6) other securities	37,891,878	67,268,891
Total current financial assets	38,370,442	69,094,181

IV – Cash and cash equivalents

1) bank and post office accounts	38,628,060	7,139,704
3) cash and cash equivalents on hand	26,710	32,558
Total cash and cash equivalents	38,654,770	7,172,262
Total current assets (C)	173,401,513	173,779,962
D) Prepaid expenses and accrued income	767,146	461,187
Total assets	289,881,544	290,526,939

Liabilities and shareholders' equity

A) Shareholders' equity

I – Share capital	4,000,000	4,000,000
III – Revaluation reserves	59,323,923	59,323,923
IV – Legal reserve	800,000	800,000
VI – Other reserves, disclosed separately		
Extraordinary reserve	122,726,445	122,702,367
Sundry other reserves	2,462,161	2,486,234
Total other reserves	125,188,606	125,188,601
VII – Cash flow hedge reserve	(196,227)	(371,013)
VIII – Retained earnings (Accumulated losses)	(24,526,603)	0
IX – Profit (Loss) for the year	(47,281,124)	(24,526,603)
X – Negative reserve for treasury shares held	(5,100,000)	(5,100,000)
Total shareholders' equity	112,208,575	159,314,908

B) Provisions for risks and charges

2) taxation, including deferred tax	6,601,948	6,576,979
3) derivatives – liabilities	196,227	388,019
4) other	496,093	370,835

Total provisions for risks and charges	7,294,268	7,335,833
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C) Employee severance indemnity / "TFR" provision

2,783,309	3,025,782
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D) Payables

4) bank borrowing

due within a year	18,913,662	23,297,357
due after more than a year	63,951,710	34,571,175
Total bank borrowing	82,865,372	57,868,532

6) payments on account

due within a year	40,393,093	15,857,215
Total payments on account	40,393,093	15,857,215

7) due to suppliers (trade)

due within a year	31,683,341	32,041,335
Total payables to suppliers (trade)	31,683,341	32,041,335
9) due to subsidiaries		
due within a year	5,552,399	5,502,515
Total payables to subsidiaries	5,552,399	5,502,515
10) due to associated companies		
due within a year	82,182	20,632
Total payables to associated companies	82,182	20,632
12) tax payables		
due within a year	1,568,982	2,416,679
Total tax payables	1,568,982	2,416,679
13) due to social security and pensions institutions		
due within a year	1,726,933	1,637,987
Total payables to social security and pensions institutions	1,726,933	1,637,987
14) other payables		
due within a year	3,697,826	5,430,157
Total other payables	3,697,826	5,430,157
Total payables	167,570,128	120,775,052
E) Accrued expenses and deferred income	25,264	75,364
Total liabilities and shareholders' equity	289,881,544	290,526,939

Income Statement

	31-12-2021	31-12-2020
Income Statement		
A) Value of production		
1) revenue from sales and services	130,381,982	144,415,832
3) change in contract work-in-progress	(12,831,622)	1,286,655
4) increase in non-current assets due to own work capitalised	5,461	3,524
5) other revenue and income		
operating grant income	585,691	1,568,793
other	4,712,410	2,262,270
Total other revenue and income	5,298,101	3,831,063
Total value of production	122,853,922	149,537,074
B) Cost of production		
6) raw, ancillary and consumable materials and goods	37,298,637	42,076,258
7) services	99,044,848	102,292,999
8) leases and rentals	4,261,199	7,097,304
9) personnel		
a) wages and salaries	23,773,672	23,189,649
b) social contributions	6,494,599	6,446,522
c) employee severance indemnity / "TFR"	1,706,435	1,688,289
d) retirement benefits and similar obligations	226,202	(118,913)
e) other personnel costs	77,287	74,416
Total personnel costs	32,278,195	31,279,963
10) depreciation, amortisation and writedowns		
a) amortisation of intangible assets	362,808	392,864
b) depreciation of tangible assets	2,328,324	1,934,662
d) writedowns of current receivables and cash and cash equivalents	202,421	577,024
Total depreciation, amortisation and writedowns	2,893,553	2,904,550
11) change in inventory of raw, ancillary and consumable materials and goods for resale	(4,104)	(19,778)
12) provisions for risks	125,258	35,491
14) other operating expenses	1,500,986	268,364
Total cost of production	177,398,572	185,935,151
Difference between value and cost of production (A - B)	(54,544,650)	(36,398,077)
C) Financial income and expenses		
15) income from investments		
from subsidiaries	725,000	4,302,558
other	621	680

Total income from investments	725,621	4,303,238
16) other financial income		
c) from current securities other than equity investments	1,084,174	1,378,384
d) income other than the above		
from subsidiaries	125,193	184,984
from associated companies	68,589	94,096
other	6,210	30,185
Total income other than the above	199,992	309,265
Total other financial income	1,284,166	1,687,649
17) interest and other financial expenses		
other	1,212,203	1,643,189
Total interest and other financial expenses	1,212,203	1,643,189
17-bis) exchange gains and losses	184,112	1,044,503
Total financial income and expenses (15 + 16 - 17 + - 17-bis)	981,696	5,392,201
D) Adjustments to value of financial assets and liabilities		
18) revaluations		
a) of equity investments	1,533	0
c) of current securities other than equity investments	57,336	56,400
d) of derivatives	96,978	4,472
Total revaluations	155,847	60,872
19) writedowns		
a) of equity investments	1,406,604	497,918
c) of current securities other than equity investments	17,265	186,259
d) of derivatives	72,773	198,859
Total writedowns	1,496,642	883,036
Total adjustments to value of financial assets and liabilities (18 - 19)	(1,340,795)	(822,164)
Profit (Loss) before taxation (A - B + - C + - D)	(54,903,749)	(31,828,040)
20) Taxes on income – current, deferred and deferred tax income		
current taxes	333,032	1,217,035
prior year taxes	(336,149)	17,628
deferred tax (income)	(7,619,508)	(8,536,100)
Total taxes on income – current, deferred and deferred tax income	(7,622,625)	(7,301,437)
21) Profit (Loss) for the year	(47,281,124)	(24,526,603)

Statement of cash flows, indirect method

	31-12-2021	31-12-2020
Statement of cash flows, indirect method		
A) Cash flows from operating activities (indirect method)		
Profit (Loss) for the year	(47,281,124)	(24,526,603)
Taxes on income	(7,622,625)	(7,301,437)
Interest expense/(income)	(104,025)	(651,966)
(Dividends)	(725,756)	(4,300,709)
(Gains)/Losses from disposal of assets	1,120,252	606,625
1) Profit (loss) for the year before taxes on income, interest and gains/losses on disposals	(54,613,278)	(36,174,090)
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	2,127,004	2,447,109
Depreciation/Amortisation of non-current assets	2,691,132	2,327,526
Impairment adjustments	1,406,604	1,002,688
Adjustments to value of financial assets and liabilities (derivatives) not involving cash flows	174,787	393,401
Other increases/(decreases) due to non-cash items i	6,091,351	11,394,906
Total adjustments for non-cash items with no impact on net working capital	12,490,878	17,565,630
2) Cash flows before changes in net working capital	(42,122,400)	(18,608,460)
Change in net working capital		
Decrease/(Increase) in inventory	14,686,322	3,051,289
Decrease/(Increase) in trade receivables	(6,670,998)	19,809,126
Increase/(Decrease) in trade payables	(246,769)	(20,090,541)
Decrease/(Increase) in prepaid expenses and accrued income	(305,958)	(27,574)
Increase/(Decrease) in accrued expenses and deferred income	(50,099)	(310,048)
Other decreases/(Other increases) in net working capital	15,071,032	(28,339,377)
Total changes in net working capital	22,483,530	(25,907,125)
3) Cash flows after changes in net working capital	(19,638,870)	(44,515,585)
Other adjustments		
Interest received /(paid)	104,025	651,966
(Taxes on income paid)	0	0
Dividends received	725,756	4,300,709
(Use of provisions)	(2,295,054)	(3,820,798)
Other receipts/(payments)	0	0
Total other adjustments	(1,465,273)	1,131,877
Cash flows from operating activities (A)	(21,104,143)	(43,383,708)
B) Cash flows from investing activities		
Tangible assets		
(Investments)	(3,071,073)	(767,952)
Disposals	385,870	64
Intangible assets		

(Investments)	(55,118)	(703,188)
Disposals	0	0
Non-current financial assets		
(Investments)	(500,012)	(24,785)
Disposals	0	5,674,126
Current financial assets		
(Investments)	(6,916,226)	(6,673,325)
Disposals	37,746,370	5,970,983
(Acquisition of businesses net of cash and cash equivalents)	0	0
Disposal of businesses net of cash and cash equivalents	0	0
Cash flows from investing activities (B)	27,589,811	3,475,923
C) Cash flows from financing activities		
Debt		
Increase/(Decrease) in short-term bank borrowing	78	0
Loans arranged	60,980,000	23,625,000
(Loans repaid)	(35,983,238)	(31,918,160)
Equity		
Paid share capital increases	0	0
(Reimbursement of capital)	0	0
Sale/(Purchase) of treasury shares	0	0
(Dividends and advances on dividends paid)	0	(1,900,000)
Cash flows from financing activities (C)	24,996,840	(10,193,160)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	31,482,508	(50,100,945)
Opening cash and cash equivalents		
Bank and post office accounts	7,139,704	57,234,645
Cheques	0	0
Cash and cash equivalents on hand	32,558	38,563
Total opening cash and cash equivalents	7,172,262	57,273,208
Of which not freely available for use	0	0
Closing cash and cash equivalents		
Bank and post office accounts	38,628,060	7,139,704
Cheques	0	0
Cash and cash equivalents on hand	26,710	32,558
Total closing cash and cash equivalents	38,654,770	7,172,262
Of which not freely available for use	0	0

Notes to the Financial Statements as at 31-12-2021

Notes to the Financial Statements, opening section

Basis of preparation

The financial statements comprise the balance sheet, the income statement, the statement of cash flows (prepared in the formats required, respectively, by Articles 2424, 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) 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. The statement of cash flows has been prepared based on the indirect method in compliance with Italian Accounting Standard OIC 10.

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) and by the standards issued by the International Accounting Board (IASB), insofar as the latter are consistent with Italian law.

The financial statements have been prepared on a going concern basis. When reaching their conclusion that this was the correct approach, the Directors took account of uncertainty regarding the current economic environment in light of the conflict between Russia and Ukraine (with particular reference to the possible consequences for the only contract in progress for an end client in Russia, a contract with a highly positive treasury situation), the 2022 Budget approved by the Company Board of Directors on 28.01.2022, the Group Business Plan 2022-2024 updated by the Board of Directors on 31.03.2022 and the liquid financial assets reported in the financial statements at 31 December 2021, as set out below. When reaching their conclusions, the Directors also took account of oil price increases which directly lead to a recovery in investment/capex by the major oil companies. The major orders acquired in 2021 and reflected in the Budget and Business Plan are evidence of this, as are the negotiations currently in progress for the award of major contracts, especially in the Energy sector.

The items reported in the financial statements were measured based on the prudence and accruals principles. 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.

Amounts are stated in Euro, unless otherwise specified.

Accounting policies

The most significant accounting policies applied when preparing the financial statements at 31 December 2021 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 costs are expensed in their entirety during the year in which they are incurred.

Tangible assets

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

Cost includes related expenses and direct and indirect costs to the extent reasonably attributable to the asset. Tangible assets are systematically depreciated each year on a straight-line basis using rates of depreciation determined in relation to the residual useful lives of the assets.

During the previous reporting period, in a departure from the accounting policy described above, for some assets, the Company suspended the allocation to the income statement of some 25% of the full depreciation charge, representing the period of around three months during which production activities were suspended because of the Covid-19 pandemic; this was done pursuant to Article 60(7-ii) to (7-v) of the Decree Law. The suspension also involved the creation of an equity reserve of the same amount that will remain non-distributable until the various assets affected have been depreciated in full.

Tangible assets are written down when impaired, irrespective of previously recognised depreciation charges. If the grounds for an impairment loss cease to apply in later years, the original amount is restored, as adjusted for depreciation only.

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

Assets held under finance leases are accounted for in accordance with Italian GAAP which requires lease instalments to be recognised as period costs with advance payments treated as prepaid expenses and the asset recorded in the balance sheet in the year when the final purchase option is exercised.

Equity investments and securities (classified as non-current assets)

Assets held under finance leases are accounted for in accordance with Italian GAAP which requires lease instalments to be recognised as period costs with advance payments treated as prepaid expenses and the asset recorded in the balance sheet in the year when the final purchase option is exercised.

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 adjustment cease to apply.

Inventory

Raw materials

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

Contract work-in-progress and revenue recognition

Contract work in progress with a duration of less than one year is measured at specific construction cost.

Contract work in progress spanning more than one year is measured at the reporting date on the basis of the consideration accruing with reasonable certainty (the percentage completion method). Consideration accruing is calculated by applying the completion percentage determined using the cost-to-cost method to estimated total revenues. It is reported under contract work in progress net of consideration recorded under revenues as it has been definitively earned following recognition by the client as consideration for the value of the work performed. This percentage is calculated as the ratio of costs incurred as at 31 December 2021 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.

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 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, in accordance with the accrual basis of accounting.

Provisions for risks and charges

Provisions for risks and charges 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.

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.

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 a 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.

Employee severance indemnity / “TFR” 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 each year in accordance with Article 2120 of the Italian Civil Code.

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.

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

Revenues and costs 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.

Grants towards capital expenditure and operating costs

Grants towards capital expenditure and operating expenses are recognised in the period when the right to receive them becomes certain.

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.

Deferred tax assets and liabilities are calculated on temporary differences between the value of assets and liabilities for statutory reporting purposes and the corresponding amounts for tax purposes. They are measured taking account of the tax rate the Company is expected to incur in the year in which such differences will form a part of taxable income, considering rates in force or already announced at the reporting date. They are recorded, respectively, under “deferred tax provision” on the Liabilities side under 4 ter) of provisions for risks and charges and under “Deferred tax assets”. Deferred tax assets are recognised for all deductible temporary differences in compliance with the prudence principle if it is reasonably certain that, in the years they will reverse, there will be taxable income of not less than the differences arising. Meanwhile, deferred tax liabilities are recognised in relation to all taxable temporary differences.

With effect from 2017, the Company 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.). Rosetti Marino S.p.A. 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.

Comparability of information

In order to ensure proper comparability (Article 2423(5) of the Italian Civil Code), prior year balance sheet and income statement information has been restated for the reclassification from "Investments in associated companies" to "Investments in subsidiaries" of company Kazakhstan Caspian Offshore Industries Llp, in consideration of the fact that Rosetti Marino SpA already held control of that company as at 31 December 2020.

Preparation of consolidated financial statements

As it holds significant controlling investments, as defined by Article 2359 of the Italian Civil Code, the Company is obliged to prepare consolidated financial statements at 31 December 2021, in accordance with Legislative Decree 127/91. The Company has prepared such financial statements by the deadline required by Article 46(4) of the said Decree. They supplement these financial statements and are contained in a separate document.

Notes to the financial statements, assets

Non-current assets

Intangible assets

Intangible assets amount to Euro 1,313 thousand (Euro 1,620 thousand at 31.12.2020) and are analysed as follows:

- “Concessions, licences, trademarks and similar rights”, amounting to Euro 342 thousand, includes the net carrying amount of the consideration paid to acquire rights, expiring in 2050, on land adjacent to the Piomboni Yard;
- “Other intangible assets” includes leasehold improvements of Euro 944 thousand (Euro 1,173 thousand at 31.12.2020) and software of Euro 26 thousand (Euro 93 thousand at 31.12.2020).

Although the Company reports a significant loss for 2021, we do not believe the loss constitutes an indicator of impairment of intangible assets as it was caused entirely by the extraordinary circumstances triggered by the Covid-19 pandemic and by the failure to acquire new orders in prior year because of a temporary slump in oil prices and is not structural in nature. These conclusions are confirmed by the Group Business Plan for 2022-2024, as updated by the Company Board of Directors on 31.03.2022

Movements on intangible assets

Details of intangible assets and movements thereon are provided in the table below:

	Concessions, licences, trademarks and similar rights	Intangible assets in progress and payments on account	Other intangible assets	Total intangible assets
Opening amount				
Cost	600,832	-	2,553,753	3,154,585
Amortisation (Accum. amortisation)	(246,447)	-	(1,287,910)	(1,534,357)
Net carrying amount	354,385	0	1,265,843	1,620,228
Changed during period				
Increases due to additions	-	-	55,118	55,118
Amortisation for the period	12,013	-	350,795	362,808
Total changes	(12,013)	-	(295,677)	(307,690)
Closing amount				
Cost	600,832	-	2,608,871	3,209,703
Amortisation (Accum. amortisation)	(258,460)	-	(1,638,705)	(1,897,165)
Net carrying amount	342,372	-	970,166	1,312,538

Concessions, licences, trademarks and similar rights

This caption has decreased by Euro 12 thousand due to amortisation charged over the period of the land rights concession.

Other intangible assets

The increase in this caption includes Euro 14 thousand due to the purchase and implementation of management software used in the various business processes and Euro 41 thousand of leasehold improvements.

The increase in leasehold improvements refers to work carried out on the dry dock at the S. Vitale yard.

Decreases totalling Euro 351 thousand regard 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 for capex in that area;
- over the residual period of the lease agreement for leasehold improvements to the Milan offices.

Tangible assets

Tangible assets amount to Euro 80,758 thousand (Euro 81,580 thousand at 31.12.2020). The caption includes fixed assets forming part of the Company's permanent organisation. The long-term nature of the assets refers to their use rather than their inherent characteristics. Such assets are normally deployed for income generating purposes as part of ordinary activities and are not destined for sale or for transformation into products sold by the Company.

In the previous reporting period, the Company exercised the possibility offered by Article 110 of Decree Law no. 104/2020, the "August Decree", as converted by Law 126/2020 published in S.O. no. 37/L of Official Gazette no 253 of 13.10.2020 and, based on the fair value determined by an independent appraiser, revalued certain land owned by it at the three production sites (head office in via Trieste, Piomboni Yard and S. Vitale Yard) by a total of Euro 28,896 thousand. Part of the revaluation (Euro 6,109 thousand) was performed for statutory reporting and tax purposes in relation to land not the subject of a previous revaluation in 2008/2009 while the remainder (Euro 22,787 thousand) was performed for statutory reporting purposes only for all of the land relating to the Piomboni and S.Vitale Yards.

In the previous reporting period, as a result of the shutdown of production activities for around three months to combat the spread of the Covid pandemic, for most of its tangible assets, the Company opted to suspend the allocation to the income statement of a portion of depreciation (25%, in proportion to the duration of the production shutdown) in terms of Art. 60 (7-ii) to (7-v) of Decree Law 104/2020. This suspension involved the creation of an equity reserve of the same amount that will remain non-distributable until the various assets affected have been depreciated in full.

In 2021, ordinary depreciation, as shown in the relevant table, has been calculated at rates felt to represent the remaining useful lives of the tangible assets.

The depreciation rates applied were as follows:

Buildings:

- Buildings 3.00%
- Lightweight constructions 10.00%

Plant and machinery:

- General and specific plant 10.00%
- Water treatment plant 15.00%
- Machinery 15.50%
- Industrial and commercial equipment 25.00%

Other tangible assets:

- Office furniture and fittings 12.00%
- Electronic office equipment 20.00%
- Commercial vehicles 20%
- Automobiles 25.00%
- Barges 9.00%

Some categories of tangible assets include revaluations performed in prior years and in the current year under Laws 576/1975, 72/1983, 413/1991, 266/2005, 2/2009 and 126/2020.

Although the Company reports a significant loss for 2021, we do not believe the loss constitutes an indicator of impairment of the tangible assets as it was caused entirely by the extraordinary circumstances triggered by the pandemic and by the failure to acquire new orders in prior year because of the temporary slump in the price of oil; the loss is not structural in nature. These conclusions are confirmed by the Group Business Plan for 2022-2024, as updated by the Company Board of Directors on 31.03.2022.

Movements on tangible assets

Details of tangible assets and movements thereon during the year are shown in the following table:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets under construction and pavements on a/c	Total tangible assets
Opening amount						
Cost	41,700,753	20,858,282	3,115,348	5,169,584	264,603	71,108,570
Revaluations	63,745,498	1,309,412	-	-	-	65,054,910
Depreciation (Accum. depreciation)	(28,939,661)	(19,687,418)	(2,887,522)	(3,068,557)	-	(54,583,158)
Writedowns	-	-	-	-	-	0
Net carrying amount	76,506,590	2,480,276	227,826	2,101,027	264,603	81,580,322

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets under construction and pavements on a/c	Total tangible assets
Changes during year						
Increases due to additions	20,781	91,590	61,346	2,831,458	65,898	3,071,073
Reclassifications (of net carrying amount)	-	-	-	-	-	0
Decreases due to disposals (of net carrying amount)	-	57,648	3,718	1,815,984	-	1,877,350
Revaluations performed during year	-	-	-	-	-	0
Depreciation for year	1,037,771	911,179	105,924	273,450	-	2,328,324
Writedowns made during year	-	-	-	-	-	0
Other changes	-	57,648	3,718	250,726	-	312,092
Total changes	(1,016,990)	(819,589)	(44,578)	992,750	65,898	(822,509)
Closing amount						
Cost	41,721,534	20,895,116	3,172,976	6,185,058	330,501	72,305,185
Revaluations	63,745,498	1,306,520	-	-	-	65,052,018
Depreciation (Accum. depreciation)	(29,977,432)	(20,540,949)	(2,989,728)	(3,091,281)	-	(56,599,390)
Writedowns	-	-	-	-	-	0
Net carrying amount	75,489,600	1,660,687	183,248	3,093,777	330,501	80,757,813

The main increases for the year regarded:

- Land and buildings: improvements to existing buildings at the S. Vitale Yard (Euro 8 thousand) and at the Piomboni Yard (Euro 13 thousand);
- Plant and machinery: realisation of a mobile lighting system (Euro 67 thousand), purchase of two portable power panels – three-phase autotransformers (Euro 3 thousand) and two continuous power supplies (Euro 7 thousand) for the S. Vitale Yard, purchase of a turntable positioner for headquarters (Euro 14 thousand);
- Industrial equipment: purchase of industrial extension cables (Euro 18 thousand) and realisation of rubber protectors for the wharf (Euro 12 thousand) at the S. Vitale Yard, purchase of scaffolding (Euro 7 thousand) and installation of new air conditioning systems for the offices (Euro 5 thousand) at the Piomboni Yard;
- Other tangible assets: purchase of a new barge called AMT Carrier and extraordinary maintenance work thereon (Euro 2,814 thousand);
- Assets under construction: work not yet completed on the installation of a winch for towing and mooring on the AMT Carrier barge (Euro 66 thousand).

Decreases mainly relate to the depreciation charge for the year, to the sale of the old AMT Mariner barge and, to a minor extent, to the sale of other plant, machinery and industrial equipment.

Financial fixed assets

As at 31 December 2021, the Company has financial fixed assets totalling Euro 33,643 thousand (Euro 33,085 thousand at 31.12.2020).

This item includes investments in subsidiaries of Euro 15,373 thousand (Euro 14,466 thousand at 31.12.2020), investments in associated companies of Euro 7,808 thousand (Euro 8,142 thousand at 31.12.2020), investments in other entities of Euro 150 thousand (Euro 148 thousand at 31.12.2020) and non-current financial receivables of Euro 10,312 thousand (Euro 10,329 thousand at 31.12.2020).

Non-current receivables mainly include four medium term loans granted to subsidiaries Rosetti Marino Project Ooo (Euro 80 thousand) and Kazakhstan Caspian Offshore Industries Llp (Euro 7,500 thousand) and to associated companies Rigros S.r.l (Euro 1,550 thousand) and Rosetti Pivot Ltd (Euro 397 thousand).

The loan to subsidiary Rosetti Marino Projekt Ooo was disbursed in 2019 and is intended to cover the initial costs incurred by that company.

The loan to subsidiary Kazakhstan Caspian Offshore Industries Llp represents the outstanding amount of a loan disbursed in several stages from 2009 in order to enable that company it to build and then expand its yard in Kazakhstan.

The loan receivable from associated company Rigros S.r.l. was disbursed in 2017 in order to finance the purchase of a plot of land next to the headquarters of Rosetti Marino S.p.A.

The loan to associated company Rosetti Pivot Ltd represents the outstanding amount of a loan disbursed during in 2018 to cover its start-up operating expenses.

All of the loans are interest bearing on arm's length terms and, after adjustment for impairment, are expected to be recoverable in full given the expected growth of the associated companies as per the Group's business plan for the years 2021-2023.

Financial fixed assets also includes the receivable of Euro 617 thousand from the Ministry of Transport and Infrastructure in relation to grants that will be collected in annual instalments of Euro 47 thousand in future years in relation to project "ROSMANDITEN" (process innovation project in the shipbuilding segment commenced in prior years)

Movements on financial fixed assets, other securities and derivatives

The most significant changes during the year in relation to investments in subsidiaries, associated companies, other entities and securities are shown in the following table:

	Investments in subsidiaries	Investments in associated companies	Investments in other entities	Total Investments
Opening amount				
Cost	20,916,248	8,720,062	228,295	29,864,605
Revaluations	295,502	795,407	10,640	1,101,549
Writedowns	(6,745,375)	(1,373,438)	(90,663)	(8,209,476)
Net carrying amount	14,466,375	8,142,031	148,272	22,756,678
Changes during year				
Increases due to acquisitions	500,012	-	-	500,012
Revaluations performed during year	129	-	1,404	1,533
Writedowns made during year	827,609	578,995	-	1,406,604
Other changes	1,234,458	244,784	-	1,479,242
Total changes	906,990	(334,211)	1,404	574,183
Closing amount				
Cost	22,555,885	8,937,062	228,295	31,721,242
Revaluations	295,631	764,682	12,044	1,072,357
Writedowns	(7,478,151)	(1,893,924)	(90,663)	(9,462,738)
Net carrying amount	15,373,365	7,807,820	149,676	23,330,861

The following changes compared to prior year took place in 2021:

- Payment of Euro 500 thousand to subsidiary Rosetti Superyachts S.p.A. to cover losses maturing and restatement of the carrying amount of the investment at relevant portion of equity by means of an impairment adjustment of Euro 827 thousand;
- Liquidation of subsidiary Rosetti General Contracting Construcões Serviços Lda – based in Madeira – and resulting derecognition of the carrying amount of the investment;
- Alignment of the carrying amount of investment in associated company Rosetti Libya Jsc with the relevant portion of equity by means of an impairment adjustment of Euro 1 thousand;
- Acquisition of the remaining 10% of the share capital of subsidiary Rosetti Marino Project Ooo – based in Odintsovo, Moscow – and subsequent capital injection of Euro 250 thousand;
- Acquisition of 60% of the quota capital of subsidiary Green Methane Srl – based in Ravenna – for Euro 500 thousand and subsequent injection of capital through waive of a financial receivable of Euro 540 thousand.
- Liquidation of subsidiary Rosetti Marino Singapore Pte Ltd – based in Singapore – and resulting derecognition of the carrying amount of the investment;
- Liquidation of associated company Fores do Brasil Sistemas e Equipamentos Industriais Ltda – based in Brazil – and resulting derecognition of the carrying amount of the investment;
- Merger of subsidiary Basis Congo Sarl with associated company Rosetti Congo Sarl;
- Payment of Euro 45 thousand to associated company Rigros Srl to cover losses maturing and restatement of the carrying amount of the investment at relevant portion of equity by means of an impairment adjustment of Euro 22 thousand;
- Injection of capital of Euro 200 thousand into associated company Rosetti Ali e Sons Llc – based in Abu Dhabi – and impairment adjustment of Euro 557 thousand to carrying amount of the investment;
- Restatement of carrying amount of shares in La Cassa di Ravenna SpA at fair value at 31.12.2021 by means of a revaluation of Euro 1 thousand.

Investments in other entities, amounting to Euro 150 thousand (Euro 148 thousand at 31 December 2020), are analysed as follows:

- Cassa di Risparmio di Ravenna Spa - Euro 123 thousand;
- Consorzio CURA – Euro 1 thousand;
- Porto Intermodale di Ravenna – SAPIR – Euro 3 thousand;
- CAAF Industrie - Euro 2 thousand;
- Consorzio Destra Candiano – Euro 1 thousand;
- O.M.C. - Euro 20 thousand.

Changes in and maturity of non-current receivables

The most significant changes during the year are shown in the following table:

	Opening amount	Changes during year	Closing amount	Amount due within a year	Amount due after > 1 year	Of which due after more than 5 years
Non-current receivables from subsidiaries	7,580,000	-	7,580,000	-	7,580,000	-
Non-current receivables from assoc. companies	1,916,089	30,546	1,946,635	396,635	1,550,000	-
Non-current receivables from others	832,473	(47,435)	785,038	47,438	737,600	379,500
Total non-current receivables	10,328,562	(16,889)	10,311,673	444,073	9,867,600	379,500

As previously stated, non-current receivables mainly include medium/long-term loans granted to subsidiaries Rosetti Project Ooo and Kazakhstan Caspian Offshore Industries Llp and to associated companies Rigros S.r.l. and Rosetti Pivot Ltd.

The change in receivables from associated companies is entirely due to the restatement in Euro at the 31.12.2021 exchange rate of the loan granted to Rosetti Pivot Ltd.

The decrease in receivables from others is entirely due to collection of the annual instalment of the grant from the Ministry of Infrastructure and Transport for project "ROSMANDITEN" (process innovation project in the shipbuilding segment commenced in prior years).

Information on non-current investments in subsidiaries

As at 31 December 2021, the Company had investments in subsidiaries totalling Euro 15,373 thousand (Euro 14,466 thousand as at 31.12.2020).

A detailed breakdown of investments in subsidiaries is provided in the following table together with highlights from their 2021 financial statements. Note that the figures for Rosetti Marino Project Ooo refer to its most recent approved financial statements, for the year ended 31 December 2020.

	City, if in Italy, or Country	Tax number (for Italian entities)	Capital in Euro	Profit (Loss) for last year in euro	S/holders' equity in Euro	Interest held in Euro	Interest held in %	Carrying amount or corresponding receivable
Fores Engineering Srl	Forlì	02178650400	1,000,000	(1,908,576)	8,412,160	8,412,160	100.00%	603,308
Rosetti Superyachts Spa	Ravenna	02586850394	1,500,000	(826,944)	1,437,935	1,437,935	100.00%	1,437,935
Rosetti Marino UK Ltd	Scotland		115	92,884	207,943	207,943	100.00%	119
Rosetti Kazakhstan Llp	Kazakhstan		198,161	(586,374)	547,865	493,079	90.00%	178,901
Rosetti Marino Project Ooo	Russia		143	(43,022)	(39,960)	(39,960)	100.00%	250,140
Rosetti Libya Jsc	Libya		622,084	(333)	432,311	281,002	65.00%	281,002
Tecon Srl	Milan	06503230150	46,500	(78,453)	3,121,910	1,873,146	60.00%	1,896,786
Green Methane Srl	Ravenna	04207740277	100,000	(339,919)	390,747	234,448	60.00%	1,040,000
Kazakhstan Caspian Offshore Industries Llp	Kazakhstan		1,159,735	(3.940.501)	21.100.427	9.495.192	45.00%	9.685.172
Total								15,373,363

The subsidiaries operate in the following sectors:

- Fores Engineering S.r.l (which owns 100% of Fores Engineering Algérie which operates in the same segment, plus 10% of Rosetti Kazakhstan Llp): design, construction and maintenance of automation and control systems;
- Tecon Srl: multi-disciplinary design of oil and petrochemical facilities;
- Kazakhstan Caspian Offshore Industries Llp, Rosetti Marino UK Ltd, Rosetti Marino Project Ooo and Rosetti Libya Jsc: construction of offshore and onshore oil facilities;
- Rosetti Superyachts Spa: building of superyachts;
- Rosetti Kazakhstan Llp (which owns 5% of KCOI): supply of technical services;
- Green Methane Srl: construction of biomethane facilities.

Rosetti Libya Jsc is currently dormant.

The excess of the value of the investment in Green Methane Srl over the corresponding portion of equity represents implicit goodwill. This amount is considered recoverable as the future profit outlook of the investee company taken into account at the time of its acquisition remains unchanged.

Information on non-current investments in associated companies

As at 31 December 2021, the Company held investments in associated companies totalling Euro 7,808 thousand (Euro 8,142 thousand as at 31.12.2020).

The following table contains details of investments in associated companies with highlights from their 2021 financial statements. Note that the figures for Rosetti Pivot Ltd relate to the most recent, approved financial statements at 31/03/2021 while the figures for Rosetti Congo Sarl are from its financial statements at 31/12/2020.

Name	City, if in Italy, or country	Tax number (for Italian entities)	Capital in Euro	Profit (Loss) for last year in Euro	S/holders' equity in Euro	Interest held in Euro	Interest held in %	Carrying amount or corresponding receivable
Rigros Srl	Italy	02568990390	100,000	(43,978)	144,654	72,327	50.00%	72,327
Rosetti Congo Sarl	Republic of Congo		152,448	(259,831)	(621,897)	(310,949)	50.00%	0
Rosetti Pivot Ltd	Nigeria		2,817,869	(1,600,861)	(209,545)	(102,677)	49.00%	749,300
Rosetti Ali e Sons Llc	United Arab Emirates		36,357	(371,031)	(343,924)	(168,523)	49.00%	6,965,562
Basis Pivot Ltd	Nigeria		46,667	0	46,667	21,000	45.00%	20,631
Total								7,807,820

The associated companies operate in the following sectors :

- Basis Pivot Ltd: multi-discipline design of oil and petrochemical plants;
- Rosetti Congo SARL, Rosetti Pivot Ltd and Rosetti Ali e Sons Llc: construction of offshore and onshore oil facilities;
- Rigros Srl: management of a plot of land for industrial use.

Basis Pivot Ltd is currently non-operating/dormant.

The excess of the value of the investment in Ali & Sons Llc over the corresponding portion of equity represents implicit goodwill. This amount is considered recoverable as the future profit outlook of the investee company taken into account at the time of its acquisition remains unchanged, as a direct result of the major investment plans announced by the United Arab Emirates.

Current assets

Detailed tables have been prepared for current assets showing the nature of the individual line items and movements thereon during the year.

Inventory

Raw, ancillary and consumable materials

As at 31 December 2021, raw materials inventory amounted to Euro 130 thousand (Euro 125 thousand at 31.12.2020), after an obsolescence provision of Euro 250 thousand (Euro 205 thousand at 31.12.2020). This provision is currently considered appropriate to bring inventory into line with estimated realisable value.

Inventory includes stock held at the Company's production facilities and warehouses (excluding items received from third parties for various reasons, title to which remains with said third parties), stock owned by the Company but held by third parties and goods in transit property of which has already been transferred to the Company.

Raw materials inventory is valued under the weighted average cost method. Use of this method does not result in any appreciable differences compared to a current cost valuation.

Contract work in progress

This caption, amounting to Euro 23,240 thousand (Euro 36,072 thousand as at 31.12.2020), consists almost entirely of long-term contracts valued using the percentage of completion method. Contract work-in-progress includes Euro 18,554 thousand relating to the Energy Business Unit and Euro 4,686 thousand relating to the Shipbuilding Business Unit.

Advances to suppliers

Advances to suppliers primarily consist of sums paid to various suppliers and sub-contractors upon placement of the related orders for purchases of materials and for sub-contract agreements.

The following table provides details of changes in inventory over the year:

	Opening amount	Change during year	Closing amount
Raw, ancillary and consumable materials	125,456	4,104	129,560
Contract work in progress	36,071,514	(12,831,622)	23,239,892
Advances to suppliers	4,623,433	(1,903,803)	2,719,630
Total inventory	40,820,403	(14,731,321)	26,089,082

The decrease of Euro 14,731 thousand compared to prior year is due to reductions in “Contract work in progress” and “Advances to suppliers” in relation to the percentage of completion of contract work in progress.

Receivables

As at 31 December 2021, receivables amount to Euro 70,287 thousand (Euro 56,693 thousand as at 31.12.2020).

All trade receivables are due within a year so the company has not used the amortised cost valuation method.

Receivables from clients (trade)

Receivables from clients relate to normal commercial transactions. Given the nature of the Company’s business, trade receivables are highly concentrated with around 76% (85% in prior year) of the total due from the five leading clients by outstanding balance.

At 31 December 2021, the “Provision for Bad Debts” amounted to Euro 412 thousand (Euro 341 thousand at 31 December 2020). The provision for bad debts adjusts gross receivables to bring them into line with estimated realisable amount based on an overall assessment taking account of collection risks mainly relating to certain specific factors. The amount provided reflects the prudent approach adopted by the Directors in relation to the receivables collection risk, also taking account of the amount of overdue receivables and any repayment agreements reached, as well as of the current economic climate.

Receivables from subsidiaries

Receivables from subsidiaries include financial receivables of Euro 2,966 thousand and trade receivables of Euro 9,719 thousand.

Financial receivables entirely consist of loans granted to Green Methane Srl (Euro 966 thousand) and Fores Engineering Srl (Euro 2,000 thousand).

Trade receivables include amounts due from Fores Engineering S.r.l. (Euro 114 thousand), Green Methane S.r.l. (Euro 88 thousand), Kazakhstan Caspian Offshore Industries Llp (Euro 201 thousand), Rosetti Kazakhstan Ilp (Euro 13 thousand), Rosetti Marino Project Ooo (Euro 9,062 thousand), Rosetti Marino UK Ltd (Euro 164 thousand) and Rosetti Superyachts S.p.A. (Euro 77 thousand).

All trade and financial transactions with subsidiaries take place on an arm’s length basis. Except as stated, the Directors consider all of these receivables to be recoverable in full and no provision for bad debts has been recorded.

Receivables from associated companies

Receivables from associated companies consist entirely of trade receivables of Euro 2,964 thousand.

The loan granted to associated company Rosetti Congo Sarl in 2019 (Euro 300 thousand) was written down in full in 2020 while the loan granted in 2020 to associated company Rosetti Ali e Sons Llc (Euro 200 thousand) has been converted into additional paid-in capital.

Trade receivables from associated companies include amounts due from Rigros S.r.l. (Euro 5 thousand), Rosetti Ali and Sons Llc (Euro 200 thousand) and Rosetti Pivot Ltd (Euro 2,759 thousand).

The trade receivables due from Rosetti Congo Sarl have been written down in full to reflect their estimated realisable amount.

All trade and financial transactions with subsidiaries take place on an arm’s length basis. Except as stated, the Directors consider all of these receivables to be recoverable in full and no provision for bad debts has been recorded.

Receivables from parent companies

Receivables from the parent company amount to Euro 12 thousand and consist entirely of trade receivables. The related transactions take place on an arm's length basis. As the Directors believe these receivables are recoverable in full, no provision for bad debts has been recorded.

Tax receivables

Tax receivables amount to Euro 4,095 thousand as at 31 December 2021 (Euro 5,746 thousand as at 31.12.2020) and mainly refer to the following categories:

- IRES receivable of Euro 2,053 thousand as a result of consolidated taxation arrangement.
- Foreign tax credit of Euro 1,480 thousand for withholding taxes applied by customers and in respect of which a refund has been requested from the foreign tax authorities.
- Tax credit of Euro 5 thousand maturing during the year and in prior years under Law no 106 of 29 July 2014 (the "Art Bonus" law). That law makes it possible to benefit from a tax credit, split into three annual instalments, of 65% of donations made in support of culture.
- Tax credit of Euro 35 thousand relating to R&D costs incurred in 2020. The amount represents the portion of the credit that may be offset in 2022 and 2023.
- an IRAP credit of Euro 204 thousand for credits arising in 2014 and 2017 pursuant to Article 19(1) B of Decree Law no 91/2014 (the "competitiveness" decree) which 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 yet to be recovered.
- VAT receivable of Euro 318 thousand arising during the year on ordinary commercial transactions by the company and the branches.

Deferred tax assets

Deferred tax assets amount to Euro 22,847 thousand (Euro 15,233 thousand at 31 December 2020) and have been recognised on all positive temporary differences and calculated at the applicable tax rates. See the relevant tables in the Note on Taxation for details of movements on deferred tax assets. The recoverability of deferred tax assets is reviewed at each reporting date. The Directors believe the amount recognised at 31 December 2021 is recoverable, considering the future taxable income forecast in the Group Business Plan for 2022-2024 as updated by the Company Board of Directors on 31.03.2022, as well as the recognition of deferred taxes of around Euro 6,602 thousand, as highlighted in the Note on "Tax Provisions" below. After that analysis, the Company decided not to recognise deferred tax assets on tax losses of an amount of Euro 5,475 thousand.

Other receivables

Other receivables mainly include receivables from Broadview Engineering Limited for payment of its stake in recently incorporated Nigerian company Shoreline Logistics Nigeria Limited (Euro 1,278 thousand), guarantee deposits (Euro 156 thousand), receivables from employees (Euro 102 thousand), subsidies receivable for electricity generated by the solar power installations at the head office in Via Trieste and the Yard in San Vitale (Euro 11 thousand) and receivables from a supplier for reimbursement of damages (Euro 15 thousand). There are no receivables due after more than five years.

Changes in and maturity of receivables classed as current assets

The most significant changes during the year in receivables classed as current assets are shown in the following table:

	Opening amount	Change during year	Closing amount	Amount due within a year	Amount due after > 1 year
Trade receivables	27,977,012	(1,855,441)	26,121,571	26,121,571	-
Receivables from subsidiaries	3,619,919	9,065,296	12,685,215	12,685,215	-
Receivables from associated companies	2,808,009	156,154	2,964,163	2,964,163	-

	Opening amount	Change during year	Closing amount	Amount due within a year	Amount due after > 1 year
Receivables from parent companies	12,200	0	12,200	12,200	-
Receivables from entities controlled by parent companies	-	-	0	-	-
Tax receivables	5,745,771	(1,651,043)	4,094,728	2,393,260	1,701,468
Deferred tax assets	15,232,983	7,613,917	22,846,900		
Other receivables	1,297,222	265,220	1,562,442	1,405,992	156,450
Total receivables	56,693,116	13,594,103	70,287,219	45,582,401	1,857,918

The increase in receivables from subsidiaries is mainly due to the loan granted to Green Methane Srl and to trade receivables due from Rosetti Marino Project Ooo.

The increase in receivables from associated companies is mainly due to a general increase in trade receivables and to the closure of the loan receivable from Rosetti Ali e Sons Llc.

The decrease in tax receivables is mainly due to a decrease in the VAT receivable maturing during the year on ordinary commercial transactions and to offsetting against other tax liabilities during the year.

The overall increase in deferred tax assets is mainly due to the following changes:

- increase due to non-utilisation of ACE (Economic Growth Subsidy) deduction
- decrease due to measurement of contract work in progress
- increase due to the tax loss arising during the year, in relation to which deferred tax assets have been partially recognised.

Breakdown of receivables classified as current assets by geographical area

The following table contains a breakdown of receivables classed as current assets by geographical area.

Geographical area	Italy	Other EU	Non-EU	Total
Trade receivables	6,499,291	7,579,112	12,043,168	26,121,571
Receivables from subsidiaries	3,245,535	-	9,439,680	12,685,215
Receivables from associated companies	4,652	-	2,959,511	2,964,163
Receivables from parent companies	12,200	-	-	12,200
Receivables from entities controlled by parent companies	-	-	-	0
Tax receivables	2,372,372	717	1,721,639	4,094,728
Deferred tax assets	22,846,900	-	-	22,846,900
Other receivables	133,679	-	1,428,763	1,562,442
Total receivables	35,114,629	7,579,829	27,592,761	70,287,219

Current financial assets

Changes in current financial assets

The following table shows changes in current financial assets

	Opening amount	Change during year	Closing amount
Derivatives – assets	1,825,290	(1,346,726)	478,564
Other current securities	67,268,891	(29,377,013)	37,891,878
Total current financial assets	69,094,181	(30,723,739)	38,370,442

Derivatives – assets entirely consists of derivatives classified as held for trading as they do not fulfil hedge accounting requirements. 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 have decreased by Euro 29,377 thousand compared to prior year and entirely consist of temporary investments of cash, mainly in insurance policies (Euro 27 million), mutual fund units 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

Cash and cash equivalents amount to Euro 38,655 thousand (Euro 7,172 thousand at 31.12.2020) and include bank current accounts of Euro 28,628 thousand and cash on hand of Euro 27 thousand.

Changes in cash and cash equivalents are shown in the following table:

	Opening amount	Change during year	Closing amount
Bank & post office accounts	7,139,704	31,488,356	38,628,060
Cheques	0	-	0
Cash and cash equivalents on hand	32,558	(5,848)	26,710
Total cash and cash equivalents	7,172,262	31,482,508	38,654,770

For more details of the change in cash and cash equivalents compared to prior year, see the statement of cash flows.

Prepaid expenses and accrued income

Details of prepaid expenses and accrued income are provided in the following table:

	Opening amount	Change during year	Closing amount
Prepaid expenses	461,187	305,959	767,146
Total prepaid expenses and accrued income	461,187	305,959	767,146

Prepaid expenses include Euro 160 thousand of prepaid hire/rental costs for moveable assets, Euro 3 thousand of prepaid rental costs and Euro 604 thousand of sundry prepaid expenses.

Notes to the Financial Statements, liabilities and shareholders' equity

Comments on the main Liabilities and Shareholders' Equity items are presented below.

Shareholders' equity

Shareholders' equity includes the following items:

Share capital

At 31 December 2021, share capital was wholly subscribed and paid and consisted of 4,000,000 ordinary shares with a par value of Euro 1.00 each.

Reserves

The Revaluation 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 was increased by Euro 33,368 thousand in 2008 as a result of the revaluation of fixed assets under Law 2/2009. It was increased again, by Euro 22,355 thousand, in 2020 following the revaluation of fixed assets under Decree Law 104/2020 (converted into Law 126/2020), as previously described. The reserve is subject to taxation upon distribution and may be used to cover losses. It may also be distributed in compliance

with the procedure laid down by Article 2445(2) and (3) of the Italian Civil Code, giving rise to taxable income for both the Company and the shareholders. The legal reserve includes portions of net profits allocated in prior years.

During the reporting period, the extraordinary reserve increased by Euro 24 thousand as a result of the release of an equivalent amount from the reserve for deferred depreciation. The reserve consists entirely of profits allocated in prior years.

The Legislative Decree 124/93 reserve consists of amounts allocated in prior years in accordance with said legislative decree.

The Reserve for grants under Art. 55 DPR 917/1986 regards grants received in prior years for shipbuilding activities in terms of Law 599/1982, Law 361/1982 and Law 234/1989.

The reserve for deferred depreciation was created during the previous reporting period, using the extraordinary reserve, in terms of Article 60(7-ter) of Decree Law 104/2020, converted as amended by Law 126/2020. Movements on the reserve are directly linked to the depreciation periods of the assets affected by said legislative provision.

Movements on the cash flow hedge reserve reflect the recognition of future cash flows under derivatives designated as "cash flow hedges. Movements during the year show an increase of Euro 175 thousand in order to restate at 31.12.2021 fair value the derivatives in place at that date to hedge variable rate loans.

Accumulated losses refer entirely to the loss reported in prior year.

The negative reserve for treasury shares represents 200,000 treasury shares with a nominal amount of Euro 25.50 each, as acquired in prior years.

Net loss for the year

A net loss of Euro 47,281 thousand is reported for 2021.

Changes in shareholders' equity items

Movements on shareholders' equity in the past three years and details of possible utilisation and availability for distribution are provided below.

	Share capital	Revaluation reserve	Legal reserve	Extra-ordinary reserve	Reserve under Leg. Decr 124/93 / Grants Reserve	Reserve for deferred depreciation	Negative reserve for treasury shares held	Accumulated loss	Net profit (loss) for the year	Cash flow hedge reserve	Total
BALANCE AT 31 DECEMBER 2019	4,000	36,969	800	124,959	1,941	0	(5,100)	0	188	(764)	162,993
Allocation of net profit for 2019:											
- dividends	0	0	0	(1,712)	0	0	0	0	(188)	0	(1,900)
Change in fair value of cash flow hedges	0	0	0	0	0	0	0	0	0	393	393
Revaluation of tangible assets	0	22,355	0	0	0	0	0	0	0	0	22,355
Reserve for lower/deferred depreciation	0	0	0	(545)	0	545	0	0	0	0	0
Net loss for 2020	0	0	0	0	0	0	0	0	(24,526)	0	(24,526)
BALANCE AT 31 DECEMBER 2020	4,000	59,324	800	122,702	1,941	545	(5,100)	0	(24,526)	(371)	159,315
Allocation of net loss for 2020:											
- to accumulated losses	0	0	0	0	0	0	0	(24,526)	24,526	0	0
Change in fair value of cash flow hedges	0	0	0	0	0	0	0	0	0	175	175
Reserve for lower/deferred depreciation	0	0	0	24	0	(24)	0	0	0	0	0
Net loss for 2021	0	0	0	0	0	0	0	0	(47,281)	0	(47,281)
BALANCE AT 31 DECEMBER 2021	4,000	59,324	800	122,726	1,941	521	(5,100)	(24,526)	(47,281)	(196)	112,209
Possible utilisation	B; C or D	A;B;D	A;B	A;B;C	A;B;D	E	E	E		E	

Some Euro 832 thousand of share capital would be taxable if distributed to the shareholders.

Utilisation of the revaluation reserve, the reserve for government grants and the Legislative Decree 124/93 reserve for any purpose other than to cover losses would be taxable.

Legend:

- A) reserve available for share capital increases
- B) reserve available to cover losses
- C) reserve available for distribution to shareholders
- D) reserve available for distribution to shareholders but taxable on distribution
- E) reserve not available

Provisions for risks and charges

As at 31.12.2021, provisions for risks and charges amount to Euro 7,294 thousand (Euro 7,336 thousand as at 31.12.2020) and are analysed as follows:

	Provision for retirement benefits and similar obligations	Provision for tax, per incl. deferred tax	Derivatives	Other prov.	Total prov for risks & chgs
Opening amount	0	6,576,979	388,019	370,835	7,335,833
Changes during year					
Allocated during year	-	47,890	103,897	125,258	277,045
Utilised during year	-	22,921	295,689	-	318,610
Total changes	-	24,969	(191,792)	125,258	(41,565)
Closing amount	0	6,601,948	196,227	496,093	7,294,268

Tax provisions

This item includes the deferred tax provision of Euro 24 thousand created in relation to unrealised exchange gains which will be subject to taxation in future periods, the deferred tax provision of Euro 6,357 thousand created in prior year upon the revaluation of land for statutory reporting purposes only and the provision of Euro 221 thousand created to cover the risk of non-utilisation, as a tax credit, of foreign taxes relating to the period that will be paid in future years.

Provisions for derivatives

This caption, amounting to Euro 196 thousand, represents the Mark to Market value of the following hedging instruments:

Type: IRS agreement

Underlying contract type: loan from Intesa San Paolo SpA

Notional amount Euro: 2,500,000

Duration: 60 months

Period: 28/02/2018 - 28/02/2023

Rate: Euribor 3 months

Frequency: Quarterly instalments

MTM: Euro 19,050

Type: IRS agreement

Underlying contract type: loan from Intesa San Paolo SpA

Notional amount Euro: 5,000,000

Duration: 59 months

Period: 31/07/2019 – 17/06/2024

Rate: Euribor 6 months

Frequency: Six-monthly instalments

MTM: Euro 16,627

Type: IRS agreement
Underlying contract type: loan from Unicredit SpA
Notional amount Euro: 2,503,339
Duration: 60 months
Period: 21/07/2020 - 31/07/2025
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 9,139

Type: IRS agreement
Underlying contract type: loan from Unicredit SpA
Notional amount Euro: 14,795,455
Duration: 69 months
Period: 21/06/2021 - 31/03/2027
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 15,885

Type: IRS agreement
Underlying contract type: loan from Credit Agricole Italia SpA
Notional amount Euro: 4,394,738
Duration: 48 months
Period: 16/07/2019 - 17/07/2023
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 23,839

Type: IRS agreement
Underlying contract type: loan from Credit Agricole Italia SpA
Notional amount Euro: 1,403,069
Duration: 60 months
Period: 29/06/2020 - 29/06/2025
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 4,594

Type: IRS agreement
Underlying contract type: loan from Banco BPM
Notional amount Euro: 5,000,000
Duration: 72 months
Period: 11/01/2021 - 31/12/2026
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 12,114

Type: IRS agreement
Underlying contract type: loan from Banco BPM
Notional amount Euro: 5,000,000
Duration: 71 months
Period: 21/10/2021 - 30/09/2027
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 30,764

Type: IRS agreement
 Underlying contract type: loan from BPER Banca SpA
 Notional amount: Euro 5,654,494
 Duration: 48 months
 Period: 29/01/2020 - 29/01/2024
 Rate: Euribor 3 months
 Frequency: Quarterly instalments
 MTM: Euro 19,080

Type: IRS agreement
 Underlying contract type: loan from Banca Monte dei Paschi di Siena SpA
 Notional amount: Euro 15,000,000
 Duration: 72 months
 Period: 13/01/2021 - 31/12/2026
 Rate: Euribor 3 months
 Frequency: Quarterly instalments
 MTM: Euro 45,134

Other provisions

This item includes a provision for contractual risks of Euro 337 thousand (Euro 212 thousand at 31.12.2020) and a provision for future risks and charges of Euro 159 thousand (Euro 159 thousand at 31.12.2020).

The provision for contractual risks has been created to cover the probable risk of warranty costs.

The provision for future risks and charges has been created to cover risks relating to ongoing litigation.

TFR / Employee severance indemnity provision

The employee severance indemnity provision of Euro 2,783 thousand (Euro 3,026 thousand at 31.12.2020) has been determined in accordance with Article 2120 of the Italian Civil Code. Movements during the year were as follows:

	TFR/Employee severance indemnity provision
Opening amount	3,025,782
Changes during year	
Allocated during year	1,717,227
Utilised during year	1,959,700
Total changes	(242,473)
Closing amount	2,783,309

The TFR/employee severance indemnity provision at 31 December 2021 represents the indemnity in favour of employees up to 31 December 2006 which will be settled through payments made when employees leave the Italian companies or through advance payments made in accordance with the law. Utilisation during the year consists of transfers of Euro 732 thousand to complementary pension funds, the transfer of Euro 751 thousand to the INPS treasury fund, payment of indemnities and advances totalling Euro 346 thousand and payment of personal income tax and social security contributions of Euro 131 thousand on behalf of employees. The balance at 31 December 2021 is stated net of advances paid.

Payables

Changes in and maturity of payables

There are no payables due after more than five years.

Details of payables and movements thereon are provided in the following table:

	Opening amount	Change during year	Closing amount	Amount due within a year	Amounts due after more than a year
Bank borrowing	57,868,532	24,996,840	82,865,372	18,913,662	63,951,710
Payments on account	15,857,215	24,535,878	40,393,093	40,393,093	-
Due to suppliers (trade)	32,041,335	(357,994)	31,683,341	31,683,341	-
Payables to subsidiaries	5,502,515	49,884	5,552,399	5,552,399	-
Payables to associated companies	20,632	61,550	82,182	82,182	-
Tax payables	2,416,679	(847,697)	1,568,982	1,568,982	-
Payables to pensions and social security institutions	1,637,987	88,946	1,726,933	1,726,933	-
Other payables	5,430,157	(1,732,331)	3,697,826	3,697,826	-
Total payables	120,775,052	46,795,076	167,570,128	103,618,418	63,951,710

Bank borrowing

This item includes the following financing granted by the banks:

- Banco BPM Spa: Euro 10,000 thousand
- Intesa San Paolo Spa: Euro 7,500 thousand
- Unicredit Spa: Euro 17,299 thousand
- Credit Agricole Italia Spa: Euro 5,798 thousand
- Monte dei Paschi di Siena Spa: Euro 16,667 thousand
- BPER Banca Spa: Euro 5,654 thousand
- Credito Emiliano Spa: Euro 2,785 thousand
- Banca del Mezzogiorno - MedioCredito centrale Spa: Euro 6,682 thousand
- Simest Spa: Euro 480 thousand
- Cassa depositi e prestiti Spa: Euro 10,000 thousand

The financing granted by Banco BPM S.p.A. consists of two loans. The first loan, signed during the reporting period and secured by a government guarantee, provides for a floating rate of interest, a period of interest-only payments until 30.06.2022 and, subsequently, repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2026 (outstanding amount at 31 December 2021 – Euro 5,000 thousand). The second loan, signed during the reporting period and secured by a government guarantee, provides for a floating rate of interest, a period of interest-only payments until 30.09.2023 and, subsequently, repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2027 (outstanding amount at 31 December 2021 – Euro 5,000 thousand). In order to hedge the interest rate risk relating to these loans, 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.

The financing granted by Intesa San Paolo S.p.A. consists of two loans. The first loan agreement, 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 2021 – Euro 2,500 thousand). The second loan agreement, signed in 2019, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2024 (outstanding amount at 31 December 2021 – Euro 5,000 thousand). In order to hedge the interest rate risk relating to these loans, the Company has arranged derivative contracts (Interest Rate Swaps) that meet the accounting requirements to be treated as hedging derivatives, as previously described.

The financing granted by Unicredit S.p.A. consists of two loans. The first contract, entered into in 2020 and secured by a government guarantee, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2025 (outstanding amount at 31.12.2021 - Euro 2,503 thousand). The second loan, signed during the reporting period and secured by a government guarantee, 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 2027 (outstanding amount at 31 December 2021 – Euro 14,795 thousand). The loan is subject to covenants that were respected based on consolidated financial information at 31 December 2021. In order to hedge the interest rate risk relating to the first four loans, the Company has arranged derivative contracts (Interest Rate Swaps) which meet the accounting requirements to be treated as a hedging derivative, as previously described.

The financing granted by Credit Agricole Italia S.p.A. comprises two loans. The first loan agreement, signed in 2019, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled

maturity date of the loan in 2023 (outstanding amount at 31 December 2021 – Euro 4,395 thousand). The loan is subject to covenants that were respected based on the consolidated financial information at 31 December 2021. The second loan agreement, signed in 2020, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2025 (outstanding amount at 31 December 2021 – Euro 1,403 thousand). In order to hedge the interest rate risk relating to these two loans, 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.

The financing granted by Monte dei Paschi di Siena S.p.A. comprises two loans. The first contract, signed in 2019, provides for a floating rate of interest and repayment of principal and interest in six-monthly instalments until the scheduled maturity date in 2022 (outstanding amount at 31 December 2021 – Euro 1,667 thousand). The second contract, signed during the reporting period and secured by a government guarantee, provides for a floating rate of interest with interest only payments until 30 June 2022 followed by repayment of principal and interest in quarterly instalments until the scheduled maturity date in 2026 (outstanding amount at 31 December 2021 – Euro 15,000 thousand). In order to hedge the interest rate risk relating to the latter loans, 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.

The financing granted by BPER Banca S.p.A., as arranged in 2020, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity of the loan in 2024 (outstanding amount at 31 December 2021 – Euro 5,654 thousand). The loan is subject to covenants that were respected based on the consolidated financial information at 31 December 2021. In order to hedge the interest rate risk relating to the loans, the Company has arranged a derivative contract (Interest Rate Swap) that meets the accounting requirements to be treated as a hedging derivative, as previously described.

The loan granted by Credito Emiliano Spa, as arranged during the reporting period and secured by a government guarantee, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity of the loan in 2025 (outstanding amount at 31 December 2021 – Euro 2,785 thousand).

The loan granted by Banca del Mezzogiorno - MedioCredito Centrale Spa, as arranged during the reporting period and secured by a government guarantee, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity of the loan in 2027 (outstanding amount at 31 December 2021 – Euro 6,681 thousand).

The loan granted by Simest Spa, as arranged during the reporting period, provides for a fixed rate of interest with interest only payments until 31 December 2023 followed by repayment of principal and interest in six-monthly instalments until the scheduled maturity of the loan in 2027 (outstanding amount at 31 December 2021 – Euro 480 thousand).

The loan granted by Cassa depositi e prestiti Spa, as arranged during the reporting period and secured by a government guarantee, provides for a floating rate of interest with interest only payments until 30 September 2023 followed by repayment of principal and interest in quarterly instalments until the scheduled maturity of the loan in 2027 (outstanding amount at 31 December 2021 – Euro 10,000 thousand). The loan is subject to covenants that were respected based on the consolidated financial information at 31 December 2021.

The Company has elected not to measure these liabilities at amortised cost as application of said method would have no material effect.

During the reporting period, the Company extinguished seven loans granted in previous periods, including five loans unwound ahead of schedule.

Payments on account

This item includes advances already received from clients for contracts in progress. The balance includes advances paid at the time of orders and payments on account made by customers during contract work. The increase compared to prior year reflects the contract work in progress trend at the reporting date. For further information, see the specific note on “Value of production”.

Due to suppliers (trade)

These payables relate to commercial transactions entered into on an arm's length basis. The company has not discounted these payables. The increase mainly regards the different timing of contracts.

Payables to subsidiaries

These payables include Euro 5,270 thousand relating to commercial transactions entered into on an arm's length basis and comprise amounts payable to Fores Engineering S.r.l. (Euro 2,121 thousand), Rosetti Marino UK Ltd (Euro 1,945 thousand), Rosetti Superyachts S.p.A. (Euro 10 thousand) and Tecon S.r.l. (Euro 1,194 thousand).

As these payables are due within a year, the company has not discounted them. The remaining amount of Euro 282 thousand regards capital subscribed but not yet paid in relation to Rosetti Libya Jsc (Euro 281 thousand) and the payable to Rosetti Superyachts Spa for IRES credits transferred to the tax consolidation but not yet utilised (Euro 1 thousand).

Payables to associated companies

These payables, amounting to Euro 82 thousand, include trade payables due to Rosetti Congo (Euro 61 thousand) and the portion of share capital of Basis Pivot Ltd subscribed but not yet paid (Euro 21 thousand).

Tax payables

This item mainly consists of personal income tax deducted at source from the remuneration of employees and freelance workers (Euro 1,350 thousand), substitute taxes in relation to the revaluation performed in prior year (Euro 122 thousand), substitute taxes relating to the revaluation of the employee severance indemnity provision (Euro 35 thousand) and direct taxes due by the foreign branches (Euro 62 thousand).

Payables to pensions and social security institutions

This item includes employee and employer social security and pension contributions payable to social security and pension institutions.

Other payables

This item mainly includes payables to employees of Euro 3,303 thousand and payables to pension funds of Euro 351 thousand.

Breakdown of payables by geographical area

The following table provides a breakdown of payables by geographical area at 31.12.2021:

Geographical area	Italy	Other EU	Non-EU	Total
Bank borrowing	82,865,372	-	-	82,865,372
Payments on account	5,826,236	2,417,183	32,149,674	40,393,093
Due to suppliers (trade)	24,110,541	4,204,098	3,368,702	31,683,341
Payables to subsidiaries	3,326,379	-	2,226,020	5,552,399
Payables to associated companies	-	-	82,182	82,182
Tax payable	1,506,519	-	62,463	1,568,982
Payables to pensions and social security institutions	1,726,933	-	-	1,726,933
Other payables	3,697,826	-	-	3,697,826
Payables	123,059,806	6,621,281	37,889,041	167,570,128

Accrued expenses and deferred income

Accrued expenses and deferred income entirely consist of accrued interest expenses on loans.

Notes to the Financial Statements, income statement

Value of production

Value of production amounts to Euro 122,854 thousand (Euro 149,537 thousand in 2020).

Revenues from sales and services

Given the nature of the Company's business, Revenues from sales and services, amounting to Euro 130,382 thousand (Euro 144,416 thousand in 2020), are highly concentrated with around 72% of the total (89% in prior year) generated by the five leading clients.

Change in contract work in progress

This item shows a negative balance of Euro 12,832 thousand (positive balance of Euro 1,287 thousand at 31.12.2020). It includes a negative amount of Euro 17,196 thousand relating to Energy Business Unit contracts and a positive amount of Euro 4,364 thousand relating to Shipbuilding Business Unit contracts.

For details of the valuation method adopted, see the accounting policies described at the start of these Notes.

Increases in internal works capitalised

Increases in own work capitalised, amounting to Euro 5 thousand (Euro 4 thousand in 2020), includes capitalised costs that led to increases in Balance Sheet caption "Intangible assets".

Other revenues and income

This item, amounting to Euro 5,298 thousand (Euro 3,831 thousand in 2020), includes Euro 586 thousand of grants towards operating expenses and Euro 4,712 thousand of other revenues.

"Grants towards operating expenses" includes Euro 64 thousand of grants towards the photovoltaic solar power systems installed at the S. Vitale yard and at the Via Trieste site, Euro 19 thousand of grants received from Fondirigenti and Fondimpresa in reimbursement of costs incurred to run training programmes, Euro 176 thousand of subsidies resulting from the tax credit for research and development activities carried out in 2020, Euro 2 thousand of subsidies resulting from the tax credit for donations for cultural initiatives during the year, Euro 5 thousand of grants in the form of tax credits maturing pursuant to Article 32 of Decree Law 73/2021 (credit in relation to costs incurred in the months of June, July and August to combat the Covid-19 emergency e.g. sanitisation of work areas and purchase of PPE) and Euro 320 thousand of grants received from Simest S.p.A. following the award of funding – part grants and part loans – under Fund 394/81.

See the specific section with regard to grants falling within the scope of Law no 124 of 4 August 2017.

Other revenues mainly comprise Euro 1,841 thousand from the secondment of employees to other Group companies, Euro 380 thousand of costs recharged for third party use of utilities and industrial gases, Euro 118 thousand of chargebacks to employees for the use of company cars, Euro 131 thousand of excess provisions for bad debts reversed after the circumstances that led to their creation in previous reporting periods ceased to exist and Euro 1,570 thousand of insurance pay-outs in compensation for damage in 2020 to the "AMT Mariner" barge for reasons attributable to the company that was operating it.

Breakdown of revenues from sales and services by business segment

The following table contains a breakdown of revenues by business segment:

Business segment	2021
Energy	110,525,217
Shipbuilding	19,137,934
Sundry services	718,831
Total	130,381,982

Breakdown of revenues from sales and services by geographical area

The following table contains a breakdown of revenues by geographical area:

Geographical area	2021
Italy	21,784,657
Other EU	70,004,810
Non-EU	38,592,515
Total	130,381,982

Cost of production

Cost of production amounts to Euro 177,399 thousand (Euro 185,935 thousand in 2020).

Purchases of raw, ancillary and consumable materials and goods

This caption, amounting to Euro 37,299 thousand (Euro 42,076 thousand in 2020), includes Euro 36,124 thousand of purchases of raw materials, Euro 1,146 thousand of purchases of ancillary and consumable materials and Euro 29 thousand of purchases of sundry materials. The decrease compared to prior year is due to the lower volume of production activity and a related decrease in purchases of materials.

Services

This item, amounting to Euro 99,045 thousand (Euro 102,293 thousand in 2020), includes the cost of services purchased during ordinary operating activities and consists of the following:

- sub-contracting of Euro 82,875 thousand (Euro 78,991 thousand in 2020);
- electricity, water and heating of Euro 1,578 thousand (Euro 1,155 thousand in 2020);
- general, administrative and insurance costs of Euro 3,342 thousand (Euro 3,242 thousand in 2020);
- repairs and maintenance of Euro 966 thousand (Euro 1,079 thousand in 2020);
- sundry personnel costs of Euro 1,620 thousand (Euro 1,383 thousand in 2020);
- selling costs of Euro 748 thousand (Euro 503 thousand in 2020);
- other outsourced production costs of Euro 6,464 (Euro 6,867 thousand in 2020);
- audit fees of Euro 101 thousand (Euro 93 thousand in 2020);
- statutory auditors' fees of Euro 39 thousand (Euro 48 thousand in 2020);
- directors' fees of Euro 332 thousand (Euro 333 thousand in 2020);
- transport and shipping costs of Euro 980 thousand (Euro 8,600 thousand in 2020);

The significant decrease in transport and shipping costs compared to prior year is due to the type of contracts in progress which required less use of such services.

Lease and rental costs

Lease and rental costs amount to Euro 4,261 thousand (Euro 7,097 thousand in 2020) and include lease and rental costs regarding tangible and intangible assets, as follows:

- maintenance of Euro 15 thousand (zero in 2020);
- state land concession fees of Euro 57 thousand (Euro 47 thousand in 2020);
- rental of property of Euro 1,531 thousand (Euro 1,546 thousand in 2020);
- software rental of Euro 186 thousand (Euro 203 thousand in 2020);
- hire/rental of moveable assets of Euro 2,472 thousand (Euro 5,301 thousand in 2020).

The decrease compared to prior year is mainly due to the type of contracts in progress which required less hire/rental of moveable assets.

Personnel

Personnel expenses of Euro 32,278 thousand (Euro 31,280 thousand in 2020) includes costs incurred for employees during the year.

Depreciation, amortisation and writedowns

“Depreciation, amortisation and writedowns”, amounting to Euro 2,894 thousand (Euro 2,905 thousand in 2020), includes depreciation and amortisation of tangible and intangible assets and writedowns of current trade receivables.

Change in inventory of raw, ancillary and consumable materials and goods for resale

This caption has a negative balance of Euro 4 thousand (negative balance of Euro 20 thousand in 2020). It includes the change in value of raw materials inventory (opening inventory of Euro 330 thousand and closing inventory of Euro 380 thousand) and the amount allocated to the inventory obsolescence provision during the year (Euro 45 thousand).

Provisions for risks

This item amounts to Euro 125 thousand (Euro 35 thousand in 2020) and includes amounts allocated during the year to update the provision for contractual risks.

Sundry operating expenses

“Sundry operating expenses”, amounting to Euro 1,501 thousand (Euro 268 thousand in 2020), mainly includes the loss arising on the scrapping of the “AMT MARINER” barge (Euro 1,195 thousand) plus sundry taxes paid for the year and including IMU/local property tax, chamber of commerce duty, authentication of company books, contribution to Clean-up Consortium, local tax on advertising, excise duty and rights on electricity licence, tax for occupation of public land and refuse tax (Euro 279 thousand).

Financial income and expenses

There was net financial income of Euro 982 thousand in the year ended 31 December 2021 (net financial income of Euro 5,392 thousand in 2020). It includes all of the Company’s financial income and expenses for the year.

Income from equity investments

Income from equity investments amounts to Euro 726 thousand (Euro 4,303 thousand in 2020) and mainly includes the dividends paid by subsidiary Rosetti General Contracting Construcões Serviços Lda (Euro 725 thousand) which was liquidated during the reporting period.

Other financial income

“Other financial income” of Euro 1,284 thousand (Euro 1,688 thousand in 2020) mainly includes the following items:

- financial income from cash investments - Euro 1,084 thousand;
- bank interest income - Euro 2 thousand;
- interest income on loans to subsidiaries Fores Engineering S.r.l. (Euro 9 thousand), Kazakhstan Caspian Offshore Industries Llp (Euro 113 thousand) and Rosetti Marino project Oo (Euro 3 thousand);
- interest income on loans to associated companies Rigros S.r.l (Euro 5 thousand) and Rosetti Pivot Ltd (Euro 64 thousand).

Breakdown of interest and other financial expenses by type of debt

Other financial expenses amount to Euro 1,212 thousand (Euro 1,643 thousand in 2020) and mainly include: losses on investments following the liquidation of subsidiary Rosetti General Contracting Construcões Serviços Lda (Euro 52 thousand), interest expenses on loans from ten banks (Euro 1,087 thousand), financial expenses on forward currency sale transactions (Euro 8 thousand) and financial expenses relating to cash investments (Euro 65 thousand).

Breakdown of exchange gains and losses

“Exchange gains and losses” includes Euro 117 thousand of realised gains i.e. resulting from the translation into Euro of foreign currency assets and liabilities settled (i.e. collected or paid) during the year and Euro 67 thousand of unrealised exchange gains, resulting from the translation into Euro of foreign currency assets and liabilities not yet settled at the reporting date.

Adjustments to value of financial assets and liabilities

Adjustments to value of financial assets” is negative by Euro 1,341 thousand (negative by Euro 822 thousand in 2020) and includes the following adjustments, as described in earlier paragraphs:

- revaluation of investments – Euro 2 thousand;
- revaluation of securities classed as current assets – Euro 57 thousand;
- revaluation of derivatives – Euro 97 thousand;
- writedown of investments – Euro 1,407 thousand;
- writedown of securities classed as current assets – Euro 17 thousand;
- writedown of derivatives – Euro 73 thousand.

Taxes on income – current, deferred and deferred tax income

Income taxes have been calculated in accordance with applicable tax laws and regulations and represent the tax expense for the reporting period.

They amount to a total expense of Euro 7,623 thousand (net income of Euro 7,301 thousand in 2020) and include:

- a) current taxes on taxable income for the period generated, in particular, by foreign branches;
- b) taxes relating to prior periods;
- c) deferred taxation and deferred tax income.

The main temporary differences that led to the recognition of deferred taxation are shown in the following table, together with the related effects.

Recognition of deferred tax and deferred tax income

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	95,090,814	643,709
Total taxable temporary differences	22,886,166	22,786,610
Temporary differences, net	(72,204,648)	22,142,901
B) Tax effects		
Deferred tax provision (assets) at start of period	(9,698,019)	851,985
Deferred tax (income) for the period	(7,631,096)	11,588
Deferred tax provision (assets) at end of period	(17,329,115)	863,573

Details of deductible temporary differences

Description	Amount at 31/12/ 2020	Change during the reporting period	Amount at 31/12/2021	IRES Rate	Tax effect IRES	IRAP Rate	Tax effect IRAP
Inventory obsol. provision	205,000	45,000	250,000	24.00%	10,800	-	-
Prov for contractual risks	212,216	125,258	337,474	24.00%	30,062	-	-
Prov for future risks	158,619	0	158,619	24.00%	0	-	-
Taxed bad debt provision	288,994	(131,432)	157,562	24.00%	(31,544)	-	-
Unrealised exchange losses	383,446	(351,311)	32,135	24.00%	(84,315)	-	-
Contracts in progress	10,243,587	(3,410,320)	6,833,267	24.00%	(818,477)	-	-
A.C.E. not utilised	1,723,232	524,113	2,247,345	24.00%	125,787	-	-
Writedown of shares	40,498	(40,498)	0	24.00%	(9,720)	-	-

Depreciation of tangible assets	940,849	(297.140)	643.709	24.00%	(71.314)	3.90%	(11.588)
Tax loss	46,170,472	34,209,719	80,380,191	24.00%	8,210,333	-	-
Provision POC payments on account	2,950,962	1,099,551	4,050,513	24.00%	263,892	-	-
Total	63,317,875	31,772,940	95,090,815	-	7,625,504	-	(11,588)

Details of taxable temporary differences

Description	Amount at 31/12/2020	Change during the period	Amount at 31/12/2021	IRES Rate	Tax effect IRES	IRAP Rate	Tax effect IRAP
Unrealised exchange gains	122,850	(23,294)	99,556	24.00%	(5,591)	-	-
Gain on reval. of land	22,786,610	0	22,786,610	24.00%	0	3.90%	0
Total	22,909,460	(23,294)	22,886,166	-	(5,591)	-	-

Notes to the Financial Statements, other information

Workforce details

	Average headcount
Senior managers	39.8
Managers	73.2
White collar	272.5
Blue collar	34.7

In addition to the persons indicated in the table, the Company uses operations personnel at its foreign branches (average of 7 FTEs per annum).

Off-balance sheet commitments, guarantees and contingent liabilities

GUARANTEES GIVEN BY THE COMPANY

Sureties

This item consists of sureties given by insurers and banks to the Company's clients (Euro 52,697 thousand) and to clients of Group companies (Euro 40,699 thousand) as guarantees of proper performance of works and to release amounts withheld for performance purposes.

The Company has also granted sureties to the banks (Euro 49,342 thousand) as security for the granting of loans and/or the issue of bank guarantees in favour of Group companies.

COMMITMENTS MADE BY THE COMPANY

At 31 December 2021, there were no off-balance sheet commitments

Significant events after the reporting date

As everyone is all too aware, on 24 February 2022, political tension between Ukraine and Russia intensified and resulted in a Russian invasion of Ukrainian territory. Many countries have imposed packages of economic sanctions on Russia and the conflict between the two countries is still in progress with future developments unforeseeable at the moment.

These circumstances – extraordinary in nature and extent – have direct and indirect consequences for economic activity and have created a context of general uncertainty. It is impossible to predict how things will develop and what effect the situation will have on: i) prices and availability of raw materials and energy, ii) demand on international markets and iii) inflation and interest rate trends.

We also note that: i) work is currently in progress on a project destined for Russia worth a total of Euro 166 million, ii) payments received in respect of this project total Euro 60 million, including Euro 13 million received after 24 February 2022, iii) outstanding receivables relating to the project – albeit regarding an invoice not yet due for payment – amount to Euro 5 million, iv) at present, the treasury position of this project stands at Euro 30 million thanks to the large advance payments received and, for this reason, the Company believes it has sufficient funding to deal with any suspension of the project (unforeseeable at present).

Finally, we note that the Board of Directors is monitoring the potential impact of sanctions on work on the contract on the Russian market. This is being performed with the support of analysis by law firms and industry associations.

Although the sanctions imposed have not yet directly impacted the Company's operations on the Russian market, the potential effects of the situation on the financial statements cannot be determined for now and the Company will monitor the situation constantly for the rest of the year.

Accordingly, Company Management has concluded that, in terms of Italian Accounting Standard OIC 29, the conflict between Russia and Ukraine is a subsequent event that need not be reflected in the amounts reported in the financial statements. Consequently, it has not been taken into account when determining the amounts reported in the financial statements at 31 December 2021.

Disclosures in terms of Art. 1(125) of Law no 124 of 4 August 2017

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

Name of funding body: Gestore dei Servizi Energetici GSE S.p.A.

Amount received: Euro 74,837

Date received: various dates in 2021

Reason: grants to net metering account

Name of funding body: Ministry for the Economy and Finance

Amount offset against other taxes: Euro 124,394

Date received: 16/12/2021

Reason: R&D grant for costs incurred in 2019

Name of funding body: Ministry for the Economy and Finance

Amount offset against other taxes: Euro 17,186

Date received: 16/12/2021

Reason: R&D grant for costs incurred in 2020

Name of funding body: Ministry for the Economy and Finance

Amount offset against other taxes: Euro 5,326

Date received: 16/12/2021

Reason: Covid-19 sanitisation grant (Art. 32 DL 73/2021) for costs incurred in 2021

Name of funding body: Ministry for the Economy and Finance

Amount offset against other taxes: Euro 28,297

Date received: 16/02/2021

Reason: Covid-19 sanitisation grant (Art. 125 DL 34/2020) for costs incurred in 2020

Name of funding body: Simest S.p.A.

Amount received: Euro 320,000

Date received: 21/05/2021

Reason: non-refundable grant from 394/81 Fund

Name of funding body: Ministry of cultural heritage and tourism

Amount offset against other taxes: Euro 1,337

Date received: 16/12/2021

Reason: Art Bonus subsidy for payments incurred in 2018

Name of funding body: Ministry of cultural heritage and tourism

Amount offset against other taxes: Euro 2,392

Date received: 16/12/2021

Reason: Art Bonus subsidy for payments incurred in 2019

Name of funding body: Ministry of cultural heritage and tourism

Amount offset against other taxes: Euro 607

Date received: 16/12/2021

Reason: Art Bonus subsidy for payments incurred in 2020

Name of funding body: Ministry of Infrastructure and Transport

Amount received: Euro 47,436

Date received: 03/06/2021

Reason: grant to finance projects for product or process innovation in the shipping field – project called "ROSMANDITEN"

3. BOARD OF STATUTORY AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS
AS AT 31/12/2021

To the Shareholders' General Meeting of ROSETTI MARINO S.p.A.

During the year ended 31 December 2021, our work was performed in accordance with statutory requirements and the Code of Conduct for Statutory Auditors issued by the Italian Accounting Profession (*"Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili"*).

Based on that work and the results obtained, we draw your attention to the following by means of this report.

The financial statements of ROSETTI MARINO S.p.A. as at 31.12.2021, prepared in accordance with Italian GAAP and reporting a net loss of Euro 47,281,124.00, have been presented for your review. The financial statements were made available to us by the deadline required by law.

The financial statements have been audited by DELOITTE & TOUCHE S.p.A. They gave us their audit report thereon – containing an unqualified opinion – on 11 April 2022.

According to the External Auditors' Report, the financial statements for the year ended 31 December 2021 provide a true and fair representation of the balance sheet and financial position, the result and the cash flows for the year. They have been prepared in accordance with Italian statutory reporting requirements.

As the Board of Statutory Auditors has not been engaged to audit the financial statements, it has performed supervisory activities consisting of an overall check to ensure that the financial statements have been prepared properly. The external auditors are responsible for confirming that the financial statements reflect the contents of the accounting records.

1) Supervisory activities in terms of Articles 2403 et seq. of the Italian Civil Code.

We have checked observance of the law and the articles of association and compliance with principles of proper business management. In particular, this has regarded organisational structures, the accounting system and how they function.

We have attended Shareholders' General Meetings and meetings of the Board of Directors and, based on the information available, have no particular findings to report.

We obtained with sufficient advance from the Board of Directors and also during its meetings, information on the general operating performance and on the business outlook, as well as details of the most significant transactions – in terms of size or characteristics – carried out by the Company and its subsidiaries. We have no comments to make based on the information obtained.

We maintained a regular exchange with the external auditors of information of relevance to the performance of supervisory activities.

We obtained information from the Supervisory Board and no issues regarding the proper implementation of the organisational model were identified.

We gathered information on and reviewed the appropriateness of the organisational, administrative and accounting structure as well as checking its proper functioning. This involved gathering information from heads of department. We have no significant findings to report.

We gathered information on and checked – insofar as we are responsible – the adequacy and functioning of the accounting system, as well as its reliability in accurately reporting operations. This involved gathering information from heads of department and reviewing company documents. We have no significant findings to report.

No reports by the shareholders in terms of Article 2408 of the Italian Civil Code have been received.

During the period, the Board of Statutory Auditors did not issue any legal opinions or observations.

2) Observations regarding the financial statements

As reported in the External Auditors' Report, "the financial statements provide a true and fair view of the balance sheet and financial position of ROSETTI MARINO S.p.A. at 31 December 2021 and of its result and cash flows for the year then ended, in accordance with Italian statutory reporting requirements".

To the best of our knowledge, when preparing the financial statements, the Directors did not depart from statutory reporting requirements under Article 2423(5) of the Italian Civil Code.

3) Comments and proposals regarding approval of the Financial Statements

Considering the results of our work and the audit opinion expressed by the External Auditors, we invite the shareholders to approve the financial statements at 31 December 2021, as prepared by the Directors.

The Board of Statutory Auditors agrees with the allocation of the net loss for the year proposed by the Directors in the Notes to the Financial Statements.

Ravenna, 11 April 2022

For the Board of Statutory Auditors

The President

Gian Luigi Facchini

4. 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 FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Rosetti Marino S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2021, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its 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 Financial Statements* section of our report. We are independent of 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 Financial Statements

The Directors are responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 Company's financial reporting process.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the Company as at December 31, 2021, including its consistency with the related 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 financial statements of Rosetti Marino S.p.A. as at December 31, 2021 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 financial statements of Rosetti Marino S.p.A. as at December 31, 2021 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 entity 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 14, 2022

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

5. MINUTES OF SHAREHOLDERS' MEETING HELD TO APPROVE
THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

The Shareholders' General Meeting of Rosetti Marino S.p.A. – registered office at Via Trieste, 230, Ravenna, Ravenna Register of Companies, Tax Number and VAT Number 00082100397 and wholly paid Share Capital of € 4,000,000 – met at the Company's registered office at 1030 hours on 29 April 2022.

The General Meeting was convened for this day, at the designated time and place, through an announcement published in the Official Gazette of the Italian Republic – Announcements Page no 40 of 07/04/2022 and through announcements published on 08/04/2022 in the Euronext Growth Milan section of the web site of Borsa Italiana www.borsaitaliana.it and in the Investor Relations Section of company web site www.rosetti.it in order to discuss and decide upon the following

Order of Business

- 1) Review and approval of the Statutory Financial Statements for the year ended 31/12/2021, accompanied by the Directors' Report, the Board of Statutory Auditors' Report and the External Auditors' Report; presentation of the Consolidated Financial Statements at 31/12/2021. Related business and resulting resolutions.
- 2) OMISSIS.

The following Directors were present for the Board of Directors:

- Stefano Silvestroni – Chairman;
- Luca Barchiesi – Deputy Chairman and Managing Director;
- Ermanno Bellettini – Deputy Chairman and Managing Director;
- Gabriele Franco – Managing Director;
- Maria Alejandra Berardi – Director;
- Giovanni Baracca – Independent Director;
- Giorgio Zuffa – Director,

while Managing Director Oscar Guerra (currently in Dubai for an important work meeting with a leading client) and Director Luca Gentili were justifiably absent.

The following Statutory Auditors were present for the Board of Statutory Auditors:

- Gian Luigi Facchini – President of the Board of Statutory Auditors;
- Renzo Galeotti – Statutory Auditor;
- Norberto Rosini – Statutory Auditor.

Preliminary matters

In accordance with the Articles of Association, the General Meeting was chaired by the Chairman, Stefano Silvestroni.

Mr Silvestroni confirmed that the General Meeting was properly constituted to decide upon the matters included in the Order of Business as the following four Shareholders, owners of a total of 3,947,600 shares equal to 98.69% of the Share Capital, were present, either in person or by proxy:

- ROSFIN S.p.A., owner of 2,247,600 (two million, two hundred and forty-seven thousand, six hundred) shares, equal to 56.19 % of Share Capital, represented by its Chairman and Legal Representative Gianfranco Magnani, holder of the necessary powers under the Articles of Association;
- SAIPEM S.A., owner of 800,000 (eight hundred thousand) shares, equal to 20% of Share Capital, represented by Francesca Mambelli, on the basis of a proxy filed with the Company and issued by Chief Executive Officer and Legal Representative of said company, Bertrand Marechal, on 22 April 2022;
- COSMI HOLDING S.p.A., owner of 700,000 (seven hundred thousand) shares, equal to 17.5% of Share Capital, represented by Francesca Mambelli, on the basis of a proxy filed with the Company and issued on 22 April 2022 by the Sole Director of said company, Sonia Resca;
- ROSETTI MARINO S.p.A., owner of 200,000 (two hundred thousand) shares, equal to 5% of Share Capital, in relation to which, given their status as treasury shares held by the Company, the Chairman duly notes that voting rights are suspended in terms of Article 2357-ter (2) of the Italian Civil Code; said company was represented by its Chairman and Legal Representative Stefano Silvestroni, holder of the necessary powers under the articles of association.

The Chairman declared the meeting open and recalled that:

- the current Share Capital of Rosetti Marino S.p.A. is wholly paid and amounts to € 4,000,000.00, comprising 4,000,000 shares with a nominal value of € 1.00 each;
- since 06/12/2012, the Company has been listed on the AIM Italy – Alternative Capital Market managed by Borsa Italiana and, therefore, in compliance with the applicable Rules, on 08/04/2022, a notice convening the General Meeting was published on the Borsa Italiana web site in the Euronext Growth Milan section and on the Company's own web site;
- checks on compliance with deadlines laid down by law and by the Articles of Association for legitimization of exercise of rights relating to the shares have been performed;
- voting is public and it is proposed that votes should be expressed by a show of hands.

As proposed by the Chairman, the General Meeting nominated Alfonso Levote to act as Secretary and he accepted.

The General Meeting then moved on to deal with the matters on the Order of Business.

- 1) Review and approval of the Statutory Financial Statements for the year ended 31/12/2021, accompanied by the Directors' Report, the Board of Statutory Auditors' Report and the External Auditors' Report; presentation of the Consolidated Financial Statements at 31/12/2021. Related business and resulting resolutions.

With regard to the first matter on the Order of Business, the Chairman recalled that:

- as required by law, copies of the Financial Statements were made available at the Company's Registered Office in the 15 days prior to the General Meeting;
- the Shareholders present today have been issued with a file called "ROSETTI MARINO – Statutory Financial Statements as at 31 December 2021" containing:
 - Directors' Report on Operations;

- Board of Statutory Auditors' Report;
- The Financial Statements;
- Notes to the Financial Statements;
- Attachments to the Financial Statements;
- External Auditors' Report;
- since 14/04/2022, the Financial Statements have also been available online, having been published on the web sites of Borsa Italiana and the Company itself;
- the Consolidated Financial Statements for 2021, approved by the Board of Directors on 31/03/2022 and containing the "Directors' Report on Operations, accompanying the Consolidated Financial Statements as at 31 December 2021", the "Consolidated Financial Statements as at 31 December 2021" and the "External Auditors' Report on the Consolidated Financial Statements", have been made available on the websites of Borsa Italiana and the Company; moreover, a printed copy was issued before the start of today's meeting to all those present.

The Chairman then recalled the following highlights from the financial statements as at 31 December 2021 (in Euro):

BALANCE SHEET

Assets	€ 289,881,544
Liabilities	€ 177,672,969
Shareholders' Equity	€ 112,208,575

INCOME STATEMENT

Value of Production	€ 122,853,922
Costs and Taxes	€ (170,135,046)
Loss for the year	€ (47,281,124)

At the request of a Shareholder and with the consent of the General Meeting, the remainder of the Notes to the Financial Statements were not read out.

The Chairman read out the report of external auditors Deloitte & Touche on the financial statements; it contained an unqualified audit opinion.

The Chairman then read the resolution proposed by the Board of Directors to take the net loss for the year of € 47,281,123.80 to accumulated losses.

At the invitation of the Chairman of the Board of Directors, the President of the Board of Statutory Auditors addressed the meeting and read out the Statutory Auditors' Report in terms of Article 2429 of the Italian Civil Code.

The Chairman declared open the discussion of the first item on the Order of Business.

Gianfranco Magnani addressed the Meeting on behalf of Parent Company Rosfin SpA. He announced said company's support for the proposals before the General Meeting and note that, taking account of the results reported for 2021, the Parent Company:

- a) is aware of the impact of uncontrollable international factors on the heavy loss reported for 2021 and that these factors include the domino effect of the Covid-19 pandemic (still ongoing) on the Company business and the related slump in oil prices at the beginning of 2020, resulting in the suspension of all Oil Company investment for more than a year; throughout 2021, this suspension continued to have a negative impact on the global Oil & Gas industry;
- b) is fully confident that there will be a return to positive operating trends and/or results in the near future, thanks not only to the general, stable return of investment announced by leading International Oil Companies in the second half of 2021 but also to the numerous, significant orders for important new contracts taken by the Rosetti Group in the last few months, especially in the Oil & Gas segment of the Energy sector which has always been by far the most important area of business activity for both Rosetti Marino SpA and the Group as a whole;
- c) has full confidence that, despite concern caused by the recent military conflict in Ukraine and also thanks to the experience acquired and new problems faced in the very difficult years 2020 and 2021, the Directors will prove capable of continuing to update the internal business organisation whenever necessary and will also continue to monitor market changes, in order to predict how it will evolve and adapt as necessary to face up to new threats and make the most of new opportunities.

The Chairman of Parent Company Rosfin SpA concluded his intervention by reiterating its support for approval of the Financial Statements as at 31 December 2021 and for the proposed allocation to accumulated losses of the net loss for the year of € 47,281,123.80.

Francesca Mambelli addressed the Meeting on behalf of shareholders Cosmi Holding SpA and Saipem SA and announced her support for the proposals, fully backing the comments made by Gianfranco Magnani.

No other Shareholder asked to address the Meeting.

At the end of the discussion, the Chairman thanked those present and proceeded with a vote on the Financial Statements of Rosetti Marino S.p.A. as at 31 December 2021 (Financial Statements, Notes and Attachments), as accompanied by the Directors' Report on Operations, the Board of Statutory Auditors' Report and the External Auditors' Report, together with the proposed allocation of the net loss for the year of € 47,281,123.80 to accumulated losses.

The Chairman invited the General Meeting to vote by a show of hands. Three shareholders with voting rights—owners of a total of 3,747,600 shares, equal to 93.69% of Share Capital – were present either in person or by proxy. Having completed the voting process, the Chairman declared that the General Meeting of the Company, with the unanimous support of all Shareholders present and entitled to vote

HAD RESOLVED

- 1.a) to approve the Financial Statements as at 31 December 2021;
- 1.b) to take the net loss for the year of € 47,281,123.80.

Before moving on to the next point on the Order of Business, the Chairman informed the Shareholders that, on 31 March 2021, the Company Board of Directors had approved the Consolidated Financial Statements at 31/12/2021 with a consolidated loss of € 54,727 thousand. He also stated that the document had been made available through publication on the websites of Borsa Italiana and the Company with effect from 14/04/2022, as well as being issued to all of those present at today's General Meeting.

The Chairman invited the General Meeting to acknowledge the approval of the 2021 Consolidated Financial Statements by the Board of Directors on 31 March 2022 and the presentation of those Financial Statements at today's General Meeting which was attended, in person or by proxy, by three Shareholders representing a total of 3,747,600 Shares, or 93.69% of Share Capital.

Mr Silvestroni then put his proposal to a vote and, once voting had been completed, the Chairman declared that the General Meeting unanimously

ACKNOWLEDGED

that the Consolidated Financial Statements at 31/12/2021 had been approved by the Board of Directors' meeting on 31/03/2022, that the Consolidated Financial Statements at 31/12/2021 had been published on the websites of the Company and Borsa Italiana and, finally, that the Consolidated Financial Statements at 31/12/2021 had been presented to today's General Meeting.

The General Meeting then proceeded to deal with the next item on the Order of Business.

2) OMISSIS.

As there was no other business, the Chairman declared the General Meeting over at 1110 hours.

THE SECRETARY

Alfonso Levote

THE CHAIRMAN

Stefano Silvestroni