ROSETTI MARINO

Financial Statements at 31/12/2019

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1. DIRECTORS' REPORT ON OPERATIONS, ACCOMPANYING THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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 profit of Euro 188 thousand after depreciation and amortisation of Euro 2,858 thousand, allocations to provisions for risks of Euro 373 thousand, impairment adjustments to investments of Euro 2,080 thousand and allocations to income tax provisions of Euro 3,016 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 characterised by a further recovery in production activity and it increased by 17% compared to prior year (Euro 205 million in 2019 against Euro 175 million in 2018).

Unfortunately, the increase in production activity is not reflected in operating profit. Rather, margins were clearly unsatisfactory and were affected, above all, by a deterioration in profit on the two main Energy Business Unit projects in progress at the Piomboni Yard. The cost increase of the Project destined for the United Kingdom has been partially covered by several incentives already granted by the Client to the Company after it recognised the valid reasons for the cost increase, even though no such incentives were due by contract. Meanwhile, a different situation has materialised in relation to the Project destined for Denmark; in this case, too, the Client has recognised significant incentives in favour of the Company, even though they have not yet been received. However, in this case, the increase in project costs is greater than the revenue increase approved so far by the Client and, for this reason, the Company's Operations Management is proposing new forms of incentive to the Client in an attempt to limit the loss. The damaging effect of the Danish Project has not been covered by the contribution from Projects carried out abroad. However, they did achieve better than budgeted results and made a decisive contribution – together with the dividends received from the Group's foreign companies – in ensuring the Company broke even for the year.

The year 2019 was also characterised by the restart – albeit still with limited volumes – of shipbuilding activities at the San Vitale Yard where an encouraging volume of orders for new Projects was received (Euro 31,691 thousand) in both the merchant shipping and Superyacht segments. The shipbuilding business also saw the start of operations in the Repair & Refit sector – made possible by the availability of the Drydock at the San Vitale Yard which came under the direct management of the Company in the first few months of 2019. Repair & Refit activities made a positive contribution to the results for the year and this new service is considered an important opportunity for product diversification and to mitigate business risks. Another important success in terms of product diversification was achieved by the first acquisition – for the Company – of a contract to build the Jacket for a Windpower platform destined for the Atlantic Ocean off the coast of France. As well as being the first Project for a new market sector which is expected to expand, this contract is particularly important because it includes options for two more Jackets that could be awarded to the Company in 2020 and 2021. Another significant event in 2019 was the acquisition of a UAE company based in Abu Dhabi and renamed "Rosetti Ali&Sons (RAS)". RAS is jointly owned with an important local partner thanks to which has given RAS access to a 40 hectare shipyard in the Port of Abu Dhabi. RAS has already obtained an operating licence, has been approved by the most important client in the United Arab Emirates and is currently submitting tenders with the aim of starting to operate partially as early as 2020. This initiative represents another significant step in the process of geographical diversification which the Company has been pursuing for several years and which seeks to increase in Group's presence in the Middle East where action

has also been taken with a view to stabilising the presence in Qatar. In Qatar, in 2019, the Company successfully delivered – to the full satisfaction of the Client – the first offshore platform ever built in the country. These Middle East initiatives are particularly significant at a time when there has been a sharp, new and unexpected slump in oil prices; in fact, countries in the Middle East have the world's lowest oil production costs and will, probably, be best placed to deal with such challenging market conditions.

Results also failed to live up to expectations in terms of new orders taken which totalled Euro 47,150 thousand. In particular, for the Energy Business Unit, the modest result achieved was mainly due to customer decisions to postpone several important Final Investment Decisions (FID) to 2020. The recent slump in oil prices, combined with the negative effects of the Covid-19 Pandemic on the market as a whole, leads to justified concern over the actual intention of the Oil companies to undertake new production investment. This is especially true in the Geographical Areas covered by the construction activities of the Piomboni Yard – it currently operates almost exclusively for the North Sea, an area with some of the world's hydrocarbon production costs.

Finally, we note that the financial statements have benefited to a significant extent from dividends totalling Euro 5,803 thousand received from subsidiaries and have been penalised by Euro 3,583 thousand of foreign taxes paid as a result of the good results reported by some of our foreign branches and which could not be recovered in the form of tax credits.

A selection of the key performance indicators is provided below:

	31.12.19	31.12.18
G.I.P. (in thousands of Euro)	205,113	175,108
(A1+A2+A3 of the Income Statement)		
EBITDA (in thousands of Euro)	(560)	21,838
(A+B-10-12-13 of the Income Statement)		
EBITDA / GIP	(0.27%)	12.47%
EBIT (in thousands of Euro)	(3,790)	17,679
(A+B of the Income Statement)		
EBIT / GIP	(1.85%)	10.10%
Profit before tax (in thousands of Euro)	3,204	11,171
Profit before tax / GIP	1.56%	6.38%
Net profit (in thousands of Euro)	188	5,475
(Income Statement item 21)		
Net profit / GIP	0.09%	3.13%
R.O.E. (Net profit / Opening equity)	0.11%	3.37%

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 value of production generated in 2019 was mainly produced by the Energy Business Unit and it increased significantly (+14%) compared to prior year (Euro 199 million in 2019 against Euro 175 million in 2018).
In more detail, production activities were carried out in the Offshore Oil & Gas Platform sector (Euro 174 million), the Subsea sector (Euro 2 million), the Technical Service sector (Euro 14 million) and the Onshore sector (Euro 9 million).
In the field of Oil & Gas Platforms, activities mainly regarded: a Production Platform destined for the United Kingdom that will be completed at the Piomboni Yard in the Spring of 2020 and later installed and put into operation at sea; the Living Quarters Module built in Qatar to the great satisfaction of the client which is currently being implemented; and the Multi Utility Platform destined for Denmark whose construction will continue throughout 2020 and for half of 2021. In all three cases, work has proceeded in line with timetable and with great client satisfaction. In particular, delivery of the Living Quarters Module was acclaimed – also in political circles – in Qatar, as it was the first Platform ever built in the country which is still subject to embargoes imposed by a number of Arab countries, including those that, historically, built structures of this type for the State of Qatar. However, all three projects ran up far higher costs than budgeted because of engineering delays, increases in procurement costs and, especially, of sub-contract construction work. These cost increases have been partially covered by incentives agreed with the clients but, for the Danish project in particular, the incentives so far approved are far lower than the losses and negotiations are still underway with the client with the aim of reducing the losses.
In the Technical Services field, the Company operated successfully, especially in Egypt where, however, work will finish at the start of 2020. The Company is now pursuing new commercial opportunities, with particular interest in Nigeria where it operates in collaboration with JV company RPL.
Onshore activities were mainly concentrated on Engineering and Procurement for projects destined for Kazakhstan which are being carried out by local JV KCOI. These activities will continue in the first half of 2020 and, hopefully, will be followed by similar projects for the same client.
In the Subsea area, two projects for Libya were completed during the year and, for now, no further contracts of this type are expected in the short-term.
Finally, towards the end of the year, work began – for now Engineering and Procurement only – on the first Wind Platform project ever acquired by the Company. The project regards a Jacket destined for the French Offshore industry in the Atlantic Ocean. Its construction will take place mainly in 2020 and, hopefully, it will be followed by two more, identical jackets for which there are contractual options and which should be assigned in 2020 and 2021.

Shipbuilding Business Unit

After a standstill of nearly two years, the Shipbuilding Business Unit registered a recovery in production activities in 2019 with the reopening of the San Vitale Yard and turnover of around Euro 3 million.
In addition to the start of work on Superyacht 123 which work will continue until early 2021, in the second half of 2019, the Company started work on the project for an LNG powered tugboat (C125) and a barge with cryogenic storage tanks for the transportation and bunkering of LNG for cruise ships coming into the Port of Venice. This project is particularly important in terms of its innovative, technological content because it is the first unit of this type ever built in Italy and because the use of LNG in global shipping is expected to increase greatly, meaning that this type of unit could have an important commercial future. Construction work on this project, too, will continue until mid-2021.
Finally, in 2019, the Company embarked upon a new business, entering the Ship Repair & Refit market. This was made possible by the fact that the Company has taken back operation of the drydock at the San Vitale yard. Strategically, we believe the Company's Repair & Refit activities should focus mainly on the Superyacht Market.

However, given the lack of a track record in that field, in 2019, the Company operated – with decent margins – exclusively in the merchant shipping sector and undertook commercial initiatives on the Superyacht Market together with a partner already active on the market for smaller yachts.

CAPITAL EXPENDITURE

In 2019, the Company incurred capital expenditure totalling Euro 24,348 thousand with Euro 701 thousand invested in intangible assets, Euro 2,767 thousand in tangible assets and Euro 20,880 thousand in equity investments.
The main investments in intangible assets regarded the purchase and implementation of software intended improve certain business processes and improvements to the wharf at the San Vitale yard.
Investments in tangible assets regarded all three production sites. They included improvements to industrial buildings at the San Vitale Yard (Euro 669 thousand) and the purchase of the "ATM Mariner" barge from subsidiary Rosetti General Contracting Construcoes e Servicos Lda (Euro 1,810 thousand).
Capital expenditure on equity investments mainly includes Euro 9,390 thousand to acquire 35% of Kcoi Llp from subsidiary Rosetti Kazakhstan Llp, Euro 7,323 thousand to acquire 49% of Rosetti Ali & Sons Llc, Euro 150 thousand to acquire a further 10% interest in Rosetti SuperYachts SpA plus Euro 3,000 thousand for the recapitalisation of Basis Engineering S.r.l and Euro 1,000 thousand for the recapitalisation of Rosetti SuperYachts Spa.

EQUITY INVESTMENTS

Direct investments in subsidiaries and associated companies underwent the following changes in 2019:
- acquisition of a 49% interest in Rosetti Ali & Sons Llc, a company based in the United Arab Emirates;
- acquisition (from subsidiary Rosetti Kazakhstan Llp) of a further 35% interest in Kazakhstan-based company. The percentage interest directly held by Rosetti Marino Spa has, thus, increased to 45%;
- acquisition of a further 10% interest in subsidiary Rosetti SuperYachts Spa, a company based in Ravenna, which is now wholly owned;
- incorporation of Rosetti Marino Ooo, a company based in Russia, through subscription of 90% of share capital;

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, Fores Engineering Algerie Eurl and Fores Do Brasil Ltda: design, construction and maintenance of automation and control systems;
- Basis Engineering Srl, Basis Congo Sarl, Basis Pivot Ltd and Tecon Srl: engineering companies mainly involved in multi-disciplinary design of oil and petrochemical facilities;
- Rosetti Libya Jsc, Kazakhstan Caspian Offshore Industries Llp, Rosetti Kazakhstan Llp, Rosetti Marino Mocambique Ltd, Rosetti UK, Rosetti Pivot Ltd, Rosetti Congo Sarl, Rosetti Marino Ooo and Rosetti Marino Project Ooo: companies that construct offshore and onshore oil facilities;
- Rosetti Marino Singapore Pte: supply of technical services;
- Rosetti General Contracting Lda: ship rental/charter;
- Rigros S.r.l.: management of a plot of land designated for industrial use.
- Rosetti SuperYachts Spa: superyacht building.

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 (amply 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:

	31.12.19	31.12.18
Short-term NFP (in thousands of Euro) (C.III + C.IV of Assets – D.4 current of Liabilities)	99,550	112,504
Fixed assets coverage margin (in thousands of Euro) (M/L term liabilities + total equity – fixed assets)	110,790	135,021
Fixed assets coverage ratio (M/L term liabilities + total equity / fixed assets)	2.16	2.68
Financial independence index (Total equity / Total assets)	47.88%	54.63%
Ratio of financial income(expense) to GIP (Income Statement items 16+17+17bis / GIP)	+0.41%	-0.29%

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 Company has a healthy, positive net financial position and has obtained a good rating from the banks with which it deals. Accordingly, there are no difficulties in raising financial resources or risks associated with interest rate fluctuation.
The 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.

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, the Company carried out training and professional development activities that involved many employees while investing a sum equal to 2.45% of personnel costs.
The "Rosetti Academy" training project continued following its launch in 2018. It focuses on the training and development of personnel, across all categories within the Company, involving both management personnel and high potential young people. A total of around 90 persons was involved in the project during the year. The project will grow and develop in the years ahead with the goal of training the next generation of Rosetti Marino Group managers. 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 2019, the headcount stood at 369 employees (including 37 employees currently seconded to foreign subsidiaries and associated companies). This represents a 20 employee increase on prior year (while the number of employees whose contracts are currently suspended because of foreign secondment has decreased by 26). The increase in the total headcount is due to an increase in the number of employees with permanent contracts (+21 employees) while the number of employees with fixed-term contracts has decreased by one.
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.

Activities relating to Legislative Decree 231/11 on administrative responsibility

For 2019, 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 deal with in the medium term. For these reasons, the Company is committed to the constant search for solutions that guarantee the responsible use of natural resources, efficient energy consumption and management of atmospheric emissions.
The attention paid to environmental issues is borne out by the fact that the 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 Srl, Basis Engineering Srl, Rosetti Marino UK, Rosetti General Contracting Lda, Rosetti Kazakhstan Llp, Rosetti Marino Mocambique Ltd, Rosetti Libya Jsc, Rosetti SuperYachts S.p.A., Tecon S.r.l. and Rosetti Marino Singapore Pte.) 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 2019 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	245	8,851	0	26
Basis Engineering Srl	383	11,368	0	11
Rosetti Kazakhstan Llp	317	106	0	0
Rosetti Marino Singapore Llp	39	36	0	0
Tecon Srl	0	174	0	0
Rosetti General Contracting Lda	25	0	0	0
Rosetti Superyachts Spa	3,439	0	0	0
Associated Companies:				
KCOI Llp	8,290	114	0	307
Rigros Srl	0	0	0	5
Rosetti Congo Sarl	285	0	0	2
Rosetti Pivot Ltd	918	137	0	168

The following table contains details of the financial relations (expressed in thousands of Euro) that took place in 2019 with subsidiaries, associated companies, parent companies and companies controlled by parent companies:

Description	Financial receivables	Trade receivables	Financial payables	Trade payables
Parent Company:				
Rosfin Spa	12	0	0	0
Subsidiaries:				
Fores Engineering Srl	4,000	185	0	2,806
Basis Engineering Srl	2,500	174	0	2,025
Rosetti Kazakhstan Llp	0	166	0	4,695
Rosetti Marino Singapore Ltd	0	61	0	0
Tecon Srl	0	0	0	221
Rosetti Superyachts Spa	0	2,019	0	0
Rosetti Marino Mozambique Ltd	0	0	1	0
Rosetti Libya Jsc	0	0	281	0
Associated Companies:				
KCOI Llp	13,000	1,131	0	0
Rigros Spa	1,550	5	0	0
Rosetti Marino Project Ooo	80	0	0	0
Rosetti Congo Sarl	300	304	0	0
Rosetti Pivot Ltd	540	2,631	0	0

Research and development

In 2019, 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 2019, we incurred R&D costs totalling Euro 2,698 thousand.

These activities have regarded the following projects, in particular:
- project called Rosmanditen involving the study, design and development of IT solutions to simulate ASD tugboat manoeuvring;
- acquisition of new technical skills and understanding for the development of an innovative integrated desalination system for the production of pure water;
- acquisition of new theoretical and applied skills in order to develop innovative concepts in the field of wind substations;
- acquisition of new theoretical and applied skills for the design and development of innovative, modular solutions, that minimise structural weight and simplify construction and assembly, in the field of wind substations;
- acquisition of new understanding and new technical skills with regard to the basic concepts that may be applied in designing and developing innovative solutions for topside Oil&Gas Ultra High Pressure and High Temperature;
- acquisition of new understanding and new technical skills through feasibility studies for the development of new technologies, using a multi-function platform, for the towage, transport and launch of vessels with all shapes of hull.

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

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:
- San Vitale Yard (port of Ravenna): Shipbuilding activities;
- Milan Offices (premises of subsidiary Basis Engineering): engineering design of Energy sector projects;
- Poland Branch: assisting a client with the conversion of a mobile drilling platform into an oil production platform;
- Libya Branch: currently dormant**;**
- Abu Dhabi Branch: currently dormant;
- Algeria Branch: integration of a telecoms system along a 570 km pipeline in Algeria.
- Qatar Branch: construction of an accommodation module and revamping of an existing platform.
- Kazakhstan Branch: engineering and procurement activities for Project Rie.

BUSINESS OUTLOOK

The order backlog, comprising orders acquired but not completed at 31 December 2019, stands at around Euro 188 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 155 million, including Euro 129 million in the Oil & Gas Platform segment, Euro 9 million in the Wind segment and Euro 17 million in the Onshore segment.
It is fairly realistic to believe that the sudden, dramatic slump in the price of oil recorded in March 2020, together with the global economic effects of the Covid-19 pandemic (analysed in more detail below), will have severe repercussions on the new investments that Energy Companies decide to undertake. In particular, in the Oil & Gas industry, it is likely that new investment in those parts of the world with the highest production costs – e.g. the North Sea – will be postponed or cancelled. Meanwhile, we expect investment in areas with lower production costs, like the Middle East, to be confirmed. Moreover, also based on discussions held to date with leading clients, we believe that investments already underway - and which have reached a good level of progress – can be expected to continue uninterrupted. Finally, at such a difficult time, it is probable that maintenance projects or projects to maintain production at facilities already partially or fully depreciated will not be suspended; the reduction in investment in new facilities will almost certainly lead to decisions focusing on the increased exploitation of existing facilities, through "Brownfield" projects.
Based on these considerations we believe that, once the existing order backlog has been completed, the production site that could be worst affected by the market related difficulties is the Piomboni Yard – it is currently working solely on Greenfield projects for the North Sea. In contrast, the development of the Business could be assisted by the recent positioning gained in the Middle East and, especially, in Qatar – also thanks to recent developments in the local competitive environment which have been favourable for the Group – and in the United Arab Emirates, where local JV company RAS recently become an approved vendor of the Abu Dhabi National Oil Company. In both Qatar and the UAE, the Company is currently taking part in some highly interesting competitive tendering processes. Therefore, it is foreseeable that the major efforts made in recent years to penetrate the market in the Middle East, as strongly supported by the high level of performance of the facilities realised in that part of the world, will open up interesting growth opportunities for the Group in that area, even in times of turbulence on the oil market in light of the recent oil price crash.
In the Technical Services segment, the Company has been tendering for Operation & Maintenance services since last year. This type of activity should not be particularly affected by the oil price slump and, through Nigerian subsidiary RPL, the Company is tendering for a contract from Nigeria's largest oil company – the contract should be awarded in the first half of 2020.
Likewise, it is reasonable to believe that the client projects on which the Company is working in Kazakhstan – through local subsidiary KCOI – will be able to continue as they have already reached a very advanced stage; the new tendering processes the Company is taking part in will also be completed. Moreover, given the nature of the Kazakhstan economy, which is primarily based on the extractive industry, in the current environment, it is likely that incentives to encourage the expansion of existing deposits through the development of new extraction facilities will be introduced. This would enable us to speed up the return on the significant commercial investments made in Kazakhstan while also making further development a probability.
Finally, in the Offshore Wind sector, it is reasonable to believe that investment will slow down because of the loss in demand caused by the Covid-19 pandemic and, generally, the loss of competitiveness of Renewable Energy compared to the low cost of fossil fuels. This factor – not a certainty as yet – could have repercussions on the workload of the Piomboni Yard.

Shipbuilding Business Unit

As previously mentioned, the Shipbuilding Business Unit has enjoyed something of a recovery. As at 31 December 2019, the order backlog stood at Euro 33 million, including Euro 22 million in the Tugboat sector, Euro 10 million in the Superyacht sector and Euro 1 million in the Repair & Refit sector.
The global economic crisis triggered by the Covid-19 pandemic should not badly affect Superyacht clients. Indeed, there could be greater market interest in such vessels as they are considered safer than cruise ships. In contrast, cruise ship sales will suffer for the short to medium term. In fact, during the most recent nautical crisis that began with the economic downturn in September 2008, the Superyacht segment was anti-cyclical and there was no significant drop in demand.
In 2020, the first Superyacht produced by subsidiary RSY will reach a good level of progress and there is strong market interest in this product. We believe that the combined effect of these two factors can constitute an important success factor for the positioning of the company in the Superyacht segment. We expect that, from 2020, the Company will start to enjoy the commercial satisfaction it expected when the decision to enter this market was taken.
At the same time, we will continue to pursue commercial opportunities that become available in the merchant shipping sector. In this area, we are looking closely at possibilities relating to LNG vessels, even though a temporary slowdown in demand can be expected because of the problems faced by the cruise companies. We will also seek to exploit the company's excellent positioning in certain foreign countries to extend our offering to include the Shipbuilding Market. In particular, we are currently preparing a very interesting offer for a certain number of tugboats and pusher craft for Qatar.
Finally, our Repair & Refit activities for merchant ships will continue and, hopefully, similar activities for Superyachts will be launched.

COVID-19

Since January 2020, Italy and the rest of the world have been affected by the spread of Covid-19 and by the restrictive measures introduced by the public authorities in affected countries in an attempt to contain the virus. These circumstances are extraordinary in both scope and nature and are producing repercussions, both direct and indirect, on economic activity. They have created an environment of general uncertainty and future developments and related effects cannot be foreseen at present.
Company Management moved swiftly to assess the likely effects on operations based on the information available and the scenarios that seemed likely to materialise. This assessment was carried out in order promptly to draw up an action plan to deal with the situation.
In more detail, in terms of the potential impact on operating activities, we highlight the fact that the health emergency has led to the temporary suspension of activities at the Ravenna yards and to a slowdown at the main yards currently operational in other countries, as a result of limits on movements. These suspensions and slowdowns will not expose the Company to the risk of expenses due to failure to comply with contractual deadlines because they are clearly attributable to force majeure. Meanwhile, with regard to the main projects in progress, Company Management and the clients in question are currently seeking to reschedule the remaining activities, making the maximum use of the flexibility offered by contractual arrangements, in order to safeguard economic and technological performance even in the difficult, current situation. Management also believes it can limit the foreseeable negative economic consequences, especially in relation to the temporary suspension of activity at the Ravenna yards, by making use of the measures already introduced by the Italian Government i.e. using up annual leave accumulated by employees and using the *cassa integrazione* (an existing, government assisted "furlough" scheme).

Furthermore, the situation is not expected to have any worrying impact on the Company's financial position. In particular, the high level of cash and cash equivalents and investments in highly liquid securities whose nature means they are not exposed – except to a limited extent – to current turbulence on the financial markets will enable the Company to cope readily with the fall in value of production expected for the year in progress. Nonetheless, in order to avoid any reduction in the availability of liquid resources that could be triggered by the health emergency, Management has arranged three lines of credit, as an additional response to the current situation.
Finally, for accounting purposes, Management has concluded that the health emergency caused by Covid-19, which first emerged in China in January and only more recently in Italy, constitutes a subsequent event that need not be reflected in the amounts reported in the financial statements in accordance with Italian Accounting Standard OIC 29. Moreover, it does not constitute a subsequent event that could cast doubt on the Company's ability to continue to operate as a going concern, for the reasons outlined above. Accordingly, it has not been taken into account during the valuation process regarding the amounts reported in the Company's financial statements at 31 December 2019. Company Management has also assessed the potential effect that the situation triggered by the health emergency could have on the recoverability of assets reported in the financial statements, including trade receivables, and on compliance with covenants (at 31 December 2019 all covenants were respected in full) and has concluded that there are no issues in this regard. Nonetheless, the Directors will continue to monitor these matters constantly throughout the remainder of 2020.

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

Dear Shareholders,

The activities carried out by the Company in 2019 have generated a net profit of Euro 188,104.04.
Considering the results achieved and the highly positive financial position, we propose to the General Meeting to remunerate the shareholders by paying a dividend of Euro 0.50 per share with dividend rights. The dividend will be paid from the net profit for the year of Euro 188,104.04 and by taking Euro 1,711,895.96 from the extraordinary reserve.
Finally, we invite you to approve the financial statements, the accounting policies applied and the accompanying directors' report.

Ravenna, 30/03/2020

For the Board of Directors
The Chief Executive Officer
Oscar Guerra

2. FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019:

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

Balance Sheet

	31-12-2019	31-12-2018
Balance Sheet		
Assets		
B) Non-current assets		
I – Intangible assets		
4) concessions, licences, trademarks and similar rights	366,398	378,411
6) assets in progress and payments on account	25,195	121,186
7) other	918,311	457,362
Total intangible assets	1,309,904	956,959
II – Tangible assets		
1) land and buildings	48,340,524	48,832,903
2) plant and machinery	3,045,766	4,071,109
3) industrial and commercial equipment	256,203	158,564
4) other tangible assets	1,827,071	176,345
5) assets under construction and payments on account	384,316	451,366
Total tangible assets	53,853,880	53,690,287
III – Financial assets		
1) investments in		
a) subsidiaries	6,879,413	5,550,735
b) associated companies	17,820,684	402,333
d-bis) other entities	150,602	153,811
Total investments	24,850,699	6,106,879
2) receivables		
a) from subsidiaries		
due after more than a year	80,000	0
Total receivables from subsidiaries	80,000	0
b) from associated companies		
due within a year	540,088	0
due after more than a year	14,550,000	19,298,593
Total receivables from associated companies	15,090,088	19,298,593
d-bis) from others		
due after more than a year	168,348	318,348
Total receivables from others	168,348	318,348
Total receivables	15,338,436	19,616,941

Total financial assets	40,189,135	25,723,820
Total non-current assets (B)	95,352,919	80,371,066
C) Current assets		
I - Inventory		
1) raw, ancillary and consumable materials	105,678	256,455
3) contract work in progress	34,736,741	3,173,545
5) payments on account	9,029,273	6,109,538
Total inventory	43,871,692	9,539,538
II - Receivables		
1) due from clients (trade)		
due within a year	45,970,774	45,540,608
Total receivables from clients (trade)	45,970,774	45,540,608
2) due from subsidiaries		
due within a year	9,103,991	5,813,268
Total receivables from subsidiaries	9,103,991	5,813,268
3) due from associate companies		
due within a year	4,369,810	26,967,033
Total receivables from associated companies	4,369,810	26,967,033
4) due from parent companies		
due within a year	12,200	9,760
Total receivables from parent companies	12,200	9,760
5-bis) tax receivables		
due within a year	7,128,401	5,216,971
Total tax receivables	7,128,401	5,216,971
5-ter) deferred tax assets	5,941,955	5,498,757
5-quater) receivables from others		
due within a year	1,413,605	1,343,207
due after more than a year	229,481	284,492
Total receivables from others	1,643,086	1,627,699
Total receivables	74,170,217	90,674,096
III – Current financial assets		
5) derivatives – assets	4,926,182	6,466,666
6) other securities	64,404,021	57,296,330
Total current financial assets	69,330,203	63,762,996
IV – Cash and cash equivalents		
1) bank and post office accounts	57,234,645	56,628,051

2) cheques	0	0
3) cash and cash equivalents on hand	38,563	107,612
Total cash and cash equivalents	57,273,208	56,735,663
Total current assets (C)	244,645,320	220,712,293
D) Prepaid expenses and accrued income	433,613	483,888
Total assets	340,431,852	301,567,247
Liabilities and shareholders' equity		
A) Shareholders' equity		
I – Share capital	4,000,000	4,000,000
III – Revaluation reserves	36,968,663	36,968,663
IV – Legal reserve	800,000	800,000
VI – Other reserves, disclosed separately		
Extraordinary reserve	124,959,128	122,143,986
Sundry other reserves	1,941,369	1,941,369
Total other reserves	126,900,497	124,085,355
VII – Cash flow hedge reserve	(764,414)	(1,497,988)
IX – Profit (Loss) for the year	188,104	5,475,142
X – Negative reserve for treasury shares held	(5,100,000)	(5,100,000)
Total shareholders' equity	162,992,850	164,731,172
B) Provisions for risks and charges		
1) retirement benefits and similar obligations	341,367	492,991
2) taxation, including deferred tax	729,818	6,053
3) derivatives – liabilities	791,702	1,537,174
4) other	1,054,303	4,657,395
Total provisions for risks and charges	2,917,190	6,693,613
C) Employee severance indemnity / "TFR" provision	1,125,184	1,186,923
D) Payables		
4) bank borrowing		
due within a year	27,053,542	7,995,023
due after more than a year	39,108,150	42,780,586
Total bank borrowing	66,161,692	50,775,609
6) payments on account		
due within a year	33,881,800	43,325,719
Total payments on account	33,881,800	43,325,719
7) due to suppliers (trade)		
due within a year	52,300,562	23,064,350

Total payables to suppliers (trade)	52,300,562	23,064,350
9) due to subsidiaries		
due within a year	10,028,969	4,575,593
Total payables to subsidiaries	10,028,969	4,575,593
10) due to associated companies		
due within a year	0	37,500
Total payables to associated companies	0	37,500
12) tax payables		
due within a year	2,154,446	2,699,191
Total tax payables	2,154,446	2,699,191
13) due to social security and pensions institutions		
due within a year	1,411,165	1,221,864
Total payables to social security and pensions institutions	1,411,165	1,221,864
14) other payables		
due within a year	7,072,582	2,782,545
Total other payables	7,072,582	2,782,545
Total payables	173,011,216	128,482,371
E) Accrued expenses and deferred income	385,412	473,168
Total liabilities and shareholders' equity	340,431,852	301,567,247

Income Statement

	31-12-2019	31-12-2018
Income Statement		
A) Value of production		
1) revenue from sales and services	173,549,411	177,762,516
3) change in contract work in progress	31,563,196	(2,654,367)
4) increase in non-current assets due to own work capitalised	69,407	64,729
5) other revenue and income		
operating grant income	255,433	377,144
other	4,646,850	1,423,045
Total other revenue and income	4,902,283	1,800,189
Total value of production	210,084,297	176,973,067
B) Cost of production		
6) raw, ancillary and consumable materials and goods	70,727,687	53,875,321
7) services	108,093,133	62,917,380
8) leases and rentals	4,325,356	9,508,991
9) personnel		
a) wages and salaries	20,181,518	19,858,107
b) social contributions	4,901,015	4,970,448
c) employee severance indemnity	1,214,566	1,262,147
d) retirement benefits and similar obligations	198,962	507,608
e) other personnel costs	366,015	1,872,855
Total personnel costs	26,862,076	28,471,165
10) depreciation, amortisation and writedowns		
a) amortisation of intangible assets	347,624	279,175
b) depreciation of tangible assets	2,510,308	2,614,650
d) writedowns of current receivables and cash and cash equivalents	0	1,173,295
Total depreciation, amortisation and writedowns	2,857,932	4,067,120
11) change in inventory of raw, ancillary and consumable materials and goods for resale	150,778	13,101
12) provisions for risks	372,808	92,585
14) other operating expenses	485,010	348,808
Total cost of production	213,874,780	159,294,471
Difference between value and cost of production (A - B)	(3,790,483)	17,678,596
C) Financial income and expenses		
15) income from investments		
from subsidiaries	5,802,787	0

other	813	933
Total income from investments	5,803,600	933
16) other financial income		
c) from current securities other than equity investments	2,165,080	517,033
d) income other than the above		
from subsidiaries	37,704	38,148
from associated companies	482,462	374,159
other	63,284	666,118
Total income other than the above	583,450	1,078,425
Total other financial income	2,748,530	1,595,458
17) interest and other financial expenses		
other	1,347,327	1,502,464
Total interest and other financial expenses	1,347,327	1,502,464
17-bis) exchange gains and losses	(556,096)	(608,600)
Total financial income and expenses (15 + 16 - 17 + - 17-bis)	6,648,707	(514,673)
D) Adjustments to value of financial assets and liabilities		
18) revaluations		
a) of equity investments	764,682	43,827
b) of non-current financial assets other than equity investments	1,335,454	0
c) of current securities other than equity investments	48,980	0
d) of derivatives	473,382	19,173
Total revaluations	2,622,498	63,000
19) writedowns		
a) of equity investments	2,079,786	3,238,798
b) of non-current financial assets other than equity investments	0	1,335,454
c) of current securities other than equity investments	33,637	541,918
d) of derivatives	162,880	939,305
Total writedowns	2,276,303	6,055,475
Total adjustments to value of financial assets and liabilities (18 - 19)	346,195	(5,992,475)
Profit before taxation (A - B + - C + - D)	3,204,419	11,171,448
20) Taxes on income – current, deferred and deferred tax income		
current taxes	3,583,360	8,376,010
prior year taxes	(129,015)	(72,981)
deferred tax (income)	(438,030)	(2,606,723)
Total taxes on income – current, deferred and deferred tax income	3,016,315	5,696,306
21) Profit (Loss) for the year	188,104	5,475,142

Statement of cash flows, indirect method

	31-12-2019	31-12-2018
Statement of cash flows, indirect method		
A) Cash flows from operating activities (indirect method)		
Profit (Loss) for the year	188,104	5,475,142
Taxes on income	3,016,315	5,696,306
Interest expenses/(income)	(902,505)	(92,779)
(Dividends)	(5,806,721)	(2,904)
(Gains)/Losses from disposal of assets	(578,413)	(123,457)
1) Profit (loss) for the year before taxes on income, interest and gains/losses on disposals	(4,083,220)	10,952,308
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	2,124,327	4,197,017
Depreciation/Amortisation of non-current assets	2,857,932	2,893,825
Impairment adjustments	2,901,015	3,248,252
Adjustments to value of financial assets and liabilities (derivatives) not involving cash flows	733,575	(1,277,595)
Other increases/(decreases) due to non-cash items	(6,005,525)	2,118,173
Total adjustments for non-cash items with no impact on net working capital	2,611,324	11,179,672
2) Cash flows before changes in net working capital	(1,471,896)	22,131,980
Change in net working capital		
Decrease/(Increase) in inventory	(34,017,153)	3,633,625
Decrease/(Increase) in trade receivables	24,160,164	(11,102,578)
Increase/(Decrease) in trade payables	29,994,753	2,198,853
Decrease/(Increase) in prepaid expenses and accrued income	50,275	(170,689)
Increase/(Decrease) in accrued expenses and deferred income	(87,756)	394,030
Other decreases/(Other increases) in net working capital	(7,065,005)	8,610,198
Total changes in net working capital	13,035,278	3,563,439
3) Cash flows after changes in net working capital	11,563,382	25,695,419
Other adjustments		
Interest received/(paid)	902,505	92,779
(Taxes on income paid)	(1,399,449)	0
Dividends received	5,806,721	2,904
(Use of provisions)	(9,763,758)	(2,597,805)
Other receipts/(payments)	0	0
Total other adjustments	(4,453,981)	(2,502,122)
Cash flows from operating activities (A)	7,109,401	23,193,297
B) Cash flows from investing activities		
Tangible assets		
(Investments)	(2,767,260)	(793,561)
Disposals	116,812	30,720

Intangible assets		
(Investments)	(700,569)	(204,500)
Disposals	0	0
Non-current financial assets		
(Investments)	(16,942,580)	(1,821,271)
Disposals	5,693,959	168,348
Non-current financial assets		
(Investments)	(17,928,332)	(32,026,371)
Disposals	13,230,031	23,800,317
(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)	(19,297,939)	(10,846,318)
C) Cash flows from financing activities		
Debt		
Increase/(Decrease) in short-term bank borrowing	0	0
Loans arranged	35,000,000	50,000,000
(Loans repaid)	(19,613,917)	(33,735,331)
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)	(2,660,000)	(1,900,000)
Cash flows from financing activities (C)	12,726,083	14,364,669
Increase (decrease) in cash and cash equivalents (A ± B ± C)	537,545	26,711,648
Opening cash and cash equivalents		
Bank and post office accounts	56,628,051	29,994,307
Cheques	0	0
Cash and cash equivalents on hand	107,612	29,708
Total opening cash and cash equivalents	56,735,663	30,024,015
Of which not freely available for use	0	0
Closing cash and cash equivalents		
Bank and post office accounts	57,234,645	56,628,051
Cheques	0	0
Cash and cash equivalents on hand	38,563	107,612
Total closing cash and cash equivalents	57,273,208	56,735,663
Of which not freely available for use	0	0

Notes to the Financial Statements as at 31-12-2019

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 as there is no uncertainty in that regard.

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 2019 in compliance with the requirements of Article 2426 of the Italian Civil Code and the aforementioned accounting standards are as follows:

Intangible assets
Intangible assets are recognised at purchase or production cost, including related expenses. They are systematically amortised over their expected useful lives. When, irrespective of the amortisation already recorded, the value of an intangible asset is impaired, it is adjusted accordingly. If, in subsequent years, the grounds for an impairment loss cease to apply, the original amount is restored, except with regard to goodwill, consolidation difference and "Deferred expenses" in terms of Article 2426(5) of the Italian Civil Code.
Advertising and research costs are expensed in their entirety during the year in which they are incurred.

Tangible assets

Tangible assets are recognised at purchase or production cost, net of any grants towards capital expenditure and adjusted for certain assets in application of specific revaluation laws. Cost includes related expenses and direct and indirect costs to the extent reasonably attributable to the asset.

Tangible assets are systematically depreciated each year on a straight-line basis using rates of depreciation determined in relation to the residual useful lives of the assets. The rates applied are presented on the section of the notes containing comments on assets. Tangible assets are written down when impaired, irrespective of previously recognised depreciation charges. If the grounds for an impairment loss cease to apply in later years, the original amount is restored, 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 (classed 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 2019 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 in effective 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 expenses

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

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

Dividends

Dividends are recognised during the year in which distribution is approved by the company paying them.

Taxes on income for the year

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

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.

For a three-year period commencing in 2017, the Company has 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.

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 2018, 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 1,310 thousand (Euro 957 thousand at 31.12.2018) and are analysed as follows:
- "Concessions, licences, trademarks and similar rights", amounting to Euro 366 thousand, includes the net carrying amount of the consideration paid to acquire rights, expiring in 2050, on land adjacent to the Piomboni Yard.
- "Assets in progress and payments on account", amounting to Euro 25 thousand, represents the value of work performed up to 31.12.2019 on internal projects that have not yet been completed.
- "Other intangible assets" includes leasehold improvements of Euro 779 thousand (Euro 324 thousand at 31.12.2018) and software of Euro 139 thousand (Euro 133 thousand at 31.12.2018).

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	121.186	1.093.106	1.815.124
Amortisation (Accumulated amortisation)	-222.421		-635.744	-858.165
Net carrying amount	378.411	121.186	457.362	956.959
Changes during year				
Additions		25.195	675.374	700.569
Reclassifications (of net carrying amount)		-121.186	121.186	
Amortisation	12.013		335.611	347.624
Total changes	-12.013	-95.991	460.949	352.945
Closing amount				
Cost	600.832	25.195	1.889.666	2.515.693
Amortisation (Accumulated amortisation)	-234.434		-971.355	-1.205.789
Net carrying amount	366.398	25.195	918.311	1.309.904

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.

Intangible assets in progress and payments on account
The increase of Euro 25 thousand is due to work in progress on the updating of the software used to manage non-compliance, internal audit, lessons learned and corrective action (Euro 7 thousand) and to work performed on the drydock at the S. Vitale yard in relation to the separation of the waters used in the hull washing process (Euro 18 thousand).
The decrease of Euro 121 in this item compared to prior year is mainly due to completion of work on the updating of software used to keep the welding register (Euro 38 thousand) and on the reinforcement of the quay at the San Vitale yard (Euro 83 thousand).

Other intangible assets

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

Decreases totalling Euro 336 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.

Tangible assets

Tangible assets amount to Euro 53,854 thousand (Euro 53,690 thousand at 31.12.2018). 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 2019, ordinary depreciation, as shown in the specific table, was calculated based on rates reflecting the estimated useful lives of the tangible assets.

The rates applied were as follows.

Buildings:

- Buildings 3.00%
- Lightweight construction 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 under Laws 576/1975, 72/1983, 413/1991, 266/2005 and 2/2009.

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 payments on account	Total tangible assets
Opening amount						
Cost	40.935.040	21.116.090	2.938.658	2.272.953	451.366	67.714.107
Revaluations	34.849.492	1.325.928				36.175.420
Depreciation (Accumulated depreciation)	-26.951.629	-18.370.909	-2.780.094	-2.096.608		-50.199.240
Net carrying amount	48.832.903	4.071.109	158.564	176.345	451.366	53.690.287
Changes during year						
Additions	480.747	94.080	181.686	1.815.754	194.991	2.767.258
Reclassifications (of net carrying amount)	262.041				-262.041	
Disposals (of net carrying amount)	42.943	558.061	52.237	8.091		661.332
Depreciation	1.195.647	1.071.611	81.860	161.190		2.510.308
Other changes	3.423	510.249	50.050	4.253		567.975
Total changes	-492.379	-1.025.343	97.639	1.650.726	-67.050	163.593
Closing amount						
Cost	41.634.885	20.668.625	3.068.107	4.080.616	384.316	69.836.549
Revaluations	34.849.492	1.309.412				36.158.904
Depreciation (Accumulated depreciation)	-28.143.853	-18.932.271	-2.811.904	-2.253.545		-52.141.573
Net carrying amount	48.340.524	3.045.766	256.203	1.827.071	384.316	53.853.880

The main additions for the year included:
- Land and buildings: improvements to existing buildings at the S. Vitale Yard (Euro 669 thousand) and at the Piomboni Yard (Euro 49 thousand);
- Plant and machinery: purchase of an electric crane (Euro 45 thousand), a welding trolley (Euro 9 thousand) and a welding machine (Euro 7 thousand) at the site in via Trieste, purchase and installation of lifelines for two cranes at the Piomboni yard (Euro 27 thousand);
- Industrial equipment: purchase and installation of compressors at the drydock of the S. Vitale Yard (Euro 95 thousand);
- Other tangible assets: purchase of the barge “Mariner” from subsidiary Rosetti General Contracting Construcoes e Servicos Lda (Euro 1,810 thousand);
- Tangible assets under construction: work not yet completed on the electric overhead cranes at the Piomboni yard and at the headquarters (Euro 116 thousand) and work on the design of a new industrial building to be constructed at the S. Vitale Yard (Euro 70 thousand).

Decreases mainly relate to the depreciation charge for the year and to the sale of plant, machinery and industrial equipment.

Financial fixed assets

As at 31 December 2019, the Company has financial fixed assets totalling Euro 40,189 thousand (Euro 25,724 thousand at 31.12.2018).
This item includes investments in subsidiaries of Euro 6,879 thousand (Euro 5,551 thousand at 31.12.2018), investments in associated companies of Euro 17,821 thousand (Euro 402 thousand at 31.12.2018), investments in other entities of Euro 151 thousand (Euro 154 thousand at 31.12.2018) and non-current financial receivables of Euro 15,338 thousand (Euro 19,617 thousand at 31.12.2018).
Non-current receivables mainly include four medium term loans granted to subsidiary Rosetti Marino Project Ooo (Euro 80 thousand) and to associated companies Rigros Srl (Euro 1,550 thousand), Kazakhstan Caspian Offshore Industries Llp (Euro 13,000 thousand) and Rosetti Pivot Ltd (Euro 540 thousand).
The loan to subsidiary Rosetti Marino Projekt Ooo was disbursed during the year and is intended to cover the initial costs incurred by it.

The loan to associated company 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 was disbursed during the year in 2018 to cover its start-up operating expenses. In 2019, given the highly positive results of the associated company, the reasons for the partial impairment adjustment made to the loan in prior year ceased to apply.
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 2020-2022.

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	10.817.406	1.654.705	228.295	12.700.406
Revaluations	43.179	326.227	10.640	380.046
Writedowns	-5.309.850	-1.578.599	-85.124	-6.973.573
Net carrying amount	5.550.735	402.333	153.811	6.106.879
Changes during the year				
Acquisitions	150.255	16.712.325		16.862.580
Revaluations during the year		764.682		764.682
Writedowns during the year	2.821.577	76.229	3.209	2.901.015
Other changes	4.000.000	17.573		4.017.573
Total changes	1.328.678	17.418.351	-3.209	18.743.820
Closing amount				
Cost	14.967.661	18.384.602	228.295	33.580.558
Revaluations	43.179	1.090.910	10.640	1.144.729
Writedowns	-8.131.427	-1.654.828	-88.333	-9.874.588
Net carrying amount	6.879.413	17.820.684	150.602	24.850.699

The revaluations shown under "Other changes" regard the reversal of impairment adjustments made in prior years.

The following changes compared to prior year took place in 2019:
- Payment of Euro 3,000 thousand to subsidiary Basis Engineering S.r.l. 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 1,522 thousand;
- Acquisition of 10% of the share capital of subsidiary Rosetti Superyachts SpA for Euro 150 thousand;
- Payment of Euro 1 million 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 1,299 thousand;
- Incorporation of subsidiary Rosetti Marino Ooo with its head office in Odintsovo – a district of Moscow – and subscription of 90% of the wholly paid share capital (the carrying amount has been written down in full to bring it into line with the relevant portion of equity);
- Acquisition, from subsidiary Rosetti Kazakhstan Llp, of 35% of the share capital of associated company Kazakhstan Caspian Offshore Industries Llp for Euro 9,390 thousand;
- Alignment of the carrying amount of investment in associated company Rosetti Pivot Ltd with the relevant portion of equity per the interim financial statements at 31.12.2019 by means of a revaluation of Euro 757 thousand. IN prior years, the investment was adjusted for impairment of Euro 1,205 thousand;

- Writedown in full of the carrying amount of investment in associated company Rosetti Congo Sarl by means of an impairment adjustment of Euro 257 thousand which also includes provision for the pro-quota amount of negative equity of Euro 182 thousand;
- Payment of Euro 18 thousand to associated company Rigros Srl to cover losses and align the carrying amount of the investment with the relevant portion of equity by means of a revaluation of Euro 8 thousand;
- Acquisition of 49% of the share capital of a company now called Rosetti Ali e Sons Llc – based in Abu Dhabi – for Euro 7,323 thousand (equivalent of USD 8,000 thousand). As the Directors expect significant future income from this newly acquired company, the difference between carrying amount and the relevant portion of equity is considered recoverable;
- Restatement of carrying amount of shares in La Cassa di Ravenna SpA at market value at 31.12.2019 by means of an impairment adjustment of Euro 3 thousand.

Investments in other entities, amounting to Euro 151 thousand (Euro 154 thousand at 31 December 2018), are analysed as follows:
- Cassa di Risparmio di Ravenna Spa - Euro 124 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 more than a year
Non-current receivables from subsidiaries		80.000	80.000		80.000
Non-current receivables from associated companies	19.298.593	-4.208.505	15.090.088	540.088	14.550.000
Non-current receivables from others	318.348	-150.000	168.348		168.348
Total non-current receivables	19.616.941	-4.278.505	15.338.436	540.088	14.798.348

As previously stated, non-current receivables mainly include medium/long-term loans granted to subsidiary Rosetti Project Ooo and to associated companies Kazakhstan Caspian Offshore Industries Llp, Rigros S.r.l. and Rosetti Pivot Ltd.
The increase in receivables from subsidiaries is due to the loan granted during the year to subsidiary Rosetti Marino Project Ooo to cover the initial costs incurred by it.
The decrease in receivables from associated companies is due to partial repayment of the loan granted to Kazakhstan Caspian Offshore Industries Llp (decrease of Euro 4,500 thousand), to partial repayment of the loan granted to Rosetti Pivot Ltd (decrease of Euro 1,044 thousand) and, with regard to the latter loan, to the reversal of the impairment provision created in prior year now that the reasons for said provision no longer applied given the highly positive results of the associated company (increase of Euro 1,335 thousand to loan).

Information on non-current investments in subsidiaries

As at 31 December 2019, the Company had investments in subsidiaries totalling Euro 6,879 thousand (Euro 5,551 thousand as at 31.12.2018).
A detailed breakdown of investments in subsidiaries is provided in the following table together with highlights from their 2019 financial statements.

Name	City (if in Italy) or Country	Tax Number (for Italian companies)	Capital in Euro	Profit (Loss) for last reporting period in Euro	Equity in Euro	Interest held in Euro	% interest held	Carrying amount
Fores Engineering Srl	Forlì	02178650400	1.000.000	894.585	7.597.987	7.597.987	100%	603.308
Basis Engineering Srl	Milan	11163980151	500.000	-1.525.645	2.581.263	2.581.263	100%	2.581.263
Rosetti Superyachts Spa	Ravenna	02586850394	1.500.000	-1.300.471	1.215.249	1.215.249	100%	1.215.249
Rosetti Marino Singapore Pte Ltd	Singapore		63.080	18.289	75.937	75.937	100%	68.875
Rosetti Marino UK Ltd	Scotland		115	-13.340	67.733	67.733	100%	119
Rosetti General Contracting Construcoes Servicos Lda	Portugal		49.880	793.146	870.128	852.725	98%	51.390
Rosetti Marino Mocambique Ltd	Mozambique		1.301	0	1.301	1.249	96%	1.230
Rosetti Kazakhstan Llp	Kazakhstan		198.161	10.303.400	6.468.326	5.821.493	90%	178.901
Rosetti Marino Ooo	Russia		141	0	141	127	90%	127
Rosetti Marino Project Ooo	Russia		143	-7.922	-8.062	-7.256	90%	0
Rosetti Libya Jsc	Libya		622.084	-732	434.100	282.165	65%	282.165
Tecon Srl	Milan	6503230150	46.500	79.250	3.642.834	2.185.700	60%	1.896.786
Total								6.879.413

The subsidiaries operate in the following sectors:

- Fores Engineering Srl (which owns 100% of Fores Engineering Algèrie and 75% of Fores do Brasil Sistemas e Equipamentos Industriais Ltda which operate in the same segment, plus 10% of Rosetti Kazakhstan Llp): design, construction and maintenance of automation and control systems;
- Basis Engineering S.r.l. (which owns 45% of Basis Pivot Ltd and 60% of Basis Congo Sarl which operate in the same segment) and Tecon S.r.l.: multi-disciplinary design of oil and petrochemical facilities;
- Rosetti Marino UK Ltd, Rosetti Marino Mocambique Limitada, Rosetti Marino Ooo, Rosetti Marino Project Ooo and Rosetti Libya Jsc: construction of offshore and onshore oil facilities;
- Rosetti General Contracting Construcoes Serviços Lda: ship charter and services and operating activities on foreign markets;
- Rosetti Superyachts Spa: construction of superyachts;
- Rosetti Marino Singapore Pte Ltd and Rosetti Kazakhstan Llp (which owns 5% of KCOI): supply of technical services.

Rosetti Marino Mocambique Limitada, Rosetti Libya Jsc, Rosetti Marino Ooo, Rosetti Marino Project Ooo, Rosetti Marino Singapore Pte Ltd and Rosetti Marino UK Ltd are currently non-operating / dormant.

Information on non-current investments in associated companies

As at 31 December 2019, the Company held investments in associated companies totalling Euro 17,821 thousand (Euro 402 thousand as at 31.12.2018).

The following table contains details of investments in associated companies with highlights from their 2019 financial statements. Note that the figures for Rosetti Pivot Ltd relate to the most recent, approved financial statements at 31/03/2019.

Name	City (if in Italy) or Country	Tax Number (for Italian companies)	Capital in Euro	Profit (Loss) for last reporting period in Euro	Equity in Euro	Interest held in Euro	% interest held	Carrying amount
Rigros Srl	Italy	02568990390	100.000	16.222	111.964	55.982	50%	55.847
Rosetti Congo Sarl	Republic of Congo		152.448	-514.465	-363.030	-181.515	50%	0
Rosetti Pivot Ltd	Nigeria		2.817.869	1.870.671	379.019	185.719	49%	756.706
Rosetti Ali e Sons Llc	United Arab Emirates		36.357	-9.536	26.855	13.159	49%	7.322.654
Kazakhstan Caspian Offshore Industries Llp	Kazakhstan		1.159.735	20.046.343	32.565.864	14.654.639	45%	9.685.172
Fores Do Brasil Ltda	Brazil		111.687	0	1.218	305	25%	305
Total								17.820.684

The associated companies operate in the following sectors:
- Fores do Brasil Sistemas e Equipamentos Industriais Ltda: design, construction and maintenance of automation and control systems;
- Rosetti Congo Sarl, Rosetti Pivot Ltd, Rosetti Ali and Sons Llc and Kazakhstan Caspian Offshore Industries Llp: construction of offshore and onshore oil facilities;
- Rigros Srl: .: management of a plot of land for industrial use.

Rosetti Ali and Sons Llc and Fores do Brasil Sistemas e Equipamentos Industriais Ltda are currently non-operating/dormant.

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, consumable and ancillary materials

As at 31 December 2019, raw materials inventory amounted to Euro 106 thousand (Euro 256 thousand at 31.12.2018), after an obsolescence provision of Euro 205 thousand (Euro 520 thousand at 31.12.2018). This provision is 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 34,737 thousand (Euro 3,174 thousand as at 31.12.2018), consists almost entirely of long-term contracts valued using the percentage of completion method. Contract work-in-progress primarily relates to the Energy 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.

	Opening amount	Change during year	Closing amount
Raw, ancillary and consumable materials	256.455	-150.777	105.678
Contract work in progress	3.173.545	31.563.196	34.736.741
Payments on account	6.109.538	2.919.735	9.029.273
Total inventory	9.539.538	34.332.154	43.871.692

The increase of Euro 34,332 thousand compared to prior year is mainly due to the increase in "Contract work-in-progress" and relates to the different percentage of completion of contracts in progress.

Receivables

As at 31 December 2019, receivables amount to Euro 74,170 thousand (Euro 90,674 thousand as at 31.12.2018).

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 93% (78% in prior year) of the total due from the five leading clients by outstanding balance. The decrease of Euro 3,486 thousand in the "Provision for bad debts" compared to prior year includes Euro 2,355 thousand due to the reversal of amounts provided in prior years, Euro 1,128 thousand because of utilisation following the signature of a settlement agreement with Mellitah Oil and Gas in respect of a dispute that arose in prior years and Euro 3 thousand because of utilisation in respect of a receivable from a shipping agency that is no longer considered recoverable. The remaining 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 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.

Receivables from subsidiaries

Receivables from subsidiaries include financial receivables of Euro 6,500 thousand and trade receivables of Euro 2,604 thousand.
Financial receivables consist of loans granted to Fores Engineering S.r.l. (Euro 4,000 thousand) and Basis Engineering S.r.l. (Euro 2,500 thousand).
Trade receivables include amounts due from Basis Engineering (Euro 173 thousand), Fores Engineering S.r.l. (Euro 185 thousand), Rosetti Kazakhstan Llp (Euro 166 thousand), Rosetti Marino Singapore Pte Ltd (Euro 61 thousand) and Rosetti Superyachts S.p.A. (Euro 2,019 thousand).
All trade and financial transactions with subsidiaries take place on an arm's length basis. The Directors consider all of these receivables to be recoverable in full so no provision for bad debts has been recorded.

Receivables from associated companies

Receivables from associated companies include financial receivables of Euro 300 thousand (loan granted to associated company Rosetti Congo SARL) and trade receivables of Euro 4,070 thousand.
Trade receivables from associated companies include amounts due from Kazakhstan Caspian Offshore Industries Llp (Euro 1,131 thousand), Rigros S.r.l. (Euro 5 thousand), Rosetti Pivot Ltd (Euro 2,630 thousand) and Rosetti Congo Sarl (Euro 304 thousand).
All trade transactions with associated companies take place on an arm's length basis. The Directors believe these receivables are all recoverable so 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 party 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 7,128 thousand as at 31 December 2019 (Euro 5,217 thousand as at 31.12.2018) and refer to the following categories:
- IRES receivable of Euro 1,720 thousand as a result of consolidated taxation arrangement.
- IRES receivable of Euro 147 thousand for withholding tax applied by customers.
- Foreign tax credit of Euro 1,354 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 10 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;

- an IRAP credit of Euro 1,155 thousand, including Euro 955 thousand for payments made on account in prior years in excess of the tax due and Euro 200 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 that may be used in the next four years;

VAT receivable of Euro 2,760 thousand arising during the year on ordinary commercial transactions by the company and the branches.

Deferred tax assets

Deferred tax assets amount to Euro 5,942 thousand (Euro 5,499 thousand at 31 December 2018) 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.

Other receivables

Other receivables mainly include receivables from Broadview Engineering Limited for payment of its stake in newly incorporated Nigerian company Shoreline Logistics Nigeria Limited (Euro 1,288 thousand), guarantee deposits (Euro 229 thousand), receivables from employees (Euro 46 thousand) and 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).
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 more than a year
Trade receivables	45.540.608	430.166	45.970.774	45.970.774	
Receivables from subsidiaries	5.813.268	3.290.723	9.103.991	9.103.991	
Receivables from associated companies	26.967.033	-22.597.223	4.369.810	4.369.810	
Receivables from parent companies	9.760	2.440	12.200	12.200	
Tax receivables	5.216.971	1.911.430	7.128.401	7.128.401	
Deferred tax assets	5.498.757	443.198	5.941.955		
Other receivables	1.627.699	15.387	1.643.086	1.413.605	229.481
Total receivables classed as current assets	90.674.096	-16.503.879	74.170.217	67.998.781	229.481

The increase in receivables from subsidiaries is mainly due to increases in receivables from Rosetti Superyachts Spa and in the loan to Basis Engineering Srl.
The decrease in receivables from associated companies is mainly due to the decrease in trade receivables from Kazakhstan Caspian Offshore Industries Llp.
The increase in tax receivables is the net result of a decrease in the VAT receivable maturing during the year on ordinary commercial transactions and increases in the IRES credit, the IRAP credit and the receivable from foreign tax authorities for withholding taxes to be refunded.
The overall increase in deferred tax assets is mainly due to the following changes:
- decrease due to allocations to provisions for bonuses
- decrease due to restatement of the non-deductible Provision for bad debts
- decrease due to valuation of contract work in progress
- decrease due to restatement of Provisions for risks
- decrease due to unrealised exchange losses
- decrease due to utilisation of the tax loss arising in prior year, in relation to which deferred tax assets of Euro 3,307 thousand were recognised in light of the taxable income forecast in the Business Plan 2020-2022.

Breakdown of receivables classed 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	1.264.893	14.183.151	30.522.730	45.970.774
Receivables from subsidiaries	8.876.554		227.437	9.103.991
Receivables from associated companies	4.652		4.365.158	4.369.810
Receivables from parent companies	12.200			12.200
Tax receivables	5.626.428	784.938	717.035	7.128.401
Deferred tax assets	5.941.955			5.941.955
Other receivables	85.938	6.225	1.550.923	1.643.086
Total receivables classed as current assets	21.812.620	14.974.314	37.383.283	74.170.217

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	6.466.666	-1.540.484	4.926.182
Other current securities	57.296.330	7.107.691	64.404.021
Total current financial assets	63.762.996	5.567.207	69.330.203

Derivatives – assets includes Euro 4,899 thousand of derivatives classified as held for trading as they do not fulfil hedge accounting requirements and Euro 27 thousand representing the Mark to Market value of the following hedging instruments:

Type: Forward sale contract
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 2,830,000
Notional amount Euro: 2,539,939
Maturity: 03/01/2020
MTM: Euro 17,096

Type: Forward sale contract
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 4,600,000
Notional amount Euro: 4,073,680
Maturity: 30/04/2020
MTM: Euro 2,903

Type: Forward sale contract
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 500,000
Notional amount Euro: 448,970
Maturity: 29/05/2020
MTM: Euro 7,289

Changes in the fair value of derivative instruments classified as held for trading are recognised in the Balance Sheet and recorded in the Income Statement in items D18d or D19d.
Other current securities entirely consists of temporary investments of cash, mainly in insurance policies (Euro 59 million), mutual fund units and, to a minor extent, in other equities and bonds. Changes in fair value are recognised in the Balance Sheet and recorded in the Income Statement in items D18c or D19c.

Cash and cash equivalents

Cash and cash equivalents amount to Euro 57,273 thousand (Euro 56,736 thousand at 31.12.2018) and include bank current accounts of Euro 57,235 thousand and cash on hand of Euro 39 thousand.
Changes in cash and cash equivalents are shown in the following table.

	Opening amount	Change during year	Closing amount
Bank and post office accounts	56.628.051	606.594	57.234.645
Cheques	0	0	0
Cash and cash equivalents on hand	107.612	-69.049	38.563
Total cash and cash equivalents	56.735.663	537.545	57.273.208

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
Accrued income	4.930	-4.930	0
Prepaid expenses	478.958	-45.345	433.613
Total prepaid expenses and accrued income	483.888	-50.275	433.613

Prepaid expenses include Euro 25 thousand of prepaid hire/rental costs for moveable assets, Euro 8 thousand of prepaid rental costs and Euro 401 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 2018, share capital was wholly subscribed and paid and consisted of 4,000,000 ordinary shares with a par value of Euro 1.00 each.

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.

The legal reserve includes portions of net profits allocated in prior years.

During the year, the Extraordinary reserve increased by Euro 2,815 thousand following the allocation of part of the net profit for 2018. The reserve consists entirely of portions of net 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.

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 a decrease of Euro 734 thousand in order to restate at 31.12.2019 fair value the derivatives in place at that date to hedge variable rate loans and commercial transactions in foreign currency.

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 profit for the year

A net profit of Euro 188 thousand is reported for 2019.

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 unrealised exchange gains	Cash flow hedge reserve	Net profit for the year	Negative reserve for treasury shares	Total
BALANCE AT 31 DECEMBER 2017	**4,000**	**36,969**	**800**	**122,870**	**1,941**	**46**	**(220)**	**1,128**	**(5,100)**	**162,434**
Allocation of net profit for 2017										
- dividends	0	0	0	(772)	0	0	0	(1,128)	0	(1,900)
Change in fair value of cash flow hedges	0	0	0	0	0	0	(1,278)	0	0	(1,278)
Reclassification of reserve for unrealised exchange gains	0	0	0	46	0	(46)	0	0	0	0
Net profit for 2018	0	0	0	0	0	0	0	5,475	0	5,475
BALANCE AT 31 DECEMBER 2018	**4,000**	**36,969**	**800**	**122,144**	**1,941**	**0**	**(1,498)**	**5,475**	**(5,100)**	**164,731**
Allocation of net profit for 2018:										
- to extraordinary reserve	0	0	0	2,815	0	0	0	(2,815)	0	0
- dividends	0	0	0	0	0	0	0	(2,660)	0	(2,660)
Change in fair value of cash flow hedges	0	0	0	0	0	0	734	0	0	734
Net profit for 2019	0	0	0	0	0	0	0	188	0	188
BALANCE AT 31 DECEMBER 2019	**4,000**	**36,969**	**800**	**124,959**	**1,941**	**0**	**(764)**	**188**	**(5,100)**	**162,993**
Possible utilisation	B; C or D	A;B;D	A;B	A;B;C	A;B;D	E	E		E	

Some Euro 832 thousand of share capital would be taxable if distributed to the shareholders.
Utilisation of the reserve for government grants 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 31.12.2019, provisions for risks and charges amount to Euro 2,917 thousand (Euro 6,694 thousand as at 31.12.2018) and are analysed as follows:

	Provision for retirement benefits and similar obligations	Tax provision, including deferred tax	Derivatives - liabilities	Other provisions	Total provisions for risks and charges
Opening amount	492.991	6.053	1.537.174	4.657.395	6.693.613
Changes during year					
Allocated during year	50.182	723.765	147.206	877.579	1.798.732
Utilised during year	201.806		892.678	4.039.969	5.134.453
Other changes				-440.702	-440.702
Total changes	-151.624	723.765	-745.472	-3.603.092	-3.776.423
Closing amount	341.367	729.818	791.702	1.054.303	2.917.190

Provision for retirement benefits
This item includes the amount allocated for variable, individual leaving bonuses payable to senior managers.

Tax provisions
This item includes the deferred tax provision of Euro 11 thousand created in relation to unrealised exchange gains which will be subject to taxation in future periods and provision of Euro 719 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 792 thousand, represents the Mark to Market value of the following hedging instruments:

Type: IRS agreement
Underlying contract type: loan from Mediocredito Italiano S.p.A.
Notional amount Euro: 6,500,000
Duration: 48 months
Period: 28/02/2019 - 28/02/2023
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 96,090

Type: IRS agreement
Underlying contract type: loan from Unicredit S.p.A.
Notional amount Euro: 13,750,000
Duration: 47 months
Period: 31/10/2018 - 31/07/2022
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 113,665

Type: IRS agreement
Underlying contract type: loan from BPER Banca S.p.A.
Notional amount Euro: 10,000,000
Duration: 18 months
Period: 17/07/2018 - 17/01/2020
Rate: Euribor 3 months
Frequency: Six-monthly instalments
MTM: Euro 19,204

Type: IRS agreement
Underlying contract type: loan from Credit Agricole Italia S.p.A.
Notional amount Euro: 9,381,106
Duration: 48 months
Period: 16/07/2019 - 17/07/2023
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 69,651

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Mediocredito Italiano S.p.A.
Notional amount Euro: 9,000,000
Duration: 59 months
Period: 31/07/2019 - 17/06/2024
Rate: Euribor 6 months
Frequency: Six-monthly instalments
MTM: Euro 24,162

Type: IRS agreement
Underlying contract type: loan from Banco BPM
Notional amount Euro: 5.000,000
Duration: 39 months
Period: 11/10/2019 - 31/12/2022
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 28,928

Type: IRS agreement – Rosetti Marino S.p.A.
Underlying contract type: loan from Unicredit S.p.A.
Notional amount Euro: 5,000,000
Duration: 48 months
Period: 24/10/2019 - 31/10/2023
Rate: Euribor 3 months
Frequency: Quarterly instalments
MTM: Euro 24,164

Type: Forward sales contract
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 519,902
Notional amount Euro: 404,593
Expiry: 29/05/2020
MTM: Euro 54,769

Type: Forward sales contract
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 2.212,666
Notional amount Euro: 1,708,227
Expiry: 31/08/2020
MTM: Euro 235,834

Type: Forward sales contract
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 1,700,000
Notional amount Euro: 1,466,655
Expiry: 28/02/2020
MTM: Euro 43,581

Type: Forward sales contract
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 1,800,000
Notional amount Euro: 1,556,017
Expiry: 31/01/2020
MTM: Euro 45,858

Type: Forward sales contract
Underlying contract type: forward sale Banca Nazionale del Lavoro S.p.A.
Notional amount USD: 2,457,832
Notional amount Euro: 2,143,396
Expiry: 31/03/2020
MTM: Euro 35,796

Other provisions

This item includes a provision for contractual risks of Euro 177 thousand (Euro 617 thousand at 31.12.2018), a provision for future risks and charges of Euro 373 thousand (Euro 889 thousand at 31.12.2018) and a provision for coverage of losses of subsidiaries and associates of Euro 505 thousand (Euro 1,326 thousand at 31.12.2018). It should be noted that a complaint has been made by a client which has not yet led to legal action; based on the information currently available, the Directors have estimated the possible liabilities and they have been reflected in these financial statements.
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. It was reversed in part during the period after the statute of limitations expired for a tax dispute relating to 2014.
The provision for coverage of losses was utilised in full during the year and, then, increased by Euro 505 thousand.

TFR / Employee severance indemnity provision

The employee severance indemnity provision of Euro 1,125 thousand (Euro 1,187 thousand at 31.12.2018) 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	1.186.923
Changes during year	
Allocated during year	1.236.752
Utilised during year	1.298.491
Other changes	
Total changes	-61.739
Closing amount	1.125.184

The TFR/employee severance indemnity provision at 31 December 2019 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 554 thousand to complementary pension funds, the transfer of Euro 569 thousand to the INPS treasury fund, payment of indemnities and advances totalling Euro 74 thousand and payment of personal income tax and social security contributions of Euro 101 thousand on behalf of employees. The balance at 31 December 2019 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	Changes during year	Closing amount	Amount due within a year	Amount due after more than a year
Bank borrowing	50.775.609	15.386.083	66.161.692	27.053.542	39.108.150
Payments on account	43.325.719	-9.443.919	33.881.800	33.881.800	0
Due to suppliers (trade)	23.064.350	29.236.212	52.300.562	52.300.562	0
Due to subsidiaries	4.575.593	5.453.376	10.028.969	10.028.969	0
Due to associated companies	37.500	-37.500	0	0	0
Tax payables	2.699.191	-544.745	2.154.446	2.154.446	0
Social security payables	1.221.864	189.301	1.411.165	1.411.165	0
Other payables	2.782.545	4.290.037	7.072.582	7.072.582	0
Total payables	128.482.371	44.528.845	173.011.216	133.903.066	39.108.150

Bank borrowing

This item includes the following financing granted by the banks:
- Banco BPM Spa: Euro 7,531 thousand
- Mediocredito Italiano Spa: Euro 15,500 thousand
- Unicredit Spa: Euro 18,750 thousand
- BPER Banca Spa: Euro 10,000 thousand
- Credit Agricole Italia Spa: Euro 9,381 thousand
- Monte dei Paschi di Siena Spa: Euro 5,000 thousand

The financing granted by Banco BPM S.p.A. consists of two loans. The first loan, signed in 2017, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2022 (outstanding amount at 31 December 2019 – Euro 2,531 thousand). The second loan, signed in 2019, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2022 (outstanding amount at 31 December 2019 – Euro 5,000 thousand). In order to hedge the interest rate risk relating to this last loan, the Company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described.
The financing granted by Mediocredito Italiano S.p.A. consists of two loans. The first loan, signed in 2018, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2023 (outstanding amount at 31 December 2019 – Euro 6,500 thousand). The second loan, 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 of the loan in 2024 (outstanding amount at 31 December 2019 – Euro 9,000 thousand). In order to hedge the interest rate risk relating to these loans, for each of the agreements, 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 Unicredit SpA consists of two loans. The first loan, signed in 2018, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2022 (outstanding amount at 31 December 2019 – Euro 13,750 thousand). The second loan, signed in 2019, provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2023 (outstanding amount at 31 December 2019 – Euro 5,000 thousand). In order to hedge the interest rate risk relating to these loans, for each of the agreements, 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 loan granted by BPER Banca S.p.A. provides for a floating rate of interest, payment of interest in six-monthly instalments and bullet repayment of the principal upon maturity which actually occurred in January 2020. In order to hedge the interest rate risk relating to this loan, the company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described. The loan granted by Credit Agricole Italia S.p.A. during the year provides for a floating rate of interest and repayment of principal and interest in quarterly instalments until the scheduled maturity date of the loan in 2023. In order to hedge the interest rate risk relating to this loan, the Parent Company has arranged a derivative contract (Interest Rate Swap) which meets the accounting requirements to be treated as a hedging derivative, as previously described.
The loan granted by Monte dei Paschi di Siena S.p.A. provides for a floating rate of interest and repayment of principal and interest in six-monthly instalments until the scheduled maturity date of the loan in 2022.
The Company has elected not to measure these liabilities at amortised cost as application of said method would have no material effect.

It should be noted that, in July 2019, the Company unwound the loan granted to it by UBI Banca in 2018 which provided for the bullet repayment of the loan principal of Euro 10 million.

Payments on account
This item includes advances already received from clients and milestone payments for contracts in progress. The decrease compared to prior year reflects the contract work in progress trend at the reporting date. For further information, see the specific note on “Value of production ".

Due to suppliers (trade)
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 refer to commercial transactions entered into on an arm’s length basis and include Euro 2,025 thousand due to Basis Engineering S.r.l., Euro 2,806 thousand due to Fores Engineering S.r.l. and Euro 221 thousand due to Tecon S.r.l.
As these payables are due within a year, the company has not discounted them. The remaining amount of Euro 4,977 thousand regards capital subscribed but not yet paid in relation to Rosetti Marino Mocambique Limitada and Rosetti Libya Jsc (Euro 282 thousand) and the residual payable to Rosetti Kazakhstan Llp following the acquisition of 35% of the share capital of associated company Kazakhstan Caspian Offshore Industries Llp (Euro 4,695 thousand – this amount was paid on 19 February 2020).

Tax payables
This item mainly consists of personal income tax deducted at source from the remuneration of employees and freelance workers (Euro 1,142 thousand) and direct taxes due by the foreign branches (Euro 1,013 thousand).

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

Other payables
This item mainly includes payables to employees of Euro 2,596 thousand, payables to Pension funds of Euro 267 thousand and payables to Ali e Sons Marine Engineering Factory for the portion of share capital purchased but not yet paid (Euro 4,164 thousand).

Breakdown of payables by geographical area

The following table provides a breakdown of payables by geographical area at 31.12.2019:

Geographical area	Italy	Other EU	Non-EU	Total
Bank borrowing	66.161.692	0	0	66.161.692
Payments on account	7.311.800	18.573.072	7.996.928	33.881.800
Due to suppliers (trade)	23.142.174	3.899.188	25.259.200	52.300.562
Due to subsidiaries	5.051.884		4.977.085	10.028.969
Due to associated companies	0	0	0	0
Tax payables	1.141.559		1.012.887	2.154.446
Social security payables	1.411.165			1.411.165
Other payables	2.908.353		4.164.229	7.072.582
Total payables	107.128.627	22.472.260	43.410.329	173.011.216

Accrued expenses and deferred income

Accrued expenses and deferred income entirely consist of portions of expenses relating to the year that will arise in subsequent reporting periods. Specifically, they include Euro 275 thousand of accrued financial expenses relating to forward currency transactions maturing after 31/12/2019, Euro 108 thousand of accrued interest expenses on loans and Euro 2 thousand of accrued rent for apartments assigned to employees.

Notes to the financial statements, income statement

Value of production

Value of production amounts to Euro 210,084 thousand (Euro 176,973 thousand in 2018).

Revenues from sales and services

Given the nature of the Company's business, Revenues from sales and services, amounting to Euro 173,549 thousand (Euro 177,763 thousand in 2018), are highly concentrated with around 89% of the total (72% in prior year) generated by the five leading clients.

Change in contract work in progress

This item shows a positive balance of Euro 31,563 thousand (negative balance of Euro 2,654 thousand at 31.12.2018). It includes the positive balance relating to Energy Business Unit contracts (Euro 32,010 thousand) and the negative balance relating to Shipbuilding Business Unit contracts (Euro 447 thousand).
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 69 thousand (Euro 65 thousand in 2018), includes capitalised costs which led to increases in Balance Sheet captions "Intangible assets" and "Tangible assets". They mainly include the cost of works performed at the S. Vitale Yard for modifications to the entry gates to the workshop building (Euro 33 thousand) and for changes to the launchways (Euro 18 thousand).

Other revenues and income

This item, amounting to Euro 4,902 thousand (Euro 1,800 thousand in 2018), includes Euro 255 thousand of grants towards operating expenses and Euro 4,647 thousand of other revenues.

"Grants towards operating expenses" includes Euro 75 thousand of grants towards the photovoltaic solar power systems installed at the S. Vitale yard and at the Via Trieste site, Euro 22 thousand of grants received from Fondirigenti and Fondimpresa in partial reimbursement of costs incurred to run training programmes, Euro 103 thousand of subsidies resulting from the tax credit for research and development activities carried out in 2018, Euro 7 thousand of subsidies resulting from the tax credit for donations for cultural initiatives during the year and Euro 47 thousand of grants received from the Ministry for Infrastructure and Transport for the Rosmanditen initiative.

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 793 thousand from the secondment of employees to other Group companies, Euro 468 thousand of costs recharged for third party use of utilities and industrial gases, Euro 106 thousand of chargebacks to employees for the use of company cars and Euro 2,796 thousand of excess provisions for contractual risks and provisions for bad debts reversed after the reasons for their creation in previous reporting periods ceased to apply.

Breakdown of revenues from sales and services by business segment

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

Business segment	2019
Energy	167.303.036
Shipbuilding	3.431.932
Sundry services	2.814.443
Total	173.549.411

Breakdown of revenues from sales and services by geographical area

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

Geographical area	2019
Italy	5.111.910
Other EU	86.908.171
Non-EU	81.529.330
Total	173.549.411

Cost of production

Cost of production amounts to Euro 213,875 thousand (Euro 159,294 thousand in 2018).

Purchases of raw, ancillary and consumable materials and goods

This caption, amounting to Euro 70,728 thousand (Euro 53,875 thousand in 2018), includes Euro 69,821 thousand of purchases of raw materials, Euro 830 thousand of purchases of ancillary and consumable materials and Euro 76 thousand of purchases of sundry materials. The increase compared to prior year is due to the higher volume of production activity and a related increase in purchases of materials.

Services

This item, amounting to Euro 108,093 thousand (Euro 62,917 thousand in 2018), includes the cost of services purchased during ordinary operating activities and consists of the following:

- sub-contracting of Euro 84,126 thousand (Euro 47,018 thousand in 2018);
- electricity, water and heating of Euro 1,147 thousand (Euro 558 thousand in 2018);
- general, administrative and insurance costs of Euro 3,765 thousand (Euro 3,818 thousand in 2018).
- repairs and maintenance of Euro 1,329 thousand (Euro 1,224 thousand in 2018);
- sundry personnel costs of Euro 2,796 thousand (Euro 2,755 thousand in 2018);
- selling costs of Euro 2,335 thousand (Euro 2,833 thousand in 2018);
- other external production costs of Euro 12,074 thousand (Euro 4,134 thousand in 2018);
- audit fees of Euro 92 thousand (Euro 77 thousand in 2018);
- statutory auditors' fees of Euro 42 thousand (Euro 42 thousand in 2018);
- directors' fees of Euro 387 thousand (Euro 458 thousand in 2018);

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

Lease and rental costs

Lease and rental costs amount to Euro 4,325 thousand (Euro 9,509 thousand in 2018) and include lease and rental costs regarding tangible and intangible assets as follows:

- concession fees of Euro 58 thousand (Euro 77 thousand in 2018);
- rental of property of Euro 2,134 thousand (Euro 1,263 thousand in 2018);
- software rental of Euro 28 thousand (Euro 11 thousand in 2018);
- hire/rental of moveable property of Euro 2,105 thousand (Euro 8,158 thousand in 2018).

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

Personnel

Personnel expenses of Euro 26,862 thousand (Euro 28,471 thousand in 2018) includes costs incurred for employees during the year. The decrease compared to prior year is mainly because of payment of lower variable bonuses.

Depreciation, amortisation and writedowns

"Depreciation, amortisation and writedowns", amounting to Euro 2,858 thousand (Euro 4,067 thousand in 2018), 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 positive balance of Euro 151 thousand (positive balance of Euro 13 thousand in 2018) and includes the change in value of raw materials inventory (opening inventory of Euro 777 thousand and closing inventory of Euro 311 thousand) with the resulting utilisation of Euro 315 thousand of the inventory obsolescence provision created in prior years.

Provisions for risks

This item amounts to Euro 373 thousand (Euro 93 thousand in 2018) and includes amounts allocated during the year to bring the provision into line with operating risks, as previously described.

Sundry operating expenses

"Sundry operating expenses", amounting to Euro 485 thousand (Euro 349 thousand in 2018), mainly includes 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.

Financial income and expenses

There was net financial income of Euro 6,649 thousand in the year ended 31 December 2019 (net financial expenses of Euro 515 thousand in 2018). It includes all of the Company's financial income and expenses.

Income from equity investments

Income from equity investments amounts to Euro 5,804 thousand (Euro 1 thousand in 2018) and includes the dividends of Euro 1 thousand paid by Porto Intermodale Ravenna S.p.A. (S.A.P.I.R.), dividends paid by subsidiary Rosetti General Contracting Construcoes Servicos Lda (Euro 1,764 thousand) and dividends paid by subsidiary Rosetti Kazakhstan Llp (Euro 4,039 thousand).

Other financial income

"Other financial income" of Euro 2,749 thousand (Euro 1,595 thousand in 2018) mainly includes the following items:
- financial income from cash investments – Euro 2,165 thousand;
- bank interest income - Euro 21 thousand;
- interest income on extended payment terms granted to clients - Euro 8 thousand;
- interest income on loans to subsidiaries Basis Engineering S.r.l. (Euro 11 thousand), Fores Engineering S.r.l. (Euro 26 thousand) and Rosetti Marino project Ooo (Euro 1 thousand);
- interest income on loans granted to associated companies Kazakhstan Caspian Offshore Industries Llp (Euro 307 thousand), Rigros S.r.l. (Euro 5 thousand), Rosetti Congo Sarl (Euro 2 thousand) and Rosetti Pivot Ltd (Euro 168 thousand;
- interest income on refunds made by the Italian tax authorities during the period (Euro 24 thousand);- swaps on foreign currency sale transactions (Euro 5 thousand); - other interest income (Euro 4 thousand).

Breakdown of interest and other financial expenses by type of debt

Other financial expenses amount to Euro 1,347 thousand (Euro 1,502 thousand in 2018) and mainly include: interest expenses on loans from five banks (Euro 683 thousand), financial expenses on forward currency sale transactions (Euro 586 thousand) and financial expenses relating to cash investments (Euro 66 thousand).

Breakdown of exchange gains and losses

"Exchange gains and losses" includes Euro 506 thousand of realised losses 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 50 thousand of unrealised exchange losses, 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 positive by Euro 346 thousand (negative by Euro 5,992 thousand in 2018) and includes the following adjustments, as described in earlier paragraphs:
- revaluation of investments - Euro 765 thousand;
- revaluation of non-current financial assets other than equity investments - Euro 1,335 thousand;- revaluation of securities classed as current assets - Euro 49 thousand;
- revaluation of derivatives - Euro 473 thousand;
- writedown of investments - Euro 2,079 thousand;
- writedown of securities classed as current assets - Euro 34 thousand;- writedown of derivatives - Euro 163 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 of Euro 3,016 thousand (Euro 5,696 thousand in 2018) and include:
a) current taxes due 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 taxation and deferred tax income

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	24.556.971	1.237.989
Total taxable temporary differences	46.751	
Temporary differences, net	-24.510.220	-1.237.989
B) Tax effects		
Deferred tax provision (assets) at start of year	-5.438.735	-53.969
Deferred tax (income) for the year	-443.718	5.688
Deferred tax provision (assets) at end of year	-5.882.453	-48.281

Details of deductible temporary differences

Description	Amount at 31/12/2018	Change during year	Amount at 31/12/2019	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Inventory provision	520.000	- 315.000	205.000	24,00%	- 75.600		
Provision for contractual risks	617.426	- 440.701	176.725	24,00%	- 105.768		
Provision for future risks/charges	889.238	- 516.430	372.808	24,00%	- 123.943		
Taxed provision for bad debts	2.774.862	- 2.774.862		24,00%	- 665.967		
Unrealised exchange losses	189.327	- 92.711	96.616	24,00%	- 22.251		
Contracts in progress		5.783.647	5.783.647	24,00%	1.388.075		
Provision for bad debts - associated companies	1.335.454	- 1.335.454		24,00%	- 320.509		
Writedown of shares	62.765	- 7.546	55.219	24,00%	- 1.811		
Depreciation of tangible assets	1.383.814	- 145.825	1.237.989	24,00%	- 34.998	3,90%	- 5.687
Tax loss		13.778.163	13.778.163	24,00%	3.306.759		
Provisional POC based advances	12.746.007	- 10.236.569	2.509.438	24,00%	- 2.456.777		
Provision for performance related bonuses	2.167.722	- 1.826.355	341.367	24,00%	- 438.325		
Total	22.686.615	1.870.357	24.556.972		448.885		- 5.687

Details of taxable temporary differences

Description	Amount at 31/12/2018	Change during year	Amount at 31/12/2019	IRES rate	IRES tax effect
Unrealised exchange gains	25.220	21.531	46.751	24,00%	5.168
Total	25.220	21.531	46.751		5.168

Notes to the Financial Statements, Other Information

Workforce details

	Average number
Senior Managers	32.5
Managers	54.1
White collar	235.1
Blue collar	40

In addition to the persons indicated in the table, the Company uses operations personnel at its foreign branches (average of 20.3 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 72,197 thousand) and to clients of Group companies (Euro 3,484 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 28,258 thousand) as security for the granting of loans and/or the issue of bank guarantees in favour of Group companies and to a client of Kazakhstan Caspian Offshore Industries Llp (Euro 115,951 thousand) as a guarantee of commitments made by that company.

COMMITMENTS MADE BY THE COMPANY

Forward currency sales

At 31 December 2019, the Company was party to transactions for the forward sale of currency with a nominal amount of Euro 14,341 thousand. This item regards the equivalent of USD 16,620 thousand as per the contracts entered into with a bank to hedge a contract with client Qatargas Operating company Ltd which is invoiced in US Dollars.

For details of the fair value of these hedging instruments, reference should be made to the relevant Balance Sheet sections. From an operational perspective, these contracts are used to hedge the exchange rate risk and satisfy the requirements of Italian GAAP for treatment as hedging transactions.

Credit facilities

As at 31 December 2019, credit facilities of Euro 33 thousand had been opened with a bank as security for two purchase orders issued for the ongoing project for client Qatargas Operating Company Ltd.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

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

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

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: Ministry for Infrastructure and Transport
Amount received: Euro 47,436
Date received: 28/10/2019
Reason: grant to finance projects for product or process innovation in the shipping field, whether launched or under launch – project called "ROSMANDITEN"

Name of funding body: Gestore dei Servizi Energetici GSE S.p.A.
Amount received: Euro 74,744
Date received: various dates in 2019
Reason: grants to net metering account

Name of funding body: Ministry for the Economy and Finance
Amount offset against other taxes: Euro 103,356
Date received: 16/12/2019
Reason: R&D grant for costs incurred in 2018

Name of funding body: Ministry of cultural heritage and tourism – Rosetti Marino S.p.A.
Amount offset against other taxes: Euro 1,337
Date received: 16/12/2019
Reason: Art Bonus subsidy for payments incurred in 2018

Proposed allocation of net profit or coverage of net loss

We propose the distribution of a dividend of Euro 0.50 per share to be paid from the net profit for the year of Euro 188,104 and by taking Euro 1,711,896 from the extraordinary reserve.

Notes to the Financial Statements, closing section

The financial statements, comprising the Balance Sheet, the Income Statement and these Notes, present a true and fair view of the balance sheet and financial situation and the result for the year. They reflect the contents of the accounting records.

3. BOARD OF STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AS AT 31/12/2019

"To the Shareholders' General Meeting of Rosetti Marino SpA

This report has been approved by the Board of Statutory Auditors in time to be made available at the Company's registered office in the fifteen days prior to the first date of calling of the General Meeting scheduled to approve the financial statements.

On 30 March 2020, the Board of Directors approved and made available the financial statements for the year ended 31 December 2019 - including the notes to the financial statements, the Directors' Report and the statement of cash flows – together with the consolidated financial statements of the Rosetti Marino Group.

The Board of Statutory Auditors has confirmed that the changes made to the structure of the financial statements and to the notes compared to that used in prior year do not have either a substantive effect or any impact on a comparison with the amounts reported in prior year.

During the year ended 31/12/19, the Board of Statutory Auditors performed its work in accordance with the Code of Conduct for Statutory Auditors as recommended by the Italian Accounting Profession ("*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*"), in compliance with statutory requirements.

The Board of Statutory Auditors can confirm the following with regard to the activities carried out by the Company and its organisational and accounting structure:

- the Company's ordinary operating activities did not change during 2019 and are consistent with its corporate objectives;
- the organisational structure and the IT structure underwent systematic improvement processes in order to achieve more efficient and effective results;
- at present, there is no uncertainty over the Company's ability to continue to operate as a going concern.

This report summarises the activities regarding information required by Article 2429(2) of the Italian Civil Code with regard to:

- the results for the year;
- activities performed in compliance with regulatory duties;
- observations and proposals regarding the financial statements, with particular reference to Article 2423 of the Italian Civil Code;
- reports made in terms of Article 2408 and 2409 of the Italian Civil Codes.

In particolare:

The Board of Statutory Auditors has checked observance of the law and the articles of association and compliance with principles of proper business management.

We attended one Shareholders' General Meeting, seven Meetings of the Board of Directors and Executive Committee Meetings (one or more statutory auditors were present) which were held in accordance with the articles of association and legal rules governing their functioning and can provide reasonable assurance that the resolutions approved were in accordance with the law and the articles of association, were not clearly imprudent or risky, did not involve a conflict of interests and were not such as to threaten the integrity of the Company's assets.

During the meetings held in accordance with Article 2404 of the Italian Civil Code, we obtained from the Directors 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 can be reasonably certain that the operations and transactions carried out were in accordance with the law and the articles of association, were not clearly imprudent or risky, did not involve a potential conflict of interests or violation of a General Meeting resolution and were not such as to threaten the integrity of the Company's assets; we did not identify any unusual transactions with Group companies, third parties or related parties.

We had two meetings with the external auditors and no significant data and information requiring disclosure in this Report came to our attention. We also had a meeting with the Supervisory Board and acquired information on organisational activities for the purposes of compliance with Legislative Decree no 231/2001, as subsequently supplemented and amended.

We gathered information on and checked the adequacy of the organisational structure, also by gathering information from persons in charge of the various functions. We have no comments to make in this regard.
We verified the adequacy of the administrative and accounting system with regard to its reliability in reporting accurately on operating activities. Based on the work done, by obtaining information from the divisional heads and the external auditors and reviewing Company documents, we have no comments to make in this regard.
No reports in terms of Article 2408 of the Italian Civil Code were received.
No reports in terms of Article 2409 of the Italian Civil Code were made.
During the year, the Board of Statutory Auditors did not issue any opinions provided for by law.
During our supervisory work, as described above, we did not identify any other significant events requiring to be mentioned in this Report.
We have reviewed the financial statements for the year ended 31/12/19 which report a net profit of Euro 188,104 and note the following.
We have confirmed the financial statements' conformity with legal requirements in terms of its general form and structure and have no comments to make in this regard.
We note that:

- the accounting policies applied to the assets and liabilities were checked and were not significantly different from those adopted in prior years, in compliance with Article 2426 of the Italian Civil Code;
- we checked that the Directors' Report complied with applicable requirements.

When preparing the financial statements, the Directors did not deviate from statutory reporting requirements in terms of Article 2423(4) of the Italian Civil Code.
We have checked that the financial statements reflect the facts and information that have come to our attention in the course of our work and have no matters to report in this regard.
In consideration of the above and based on work done by external auditors Deloitte & Touche S.p.A., who have issued an unqualified report, we unanimously recommend approval of the financial statements of Rosetti Marino SpA for the year ended 31 December 2019, as prepared by the Board of Directors; we also recommend allocating the net profit for the year as proposed in the Notes to the Financial Statements."

Ravenna, 10 April 2019

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, 2019, 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, 2019, 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 Verona

Sede Legale: Via Tortona, 25 – 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 – R.E.A. Milano n. 172039 | 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 Rosetti Marino S.p.A. as at December 31, 2019, including its consistency with the related financial statements and its compliance with the law.

Deloitte.

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, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Rosetti Marino S.p.A. as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the 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 10, 2020

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

5. MINUTES OF SHAREHOLDERS' GENERAL MEETING HELD TO APPROVE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

The Shareholders' General Meeting of Rosetti Marino S.p.A. – registered office in 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 1000 hours on **28 April 2020**.
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 **42** of **07/04/2020** and through announcements published on 08/04/2020 in the AIM Italy – Alternative Capital Market 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 31/12/2019, accompanied by the Directors' Report, the Board of Statutory Auditors' Report and the External Auditors' Report. Related business and resulting resolutions.
2) Omissis.
3) Omissis.
4) Omissis.
5) Omissis.

The following were present

- the **Board of Directors**, as follows
  - Stefano Silvestroni – Chairman;
  - Oscar Guerra – Chief Executive Officer;
  - Luca Barchiesi – Deputy Chairman and Managing Director;
  - Ermanno Bellettini – Deputy Chairman and Managing Director;
  - Gabriele Franco – Managing Director;
  - Luca Gentili – Director, by video link
  - Giorgio Zuffa – Director, by video link
- the **Board of Statutory Auditors**, as follows
  - Gian Luigi Facchini – President, by video link;
  - Renzo Galeotti – Statutory Auditor, by video link
  - Massimo Luigi Roberto Invernizzi – Statutory Auditor, by video link

Preliminary matters

In accordance with Article 14 of 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 3,297,600 shares equal to 82.44% 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 **Gianfranco Magnani** under the powers granted to him by a Board of Directors' Meeting of said company on 08/10/2018;
- **SAIPEM S.A.,** owner of **800,000** (eight hundred thousand) shares, equal to **20%** of Share Capital, represented by Simone Bassi, on the basis of a proxy filed with the Company and issued by Chief Executive Officer and Legal Representative of said company, Francesco Racheli;

- **LA CASSA DI RAVENNA S.p.A.,** owner of **50,000** (fifty thousand) shares, equal to **1.25 %** of Share Capital; represented by Emanuele Bracci, on the basis of a proxy filed with the Company and issued on 20 April 2020 by Deputy Chairman of said company Giorgio Sarti;
- **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; the Chairman also notes that, under the same legal provision, any earnings pertaining to these shares shall be allocated on a proportionate basis to the other shares; said company was represented by its Managing Director and Legal Representative **Oscar Guerra.**

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 08/04/2019, a notice calling the General Meeting was published on the Borsa Italiana web site in the specific section on the AIM Italy – Alternative Capital Market and on the Company's own web site;
- checks on compliance with deadlines laid down by law and by the Articles of Association for legitimation 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. Before moving on to deal with the matters on the Order of Business, the Chairman noted that, prior to today's General Meeting, all participants had received a folder containing the following documents, By law, some of these documents were made available at the Company's Head Office and on the web sites of the Company and Borsa Italiana in the 15 days before the date for which the General Meeting was originally convened:
- Notice convening the General Meeting from Official Gazette no 42 of 7/4/2020;
- Financial Statements as at 31/12/2019 with Directors' Report;
- Board of Statutory Auditors' Report on the Financial Statements as at 31/12/2019;
- External Auditors' Report on the Financial Statements as at 31/12/2019;
- Proposal to update the Rules of Corporate Governance;
- Minutes of the Appointments & Remuneration Committee Meeting of 09/03/2020;
- Consolidated Financial Statements as at 31/12/2019.

All of those present confirmed that they had received the documents listed above before the start of the General Meeting.
The Meeting then moved on to deal with the Order of Business.

1) Review and approval of the Statutory Financial Statements for the year ended 31/12/2019, accompanied by the Directors' Report, the Board of Statutory Auditors' Report and the External Auditors' Report. Related and resulting resolutions.

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

- in accordance with the 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 2019" 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 8/4/2020, the Financial Statements have also been available online, having been published on the web sites of Borsa Italiana and the Company itself.

The Chairman then invited Chief Executive Officer **Oscar Guerra** to read out the **Directors' Report**. Mr Guerra highlighted the following key information on operations in 2019:

- GIP increased by around 17% compared to prior year (Euro 205 million in 2019 against Euro 175 million in 2018) but this was not reflected in profitability which was penalised, in particular, by two Energy projects in progress at the Piomboni Yard in Marina di Ravenna. The Company is currently proposing contractual incentive mechanisms to boost our revenues to the Clients in these two cases; this would improve the performance of the contracts with the effects visible in 2020;
- shipbuilding has recommenced – albeit with limited volumes as yet – in both the Super Yacht and merchant ship sectors;
- since February 2019, alongside shipbuilding, the Company has launched the new Repair & Refit line of business, a significant business diversification that has already produced interesting operating results;
- another very important example of product diversification in 2019 was the first Energy contract acquired in the "Offshore Wind" sector; it involves the construction of a Jacket (with an option for two more Jackets) for the Atlantic Ocean off the coast of France;
- in terms of geographical diversification, the year 2019 was fundamental in reinforcing the presence of the Rosetti Group in the Middle East; the Company consolidated its presence in Qatar and laid the foundations for the relocation of activities to the United Arab Emirates thanks to the creation of "Rosetti Ali & Sons", a JV with an important partner from Abu Dhabi;
- the year 2019 also confirmed the importance of the Group's main, long-standing overseas initiatives and they made a decisive contribution to the good results reported in the consolidated financial statements. This was especially thanks to the outstanding performance of subsidiaries in Kazakhstan and to the positive results of Rosetti-Pivot in Nigeria;
- the 2019 financial statements benefited to a significant extent from dividends totalling Euro 5,803 thousand received from foreign subsidiaries. Meanwhile, they also reflected the burden of Euro 3,583 thousand of foreign taxes that could not be recovered as tax credits, as paid on the fine results of some of our branches;
- in 2019, significant capex totalling Euro 24,348 thousand was incurred, including around Euro 701 thousand on intangible assets, Euro 2,767 thousand on tangible assets and around Euro 20,880 thousand on equity investments;
- at 31/12/2019, the order backlog stood at around Euro 188 million, well down on prior year (Euro 310 million), mainly because of the decision of potential clients to postpone several major investment decisions to 2020; these decisions could well be put off again or even cancelled because of the combined negative effects of the recent slump in oil prices and the crisis triggered by the Covid-19 Pandemic.

As the Chief Executive Officer had finished his contribution, the Chairman invited Deputy Chairman and Managing Director **Luca Barchiesi** to read out the **Balance Sheet**, the **Income Statement** and the **audit report of external auditors Deloitte & Touche on the financial statements**. Mr Barchiesi highlighted the following key points from said documents:

- value of production of around Euro 210 million against around Euro 177 million in prior year, an increase of 19% compared to 2018;
- cost of production of around Euro 214 million against around Euro 159 million in prior year – this represents a higher percentage increase (34%) than the increase in value of production;
- net financial income of around Euro 6.6 million, mainly thanks to dividends of Euro 5.8 million from subsidiaries (in prior year, there were net financial expenses of around Euro 0.5 million);
- net positive adjustments to financial assets of around Euro 0.3 million against net negative adjustments of around Euro 6.0 million in prior year;
- a highly positive net financial position with net cash of around Euro 99.5 million;
- the unqualified opinion expressed by the auditors on the financial statements, with no emphases of matter.

Once Luca Barchiesi had made his contribution, the Chairman recalled the following highlights from the financial statements at 31 December 2019 (in thousands of Euro):

BALANCE SHEET	
Assets	
Non-current assets	95,353
Inventory	43,872
Receivables, prepaid expenses & accrued income	74,604
Financial assets	69,330
Cash and cash equivalents	57,273
Total Assets	**340,432**
Liabilities and Equity	
Equity	162,993
Provisions for risks and charges	2,917
TFR/Employee severance indemnity	1,125
Payables, accrued expenses & deferred income	173,397
Total Liabilities and Equity	**340,432**
INCOME STATEMENT	
Value of production	210,084
Cost of production	(213,874)
Difference between value and cost of production (EBIT)	(3,790)
Financial income and expenses	6,649
Adjustments to financial assets	346
Taxation	(3,017)
Net profit	**188**

The Chairman then read the resolution proposed by the Board of Directors to allocate the entire net profit for the year of **€188,104** to **remuneration of share capital**, together with **€ 1,711,896** from the Extraordinary Reserve, in the form of a dividend of **€ 0.50** to each of the 3,800,000 shares with dividend rights; coupon date of 11 May 2020 and payment date of 13 May 2020**.**

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

Once the Statutory Auditors' Report had been read out, the Chairman declared open the discussion of the first item on the Order of Business.
Simone Bassi, Managing Director of Rosfin SpA and Saipem S.A., addressed the meeting as representative of those shareholder companies. He stated that he would be voting in favour of approving the 2019 financial statements and the proposed allocation of the net profit for the year in remuneration of share capital.
Emanuele Bracci addressed the meeting on behalf of shareholder La Cassa di Ravenna SpA. He stated that he would be voting in favour of approving the 2019 financial statements and the proposed allocation of the net profit for the year in remuneration of share capital.

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 2019 (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 profit for the year, as recommended by the Directors in the closing section of the Report on Operations.

The Chairman invited the General Meeting to vote by a show of hands. Three shareholders with voting rights– owners of a total of 3,097,600 shares, equal to 77.44% 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** for the year ended 31 December **2019**;

1.b) to use the entire net profit for the year of € 188,104 to **remunerate share capital**, together with € 1,711,896 from the Extraordinary Reserve, for a total of **€ 1,900,000**, through distribution of a dividend of **€ 0.50** for each of the 3,800,00 shares with dividend rights; coupon date of 11/05/2020 and payment date of **13/05/2020**.

Before moving on to the next point on the Order of Business, the Chairman Mr Silvestroni informed the Shareholders that, on 30 March 2020, the Company Board of Directors had approved the 2019 Consolidated Financial Statements, as accompanied by the Notes, the Directors' Report on Consolidated Operations at 31 December 2019 and the External Auditors' Report on the Consolidated Financial Statements, as included in the "Consolidated Financial Statements as at 31.12.2018 folder" in the file of documents given to participants prior to today's General Meeting.

The Chairman concluded his comments on the 2019 Consolidated Financial Statements by drawing the attention of the Shareholders to the amount of the **consolidated net profit for 2019**, some **Euro 4,470 thousand,** a result which the General Meeting

ACKNOWLEDGED

unanimously through the three Shareholders with voting rights present, representing 77.44% of Share Capital.
The General Meeting then proceeded to deal with the next item on the Order of Business.

2) Omissis.

3) Omissis.

4) Omissis.

5) Omissis.

As there was no other business, the Chairman declared the General Meeting over at 1100 hours.

THE SECRETARY
Alfonso Levote

THE CHAIRMAN
Stefano Silvestroni