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These financial statements have been translated from those issued in Italy, from the Italian into English solely for the convenience of international readers.

REPORT ON OPERATIONS

at 31 December 2018

LETTER TO SHAREHOLDERS

Dear Shareholders,

These consolidated financial statements presented for your approval, with a detailed analysis in the Notes, offer a true overview of the RINA Group ("RINA" or "the Group") financial position at 31 December 2018. The report intends to provide you with a complete and accurate analysis of the Group's situation and performance last year.

The consolidated financial statements are drafted using IFRS international accounting standards, in order to meet the obligatory standards used for Italian listed companies, making the Group performance easier to compare to that of its main international competitors. The financial statements of the main Group companies are also prepared on the basis of IFRS. The IFRS amendments are applied at a consolidated level for the other Group companies.

Last year, the Parent company, RINA SpA, once again performed holding, administrative and financial services for Group companies.

After the reorganisation at the end of 2017, the Group as a whole operates in 5 main markets: *Marine, Certification, Energy, Industry and Transport and Infrastructure*. The reorganisation aimed to improve efficiency in production and services while boosting trade synergies.

MARKET SCENARIOS AND MACRO-ECONOMIC CONTEXT

2018 proved to be a year once again characterised by various variability factors within the macro-economic climate, both on a global and on a domestic level.

Brexit, the commercial "war" between the United States and China, the tension between Italy and the European Union on the financial budget, the new American sanctions against Iran, the growth in debt in emerging countries and developing countries, oil prices and the dollar are some of the main factors which impacted 2018.

In particular, the production cuts announced by OPEC and Russia, the USA sanctions on Iran and the geopolitical instability in the Middle East on the one hand and the growth in shale oil production in the USA on the other led to high level of volatility in oil prices, which in 2018 fluctuated between a minimum of less than USD 45 per barrel and a maximum of USD 70 per barrel for WTI. This is in spite of the significant reduction in the break even point for investments (capex) of the oil companies.

Nonetheless, according to preliminary studies by the International Monetary Fund, the global economy posted 3.7% growth in 2018, a trend which is expected to also continue for the next two years (3.5% in 2019 and 3.6% in 2020).

In particular, growth in the Eurozone is expected to fall from 1.8% in 2018 to 1.6% in 2019 and 1.7% in 2020. The growth rates were revised down for many economies, in particular in Germany (due to the fall in consumption, industrial production weakened by the introduction of new automotive emission standards and the reduction in foreign demand); Italy (due to weak domestic demand and the country's financial situation); and France (due to the negative impact of the street protests and industrial action).

RINA'S INTERNATIONAL NETWORK more than 170 offices in 65 countries, with around 3,700 direct employees



RINA's global presence



RINA'S INTERNATIONAL NETWORK

RINA S.p.A. ("RINA") was created by Registro Italiano Navale as a private company founded in Genoa in 1861 by a group of ship-owners and insurers aiming to guarantee ship quality. Over time, RINA has expanded its activities from a naval classification registry to include certification, testing, inspections and engineering consultancy. Geographically, the Group has expanded internationally to include 170 offices in 65 countries worldwide, with around 3,700 direct employees offering their experience and skills through a wide range of services designed to support the industry and community. RINA is one of the founding members of the IACS (International Association of Classification Societies), and is an active member of technical, research and regulatory work groups in several national and international institutions. RINA is a market competitor, providing evaluation, control, certification and research services in compliance with national and international regulations for materials, design, technology, products and systems, including duties assigned by public administration and other authorities.

VISION AND MISSION

Mission

- We offer improvement services;
- We promote quality;
- We contribute to raising standards;
- We are a global firm;
- Our strength is our people.

Vision

- We are a single, integrated multi-business firm;
- We are independent;
- We work with the leaders;
- We pursue long-term profit;
- We pursue focused growth;
- We aim to be the leaders in our field;
- We stand out for service quality.

CORPORATE GOVERNANCE**BOARD OF DIRECTORS**

(2017-2019 period)*

Corporate bodies

Chair and CEO**

SALERNO Ugo

Vice Presidents

CERRINA FERONI Marco

Director

CERNI Nazzareno

GRIMALDI Emanuele

PIERANTONI Paolo

* Appointed by the Ordinary Assembly on 17 May 2017

** Appointed by the Board of Directors on 17 May 2017

BOARD OF STATUTORY AUDITORS

(2017-2019 period)*

Chair

ILLUZZI Francesco

Statutory Auditors

GRAZZINI Giovanni

GUASTONI Antonio

Alternate Auditors

MARESCA Enrico Giuseppe

CAPPELLOTTO Lara

* Appointed by the Ordinary Assembly on 17 May 2017

INDEPENDENT AUDITOR

(2016-2018 period)

PRICEWATERHOUSECOOPERS S.p.A.

CORPORATE GOVERNANCE

The Group's corporate governance system, bodies and hierarchy seeks to strike the best possible balance between the need for flexibility and rapid decision-making, while striving for transparent relations between the various managerial centres and external bodies, clearly indicating roles and responsibilities.

Our corporate governance rules are drawn directly from principles and procedures introduced by the Group, which we are committed to following in order to guarantee that all our work takes place according to the standards established. The Rina SpA board of directors has a central role in our governance structure, and is in charge of our investment and development strategies.

The board has full powers of ordinary and extraordinary administration, except for those reserved by law for the shareholders' assembly. The board of auditors ensures that we comply with the law and the company by-laws, as well as correctly managing our corporate affairs. It also checks that the Company's organisational structure, internal control and accounting-administration systems are adequate. External auditing activities are performed by a company on the CONSOB roll, appointed by the shareholders' assembly.

For more information on corporate governance, visit www.rina.org.

ORGANISATIONAL STRUCTURE

The RINA Group's new organisational structure, launched at the end of 2017 and implemented during 2018, is focused on five key markets for the Group so that it is able to better meet the challenges of the markets and guarantee visibility of performance, increasing flexibility and greater scope for innovating and enhancing its strong points to improve customer service.

FINANCIAL HIGHLIGHTS

The main financial highlights are summarised in the table below:

FINANCIAL HIGHLIGHTS

In thousands of EUR	2018	2017
Total revenues	443 208	437 574
EBITDA (*)	37 441	40 056
Adjusted EBITDA(**)	51 115	51 779
Operating profit	15 623	14 362
Adjusted operating profit (****)	30 152	27 263
Income/(loss) before tax	10 104	5 384
Profit for the year	3 194	1 548
Net invested capital	76 975	119 773
Total net equity	180 628	204 440
- of which third party	1 569	2 965
Net financial position (*****)	-131 063	124 158

(*) EBITDA means earnings before interest, tax, depreciation and amortisation, credit losses and results of associates during the year. EBITDA is used by Group management to monitor and assess our operating performance and is not an IFRS indicator (non-GAAP measure).

(**) Adjusted EBITDA is EBITDA before non-recurrent income and expenses.

(***) Adjusted operating profit is calculated as follows: Operating profit + adjusted EBITDA - EBITDA.

(****) As calculated in the table on page 21 of this Report on operations.

(*****) For details of the calculation, see paragraph 9.11 in the notes.

SIGNIFICANT EVENTS DURING THE PERIOD

From an operating point of view, in line with the macro-economic situation and the performances of our competitors, the Group's performance in the year was substantially in line with the previous year in terms of revenues, accompanied by an increase in profitability both overall and on an individual business level.

During the year, the Group as a whole achieved operating revenues of around EUR 437 million, with a profit of 10.5%.

In line with the 2018-2021 Business Plan approved by the Board of Directors in February 2018, in 2018 the Group focused on the business organically, developing its new business, finalising the acquisition of a majority stake in the Comete Engineering Group in January 2018. This group operates in the fields of infrastructure, transport, hydraulics, industry, energy, economic studies and development strategies on the African continent which is the new frontier for the growth of the economy.

At the level of the individual businesses, Marine and Certification performed excellently. The former had a new fleet record of 44 million GT, bringing its revenues to approximately EUR 120 million with growth up by 2.1% on the previous year, while the latter had growth of 9%, exceeding EUR 64 million, benefiting from the market environment and growth of new sectors.

Similarly, the Transport and Infrastructure segment performed well, up 19.4% on the previous year, as did the Industry segment which had revenues of EUR 49 million with growth of 5.8%.

The Energy segment (-8.3%), however, was still affected in 2018 by the flagging recovery of the O&G sector, above all in terms of inspections as a result of the performance of oil prices and the sharp cut in investments of the major oil companies. Overall revenues amounted to EUR 159 million compared to EUR 174 million in the previous year.

From an operating standpoint, the year was characterised by a performance substantially in line with the previous one as regards revenues and by improved performance in terms of profitability.

We also stepped up our investment plan in research and development during the year, focusing on new products, new technology, human resources training and internal quality control. These moves were needed to maintain and boost the technical professional skills of our employees and the Group's ability to compete internationally.

During 2018, Group employees followed a total of around 52,000 hours of classroom and on the job training courses in addition to a total of 184,000 hours of research and development activities.

At 31 December 2018, the Group had 3,705 employees, of whom 67.66% are graduates, belonging to around 69 different nationalities and with an average age of 42.5.

Phase II of the implementation of the Group's ERP system – RInew continued in 2018 to include the system's extension to foreign subsidiaries. More specifically, RInew (MS Dynamics AX and CRM) was launched in 39 legal entities in 18 different nations.

The so-called "localisation" of the MS Dynamics-AX package, which allows all the official tax and accounting reports to be generated via RInew, was implemented in three nations (UK, China and India). In addition, in January 2018, the three RINA Consulting S.p.A. legal entities in the United Kingdom were brought into RInew as were 10 legal NDE/QIC entities in July 2018 (Canada, USA, China, Australia, Singapore, Germany, Nigeria and the UK), ensuring the integration of the EDIP Group at an accounting and reporting level (only a few minor OST legal entities are still at the launch phase).

In March 2019, Phase II included the launch of RInew to 66 legal entities in 38 nations, covering approximately 70% of revenues generated for the Group outside of Italy and approximately 65% of foreign FTEs, with a view

to complete the launches of the remaining 50 legal entities by the end of 2019.

We provide detailed comments on the Group's main business areas below.

Marine

The Marine business area (in which we operate through our subsidiary, RINA Services S.p.A. and its international subsidiaries) achieved a total of EUR 120 million in revenues, the equivalent of approximately 28% of total revenues. The figure was up by 3% on the prior year, with outstanding growth in the certified fleet of 44 m GT, up 10% on 2017.

In particular:

- the new construction supervision and testing sector recorded EUR 31 million, up by 12% on the previous year, confirming RINA's good position in the field of the construction of passenger ships and high-tech units, such as Ro-Ro ships and offshore units; the result is particularly significant especially given the market environment
- service revenues on active vessels recorded a total of EUR 60.5 million with a slight decrease compared to 2017 essentially due to a fall in the average value of the classification contracts, despite a significant growth in the certified fleet.
- technical marine activities earned revenues of more than EUR 12 million, up by 5% on the prior year;
- classification, supervision and certification of leisure boats recorded a total of EUR 11.3 million, up by 6% on the prior year, following RINA's excellent position in the mega-yacht sector, which continues to show signs of growth at a global level.

Market growth was confirmed in 2018 for the main shipbuilders, both in the passenger and specialised ship sectors and in the cargo ship sectors, the latter primarily in Greece and Northern Europe. In the passenger ship and high-tech unit segments, we received numerous and important orders, with deliveries scheduled from 2020 to 2026. During the year, the shipping sector had, as was the case in 2017, continuing interest in fleet management and energy efficiency improvement, big data analysis and cybersecurity services, also due to the upcoming introduction of increasingly strict environmental regulations. In this respect, RINA began developing a series of vertical applications "in house" based on the RINA Cube platform. In particular, the Fleet Operating Centre, a digital support system both for emergency situations and for maintenance scheduling, thus maximising the availability of vessels, energy governance tools and electronic logbooks (oil record book, bilge & sludge).

As mentioned, the classified fleet increased to 44 million GT, up by 10% on 2017. This result has special significance since, despite strong growth, the average age of the fleet fell by 0.5 years compared to the previous year, thanks to the addition of active vessels with a low average age. In 2018, the number of vessels declassified for demolition remained low and in line with 2017, in response to the gradual reabsorption of the surplus hold capacity created after the financial crisis. Finally, in terms of tonnage, at the end of 2018 the fleet of foreign interests accounted for 65% of the total, confirming the growth seen primarily in Greece, Northern Europe and South East Asia.

As in previous years, performance in the Port State Control programs once again kept RINA in an excellent position in the international panorama.

At 31 December 2018, the new construction portfolio included around 540 vessels for a total of 5.4 M GT (up by 0.9 million GT on 2017), mainly to be built in shipyards in Italy, Germany, Finland, China and Turkey. Following the trend of the last two years, we also received important orders for cruise ships, balancing new constructions between Europe and Asia.

We received our 116th recognition in 2018 from Italian public authorities, while we are currently negotiating with other public authorities. Turning to leisure crafts, the sector experienced a considerable rise in volumes due to construction supervision activities and a high number of classifications in the largest size brackets, and additional growth in high value added advisory services, such as onboard noise and vibration reduction. In the smaller vessel sector (EC marking), volumes remained in line with 2017. In particular, RINA continued to be the leader in the classified yachts sector, with over 80 new projects delivered during the year in Italy, the UK, Turkey, UAE and South Africa, up by 8% on the previous year.

In the military vessel sector we achieved excellent results in 2018 thanks to the order acquired from the Qatar Navy for the supervision and classification of four corvettes, the ongoing construction of new units foreseen by the Italian Naval Law and the acquisition of contracts for patrol boats for the Guardia di Finanza (Italian tax police) and for the Greek Navy. In addition, numerous RINA class military units were delivered for the Italian Navy, including the FREEM-class missile frigate Federico Martinengo, and for other foreign navies.

The forecast for 2019, in line with what has also been demonstrated by our main competitors, confirm the ongoing moderately positive trend.

Business Assurance

2018 was characterised by a certification market which grew by several percent points in terms of management systems, production and the certification of personnel, with more significant two-figure growth for the food market. In 2018, a geographic focus strategy - which was started at the end of 2017 - was applied with the aim of focusing on certain countries for growth such as Italy, Spain, England and China. Thanks to the Group's consolidated internal know-how, new services such as GDPR were developed, alongside the capabilities and tools for creating a new generation of inspections using air and underwater drones. 2018 was a year of investments to become an ASME (American Society of Mechanical Engineers) agency for the approval of pressure equipment. The ability to create personalised solutions for customers resulted in an increase in sustainable services offered to large Italian and foreign customers. The synergy with the Group's other business units led to significant growth in the Industry 4.0 certificates on offer.

Thanks to this effort, and benefitting from the market situation calling for the renewal of certification schemes, Certification activities achieved turnover of EUR 65 million, with growth of approximately 9.5% compared to the previous year.

We strengthened our market position in Italy, where the Group is a leader in terms of number of certified sites across all certification schemes (ISO 9001, ISO 14001, BS OHSAS 18001, EMAS, ISO 37001) with specific growth in the aeronautics, environment, workplace health and safety, anti-corruption and road transport safety areas. The Group is also a leader in the certification of the social responsibility management system (SA 8000) and first offered the ISO 37001 service (anti-corruption - 90% of the certificates issued under Accredia's accreditation are RINA) with which it posted significant growth in countries like Romania and Brazil. In China

the Group is a leader in the biofuel and bioliquid sustainability certification market. In the range of services related to the sustainability pillar, the Group has invested in extending the notification to the CNCA (China National Compulsory Accreditation) for the FSC-COC (Chain of Custody for Forestry Products) scheme in the People's Republic of China and in Hong Kong to operate on the Greater China, Vietnam, Cambodia, Laos and Myanmar markets. In Indonesia, to provide an additional boost, the investment to obtain local KAN accreditation on basic systems continues and extends to ISO 37001 and on the qualification of local staff related to biofuel and bioliquid sustainability. In South Korea (Busan), there was positive growth in the automotive-related IATF 16949 certificates. In India the Group is the first certification body for Ship re-cycling Management Systems in accordance with ISO30000, with approximately 60 Certificates issued.

On an international level, resources were focused on countries in which investments were made recently such as Spain and Germany.

We continued to consolidate our presence in Romania, Poland, Turkey and above all Brazil, which is demonstrating early signs of general financial recovery.

To mention a couple of specialised activities, once again in 2018 we carried out checks on the Oil Spill Management system.

The interest shown in the bridge and viaduct inspector certification scheme should be mentioned. RINA, with approximately 400 issued certificates, is the Italian market leader in this sector with a 50% market share.

There was a 28% increase compared to the 2018 budget in professional certification, in particular in the plant and management sector, with excellent margins.

Food scheme certification (BRC, JFS, Globalgap) confirmed ongoing growth both in Italy and abroad (Romania and Turkey), which involved not only production standards, but also logistical, storage, sale and packaging standards.

In 2018, we continued to certify products obtained using both organic and integrated lot methods, with more than 1000 new companies in the control system. The acquisition of two additional extra-virgin olive oil PDOs in Lazio confirmed the Group's status as leader in the testing of oils with protected designation of origin.

The need for food chain testing was an important driver for laboratory activities also in 2018, which experienced tests in the Marine market being extended, particularly regarding the water chain for two important Groups who were existing customers.

2019 is expected to confirm the growth trend, also in terms of international development.

Energy

The activities of the Energy Business Unit includes all the Oil & Gas, electric generation and Environmental and Sustainability initiatives and achieved a total of EUR 159 million revenues compared to EUR 174 million in the previous year.

Oil & Gas

During 2018, the O&G market was characterised by unexpected developments in the price of oil per barrel which saw an ongoing and sharp increase, reaching a high of USD 80 per barrel. The price then fluctuated in a range above USD 70 per several months before falling significantly at the end of the year to almost USD

50. These values were above those forecast at the start of the year and supported the growth of all the main oil companies.

This generated greater confidence for the future and, if not the recovery of investments, then at least a new interest in new initiatives.

In this overall climate, in addition to the sales efforts and constant attention paid to the efficiency of contracts, we also put particular effort into research and innovation aimed at the creation of new services and an overall review of existing ones to take advantage of the opportunities offered by the new technologies and digitalisation.

We successfully managed to apply our expertise in offshore geotechnical and geophysical surveys to the electrical and renewable energy sector, opening up new markets with new customers in geographic areas which previously were not covered.

Oil & Gas activities included, in particular, the geotechnical and geophysical surveys carried out offshore in Holland for the Hollandse Kust project and in Ireland for the Shannon river crossing.

Asset integrity activities on refining and petrochemical plants in Italy and abroad experienced significant growth, where the inspection and coordination capabilities are well integrated with the engineering expertise on plant processes, as well as in corrosion, design and security.

Project Management Support activities were heavily developed in Italy; overseas experienced the continuation of the collaboration with the OCTP project in Ghana, managed by our subsidiary D'Appolonia JV, with the Zhor project in Egypt, managed by our local branch and for the GNP receiving terminal in Jafrabad in India.

On an international scale, we provided our services to many other countries. These included, in particular, the maintenance management support we provided in Iraq for the Zubhair project, the studies on offshore support units for the Kashagan project in Kazakhstan, the studies and design of the GNL receiving terminals at Port Qasim in Pakistan and the two technical due diligences carried out on the DNL terminals in Dunkirk and on the North Sea gas distribution network.

The activities connected to implementing the European Offshore Directive in Italy and in Mediterranean communities are particular significant.

In addition to the projects already mentioned, many other initiatives contributed to the result for the year. During the year over 50% of new orders were with foreign customers. The market continued to be characterised by a multitude of investments and therefore by small/medium contracts rather than a few large projects.

Our geographic presence, the vast range of services on offer and the variety of internal expertise were the key levers we focused on in this market situation.

Power

In 2018, activities in the Power segment fell into three broad categories:

Renewables: here owner engineering services accompanied the more traditional independent engineering services, which were in the past provided by OST Energy, acquired as part of the Edif group;

Conventional Power: where the Business Unit is mainly involved in design engineering consulting projects;

Grid: sector heavily centred in Great Britain, where consultancy services are provided, mainly relating to electricity, on the distribution grids, substations, lightening protection and grounding systems.

The Renewables segment changed little compared to 2018. There was, however, a difference in the distribution of production. Grid activities increased the most, in particular in Australia and, in the second part of the year, in South Africa where a large contract was signed for Owner Engineering on wind and solar systems.

In the UK, where the main OST headquarters were based, the main office, as was the capabilities and a series of strategic relations with the main customers who invest in the renewable sector (EBRD, Macquarie, LightsourceBP, Octopus) were maintained. The wind sector is also beginning to develop more, compared to the historical OST activities in solar, and the acquisition of a series of due diligence in this area is recorded. The Paris offices grew, which are now one of the main centres for independent engineering consultancy in the solar sector, as did the Milan offices, both thanks to the increasingly strong collaboration with ENI in renewables and to the acquisition of new customers and contracts.

The conventional Power segment had critical issues primarily due to an underlying market with a serious lack of growth in the construction of large traditional plants, in particular in Western countries.

The large consultancy and design contract, signed at the start of the year, for EPC contractor, Shikun & Binui in Israel, experienced heavy delays and as a result we found ourselves little involved during 2018.

Historical customers are suffering from the market situation and the reduced number of plants to be constructed.

Nevertheless, an extremely important contract for a plant in Brazil, which was developed through the year, sustained production and when it ends, our involvement on contracts in Israel and Poland offer a positive outlook for 2019.

Given the critical issues surrounding traditional clients, the Group is involved in sales activities aimed at acquiring new customers (Ruths, Axpo) and new services for the Group's more established customers (framework contract for electrical engineering for Enel Green Power, engineering and design services for energy efficiency at the new offices of the European Space agency in Holland).

In the Grid segment turnover has experienced an upturn after a critical start to 2018 which had some critical issues, due primarily to internal factors and which led to a reorganisation of the work group. In the second half of the year, activities increased due to greater exploitation of framework agreements with the main UK utilities (Scottish Southern Electric SSE, Electricity North West ENW) and the opening of new lines. In particular, the activities for the electrical dimensioning of data centers are consolidated, also thanks to the consolidated relationship with the Irish general contractor PM Group that works with the main companies in the sector.

The integration between renewable and grid activities continues, leading to the first network connection study contracts for offshore wind plants (East Anglia One).

Furthermore, the propulsive drive towards innovation activities in the Energy field is starting to take shape. A tender was won for a framework agreement for consultancy services with Energy System Catapult, an organisation created by the UK Government with the task of promoting research and development through public/private partnerships. The agreement has given rise to the first orders, to support Catapult in market studies, feasibility and the launch of specific products.

In the innovation area, we also note the close relationship with the Western Power Distribution WPD utility which gave rise to a large order for the study of systems for the management of the grid generated by renewable sources and a proposal for the interesting innovative vehicle to grid concept.

Earthing and lighting consultancy, focused in the Cardiff and Dyss offices, were stable compared to the previous year with a good outlook in light of the new framework agreement signed with the National Grid in the UK.

Environment and sustainability

As regards the theme of Environment and Sustainability, the services provided by the Energy Business Unit include environmental and social studies; assistance in permitting works and infrastructures in Italy and abroad; environmental modelling and monitoring; characterisation of contaminated industrial sites in preparation for environmental risk analysis and design of reclamation and restoration interventions of water and soil matrices where contaminated; third-party technical and environmental audits and due diligences in the context of Merger & Acquisition transactions or on behalf of financial investors in Italy and abroad; environmental sustainability analysis for products and processes; studies in the field of energy efficiency (civil buildings, "high energy consumption" industrial processes, renewable plants, etc.), technical assistance (TA) to International Financial Institutions (IFIs) in the context of large investments in developing countries.

In general, there was a sharp increase compared to the previous year for this type of services in 2018 driven above all by huge investments in the energy sector.

In the International Financial Institution (IFI) sector, the growth trend continued both in terms of specialist consultancy in the environment and social sector in support of large projects funded by pools of commercial banks and credit agencies in support of investments, but also as technical advisers for the monitoring of financing programmes for green energy projects and supporting small and medium businesses. The latter aspect included two large projects won for the European Reconstruction and Development Bank in the Balkans and Eastern Europe, and the tenders under way for Mongolia Uzbekistan and Tunisia, the latter in collaboration with Comete.

In terms of permitting and support during the authorisation process, activities in this area continued in a profitable way both in Italy with established customers (ENI, Edison, Saipem, etc.) and with new global acquisitions relating to projects in the Oil & Gas and Power sectors and certain large infrastructures.

During the year several important framework programmes were acquired with KfW, the most important German development bank for environmental and social services and for the European Investment Bank for energy efficiency activities in China.

In the environmental and social due diligence sector, 2018 experienced a significant increase in orders acquired in Africa (Guinea, Mozambique, Ghana, Rwanda, etc.) and in South America (Mexico, Colombia, Dominican Republic, Cuba, etc.).

During 2018, some investments in recent years are also capitalised in new sectors such as agribusiness, with a large order for the study of the dairy value chain in Egypt for the Ministry of Agriculture and Territory (SASME) co-funded by the African Development Bank.

Transport and Infrastructure

T&I is the Group's "youngest" business unit which brings together specific know-how in the transport and infrastructure sector and closed 2018 with approximately EUR 44 million in revenues.

2018 was characterised, on the one hand, by the development of the new structure (e.g. Tender scouting) and, on the other, by consolidation through the acquisition of Comete and the creation of RINA Prime Value.

For railway certification activities, 2018 saw further growth in activities in terms of volumes, development of new services, expansion onto the international market, strengthening of structures and profit.

The Group is a leader on the domestic market and has an ever increasing presence on the international one, where it operates in approximately 30 countries (which accounts for 70% of overall volumes), with 2 local offices that experienced strong growth in Scandinavia and China, significant activities in Central and Eastern Europe and new developments under way in Latin America and in other Asian countries.

In Denmark, in addition to the continuation of the undersea tunnel which will link Denmark and Germany and the project for the first high-speed route between Copenhagen and Ringsted, a new important project was launched for the Roskilde-Korsør route.

In China, the expansion of the local team based in Beijing and Shanghai followed the strong development of signalling and rolling stock projects. The first significant projects were also acquired in Japan.

In Central and Eastern Europe, important new projects were begun in Russia/CIS, Latvia, Bulgaria and Greece.

In the signalling sector, in addition to continuing work on the SCMT national system and on the certification of GSM-R networks and apparatus with the main international suppliers, security and testing assessment services for ground and on-board equipment which make up the ERTMS/ETCS European system provided a strong boost.

In the rolling stock sector, two important projects were begun for a regional train and for a high-speed train and our collaboration on various other projects with leading operators in Germany continued. Work vehicle activities also experienced significant growth.

The Italian regional railway segment involved a major expansion in its customer base, with the additional development of new services relating to the safety management system of infrastructure providers and railway businesses and safety assessments in accordance with the European Regulation on the Common Safety Method.

In this area, as with the other relevant technical regulations and methodologies for safety assessments and risk assessments, valuable training for technical staff of railway organisations and constructors/suppliers was developed.

In verifying the design for validation purposes, the Rina Check Group company confirmed its leadership in a fast growing market that continues to exploit the favourable conditions that occurred following the entry into force of Legislative Decree 18 April 2016 no. 50 which regulates public procurement.

Rina Check took part in over 200 tenders, winning contracts for road design testing, Ghedi airport project testing, Fortore aqueduct testing and the Andria station and railway network project testing. The extreme competitiveness in every infrastructure sector is confirmed.

Among the main services completed or in progress in 2018, we note the verification of the executive design of the new Genoa motorway junction called "Gronda", the new hospital of Monopoli-Fasano Marche hospitals in Ancona and the expansion of the Venice airport terminal.

Finally, Rina Check provided key support for Rina Brazil in the acquisition, organisation and management of

the service for the testing of the Belo Horizonte airport runway extension project, the first acquired in accordance with the inspection standard UNI CEI EN ISO/IEC 17020.

The Real Estate sector posted +28% in terms of turnover, the main services performed/in progress include plant due diligence on shopping centres, technical administrative due diligence of NPL buildings on behalf of primary banking groups and related services to the application of the LEED protocol for the construction of the new headquarters of a primary operator in Accra (Ghana).

2018 also registered the creation of Rina Prime Value, a company set up with Axia RE in which Rina Services holds a 30% stake and which deals with real estate assessment services mainly intended for banks.

Rina Prime has already acquired an important contract at the beginning of 2019, starting its business under the best auspices, with a concrete prospect of good results and driving the Real Estate activities of Rina Services.

With regard to activities abroad, we note the first year of activity of Rina Lebanon SAL which, despite experiencing political and economic crisis in Lebanon in 2018, managed to conclude the year with a slightly positive result. Rina Oman has achieved a good result in line with expectations while facing financial difficulties due to the payment block from the Ministry of Transport, the main customer. Normal flow should resume by early spring 2019.

In the Turkish area, the site supervision service on the construction of the Turkmenbashi sea port in Turkmenistan was completed.

The inspection activities on suppliers have recorded a decrease in volumes due to the completion of the activity linked to the real estate initiative under way in New York, however the acquisition of new contracts, albeit of insignificant amounts, and of new customers leaves us confident about growth prospects.

Finally, the start-up of activities on the Indian market is highlighted, with the creation of a local structure and the acquisition of 4 new contracts.

In 2018, consulting and engineering activities in the Transportation and Infrastructure sector recorded an increase over the previous year, confirming the positive trend of the last two years. Development activities focused on strengthening the competitiveness and supply of engineering services, both on transport and on infrastructure, through agreements/partnerships with strategic parties for participation in international tenders. Good signals from the Italian market are also worth note, with the acquisition of three important framework agreements for definitive and executive design activities in the road infrastructure sector.

In line with the development of previous years, project activities continued during 2018 in geographic areas already controlled such as Turkey, Kuwait, Israel, Tanzania and Australia. In fact, railway engineering activities are under way for the Marmaray project in the city of Istanbul (transport system that connects the European and Asian sides of the city) and an important task of technical support in defining the management and optimisation strategies for port activities in Kuwait. Furthermore, the task of technical assistance and supervision of works for a railway line in Tanzania, technical assistance and multi-year support for the construction of the urban transport system of the city of Tel Aviv and assistance to the contractor in charge of the construction of the new metro connection between the airport and the city centre in Perth are all under way. These projects allow for the possibility of pursuing commercial opportunities and promoting all corporate services and skills, also through the related foreign offices to support orders. In this

regard, the award of a consulting contract with the Tanzanian port authority to conduct feasibility and detailed engineering design studies in order to modernise and expand the operation of some Lake Victoria ports is worth mentioning. The maritime works sector is starting to exploit the great commercial efforts made in the second half of last year, with important and substantial commercial opportunities in particular in the Gulf area (Kuwait) and in the sector of consultancy and design services for the main cruise operators.

2019 therefore lays the foundations for a further growth and confirmation of the Business Unit, also engaged on the important front of works management linked to the Morandi bridge.

Industry

The Industry Business Unit provides high value-added integrated services in many industrial sectors, from manufacturing to steel and heavy industry, to the aerospace and defence industries.

Industry supports customers in increasing their competitiveness where specialised skills, materials, technologies and innovation play a fundamental role, providing confidential skills for many types of strategic industrial initiatives.

The experience acquired by RINA in highly demanding sectors such as space and defence, has given the Company the unique ability to be an important partner in strategic development programs for governments and public bodies and the ability to support industrial operators in the development of projects. Engineering services cover the entire project life cycle, in compliance with engineering and military standards. RINA has an unparalleled expertise in the development of new materials and processes, in the application of innovative production techniques, the integration of critical systems, the design and implementation of training programs, the development of engineering software and ICT solutions. Industry operates with over 500 engineers, scientists and technicians and, for the performance of its activities, it has more than 20 laboratories and pilot lines also to conduct large-scale tests.

RINA's participation in the main research and development programmes is a fundamental part of the business model, allowing for the validation of innovative technical solutions and the promotion of technology transfer between different industrial applications.

From a performance standpoint, INDUSTRY closed 2018 with around 47.2 million Euro in revenues. In 2018, this business area managed to significantly increase and diversify the portfolio of customers and services provided and its component dedicated to Materials, Technology and Innovation (MTI - which includes the subsidiary RINA CONSULTING CSM) has achieved significant results in terms of improving its margins.

Materials, Technology & Innovation closed 2018 with revenues of approximately EUR 31.2 million. One of its strong points is the range of services offered to companies looking to innovate their products/processes; these include services such as scenario analysis and technological "road-mapping", technology "scouting" and drawing up industrial exploitation plans, preliminary design and validation, testing and prototyping (using the RINA laboratories in Italy and the UK), managing industrial property and "technology transfer".

In the last months of 2018, Industry has further strengthened its ability to integrate with the other Business Units of the group, placing itself as Group reference for Product Development/Process projects carried out by customers operating in the Oil & Gas and Power sector and developing important initiatives in collaboration with the Marine BU and Certification (through joint projects on the Industry 4.0 issues that allowed Industry to acquire orders for around 420 thousand Euro).

INDUSTRY also consists of a specific expertise in Space and Defence issues, resulting from the cooperation between the pertinent Italian centre and the RINA Consulting Defence Ltd subsidiary.

The Italian defence market experienced increased investments in the army, navy and air force involving the Space and Defence BU in the Italian Naval Law programs and the development of land vehicles for the Italian army. During 2018, Italian industry (in particular Leonardo, Fincantieri, ELT and MBDA) was increasingly involved in important orders. From the point of view of the orders in the "Space" area, our involvement in the GALILEO project was strengthened, allowing us to further develop our Security skills at international level. During 2018 the UK defence market suffered a period of difficulty due to the large investments made previously and an overall slowdown in the restart of programs, which caused the delay in the activation of the main orders in this area, a situation that experienced a break through in the second half of the year, laying the foundations for a significant order backlog acquired in the last quarter of 2018.

In particular, the Space & Defence (S&D) area closed 2018 with approximately € 16 million in revenues. In the second half of 2018, a change was also launched in the organisation of some strategic areas of the Business Line, also through the change in the role of UK Director and the definition of a new internal organisation, both on the operation side and on the project development side. This evolution has allowed for an evident further change of pace and a better integration of Italian and English skills, experiencing important cases of sharing projects, skills and references in the international arena.

GROUP PERFORMANCE

FINANCIAL PERFORMANCE

In thousands of EUR	2018	2017
Total revenues	443.208	437.534
Costs for raw materials	-5 117	-4 750
Service costs	-156 647	-156 228
Personnel cost	-221 730	-210 664
Other costs	-22 273	-25 836
EBITDA	37.441	40.056
Depreciation and amortization	-19 089	-16 391
Provisions and impairments and credit losses	-2 729	-9 303
EBIT	15.623	14.362
Financial income and expenses	-5 519	-8 978
Income/(losses) before tax	10.104	5.384
Taxes	-6 909	-3 836
Net income from ongoing assets	3.194	1.548
Net income from assets destined for sale	--	--
Net income	3.194	1.548
Net Group income	2 604	566
Net minority income	590	982

RECLASSIFIED FINANCIAL SITUATION

In thousands of EUR	2018	2017
Non-current assets	273 378	275 243
Current assets net of assets held for sale	262 799	264 055
Assets held for sale	4 038	3 543
TOTAL ASSETS	540.215	542.841
Net equity	180 628	204 440
Total non-current liabilities	196 403	155 470
Total current liabilities net of assets held for sale	156 732	176 897
Liabilities held for sale	6 451	6 034
TOTAL LIABILITIES	540.214	542.841
In thousands of EUR	2018	2017
Current assets	262 799	264 055
Current liabilities	-156 732	-176 897
Net working capital	106.067	87.158
Non-current assets	273 378	275 243
Non-current liabilities	-196 403	-155 470
Net invested capital	76.975	119.773

STATEMENT OF CASH FLOWS

In thousands of EUR	2018	2017
Earnings before tax (current assets and assets held for sale)	10.104	5.384
Cash flow from operating activities before changes in working capital	26.478	30.086
Cash flow from operating activities (A)	13.122	23.588
Cash flow from investments (B)	-13.075	-10.312
Cash flow from financing activities (C)	9.731	-9.463
Net cash flow for the period A+B+C	9.777	3.812
Liquidity at the beginning of the period net of c/c overdrafts	53.521	50.234
Exchange rate differences on cash and cash equivalents	-174	-525
Cash and cash equivalents related to assets and liabilities held for sale	0	0
Cash and cash equivalents at end of period net of overdraft c/c	63.125	53.521

MAIN RISKS AFFECTING CORPORATE TARGETS

The Risk Management Policy brought in by the RINA Group on 22 July 2015 requires us to identify suitable indicators for monitoring, checking and periodically reporting the most significant risks and any new risks that may arise, according to the risk categories outlined in the Group risk profile. The parent company, RINA SpA, has set up a Control and Risk Committee including one member of the Board of Directors, who acts as Committee Chair, the Chair of the RINA SpA Board of Auditors, the Chief Financial Officer and the Chief Risk Officer, who acts as Secretary.

Risk classification

The Control and Risk Committee has introduced the following risk classification system for external and internal risks that could affect the Group's ability to achieve its targets. The classification system applies to all Group companies:

- STRATEGIC RISKS;
- FINANCIAL RISKS;
- OPERATING RISKS;
- CONFORMITY RISKS;
- LEGAL RISKS;

The main risks found with reference to the categories described above, and their relative priority, are discussed below. The assessments in this chapter are periodically evaluated by the Control and Risks Committee, in order to constantly improve the Management Control system and the risk analysis methods used in RINA.

Strategic risks

RINA operates in highly competitive areas, coming up against both local operators with strong roots in the territory, and multinational players. In this context, RINA has a strategy focusing on development and diversification on the markets, both through internal and external growth through acquisitions.

As part of our growth and diversification strategy, RINA operates in some high-risk countries from a political and social standpoint. In order to mitigate the impact of these risks, the Group monitors country risk, on the basis of the revenues associated with the activities actually carried out (hours worked) in the Country and on 4 indices provided by external sources, which measure - for each Country - the critical issues of working in that Country, linked to the political, security and legal situation: sanctions (EU/USA), corruption (Corruption Perception Index di Transparency International); security (Country Security Assessment Rating taken from then iJET Worldcue database) and credit (SACE Corporate Credit Index). The results obtained show that the revenues generated in countries in the highest range band account for a very small percentage of the Group's total revenues.

Financial risks

Financial risks are caused by the economic recession, the performance of oil prices, inflation and interest rates, and the fall in global, national or local market demand in general. Oil prices are the most significant risk, with potential huge impacts in particular on the energy sector. The oil prices have a strong impact on the Energy sector, as well as all the other Group activities, on our revenues, and to a lesser extent our operating margins, which we have managed to partially offset by diversifying services and introducing cost cutting initiatives. The impact of oil prices on the 2019 budget of the Energy sector underwent a specific risk analysis, based on the identification of 3 oil barrel price scenarios: *new normal* (USD 70), *worst case* (USD 50) and *best case* (USD 90). Starting from the analysts' forecasts, the oil barrel price Gaussian curve was constructed, which reveals the probability of positioning within the value ranges of the oil price. The worst case scenario has a probability of occurrence of 16%; the probability of having a price higher than the best case scenario is 27% and the probability of having a price between 50 and 90 US \$/barrel is 57%. Variations in revenues (consequences) were therefore defined in the worst and best case scenario compared to the new normal scenario. The portion of revenues linked to CAPEX is more affected by the change in the price of oil than that attributable to OPEX. The positioning on the risk matrix (probability by consequence) demonstrates how the risk of the Energy business falls within the limits of acceptability (average for the CAPEX component, low for the OPEX component and average globally (CAPEX + OPEX)).

The 2019 energy budget will be continuously updated during 2019 taking into account the updated forecasts of the analysts.

Among financial risks, credit risk measures how exposed a company is to potential losses caused by failure to meet obligations to trade partners. The credit office constantly monitors the reliability and credit standing of our trade partners, and their propensity towards late payment. Moreover, when more than one Group company is dealing with the same client, recovery activities are coordinated with the corporate administrative department. In this respect, the implementation of the Group "RInew" ERP in 2017 has helped to minimise this risk by consolidating credit limits for each client.

See section 5 of the Notes for information on the exchange rate risk and interest rate risk.

Operating risks

Operating risks include risks deriving from external factors, which relate to the arrival of new technologies on the market.

With this in mind, the Group is also closely monitoring the issue of digitisation, with particular reference to the effects that new technology (digital platforms, big data, blockchain) could have on traditional business models. To this end RINA established a special Corporate Digital Innovation organisational unit within the Corporate IT function and takes part in work groups set up by national trade associations (Conforma) and international ones (IFIA).

Conformity risks

In general, the so-called conformity risks concern compliance with regulatory requirements whose compliance constitutes the prerequisite for the provision of services and/or whose failure to comply causes negative repercussions on the company and on business continuity.

The first category includes compliance with the accreditation, authorisation, notification and authorisation rules for the execution of naval classification, third-party certification and inspection, while the second category includes compliance with, for example, the standards on privacy (GDPR), on the administrative responsibility of legal persons (Legislative Decree 231), on health and safety in the workplace (DL 81/08).

To manage these risks, RINA has set up an organisational and governance system that provides for a series of functional reports and exchange of information flows between the compliance functions at the corporate level and the corresponding functions of the operating companies; an articulated risk assessment and management system (including that on impartiality) and a series of control points in operating procedures, whose effectiveness and application is monitored by the Internal Audit function and, for the topics covered by the Decree 231, by the Supervisory Body.

Legal risks

In the normal course of business, the Group faces a large number of legal disputes involving professional responsibility in relation to the services provided. Although the Group pays close attention to risk control and service quality, some services may give rise to complaints, and this can have a negative impact on profitability. The claims involving the Group could result in significant litigation that may also have criminal consequences for employees or companies. In professional liability appeals, there may be a significant time interval between the time when the services are provided and the date when a complaint is filed. To protect against these risks, RINA and its subsidiaries are covered by insurance policies and a specific department dedicated to handling these cases.

The risks involved, namely losses resulting from inefficiencies of personnel, processes and systems, including the risk of fraud and errors by employees and external professionals, are limited by internal control tools (our regulations, procedures, instructions and management manuals) put in place by the Group. Furthermore, the Group's structure is set up in order to correctly comply with all the obligations related to our activities. All relevant decisions are subject to verification and approval based on the system of proxies and powers of attorney in force in the company. The corporate system is subject to systematic verification activities by the accreditation bodies, which authorise the Group companies to operate, and by the Internal Audit function. In addition, we have insurance cover for occupational risks with appropriate ceilings according to the various risks, based on their historical data.

Main claims and potential risks:

Erika litigation

With regards to the Erika case, an out-of-court claim for USD 6 million (in addition to interest and expenses) brought by the Bank of Scotland, which had financed the purchase of the ship and was in a position of legal privilege, has remained formally against Rina S.p.A. since the previous year.

The claim against Registro Italiano Navale and RINA SpA was kept open in case the insurers were granted the right to refuse compensation on the grounds of malice or gross negligence by the insured party (owner/operator) due to the inadequacy of the ship's conditions. However, adequate evidence had not been presented to support this claim either in terms of the charge or the amount.

Since this circumstance does not appear to have been definitively verified in the 2018 financial year, any risk connected to the Erika case can be considered to no longer exist.

Al Salam Boccaccio litigation

In relation to the Al Salam Boccaccio affair (which is the subject of two disputes in which the company is defendant) the profiles of responsibility adduced by the actors were extensively examined and the analysis had not highlighted any elements of concern regarding the controls and activities carried out RINA SpA. Furthermore, most of the claimants have already obtained compensation for damages in Egypt, as part of a procedure under the control of the local authority, and have waived the right to further actions against other parties.

With reference to the first dispute, the Court of Genoa, in acceptance of the exceptions of the Company, considered that it could not proceed against Rina SpA where the same had carried out the certification activities object of censorship by the claimants acting on behalf of the ship's national administration.

Moreover, again with regards to the first proceeding, the Court of Genoa also ruled in relation RINA SpA's potential liability deriving from the activities of the Registro Navale Italiano when the ship was flying the Italian flag (i.e. before April 1999). This ruling also upheld the Company's defence, excluding our liability for the Registry's acts prior to the corporate contribution of August 1999.

The Genoa Court of Appeal confirmed the decisions in the Company's favour in a ruling that has been appealed by the claimants and is currently pending.

In relation to the second summons notified in 2014, the plaintiffs applied for jurisdiction before the Supreme Court.

In 2016, the Court ruled that the formal requirements for jurisdiction were not met, and therefore rejected the case without ruling on the issues already resolved in the first summons to the company.

Following the resumption of the proceedings before the judge, the claimants have filed an application for referral to the Constitutional Court (application already rejected) and to the European Court of Justice.

This second application was accepted by the judge who therefore proposed a preliminary interpretative question whose procedure is in the initial stages.

We remind you that the second quotation does not quantify the damages claimed, and is based essentially on the same elements as the first case.

Norman Atlantic litigation

At the end of 2016, what we believe to be an unfounded claim was brought against RINA Services SpA at the Court of Bari in relation to the fire that occurred on the Norman Atlantic ferry.

Burns Mc Donnell litigation

During the year, the dispute brought before a US territorial court against NDE Technical Services USA (United States of America) and NDE Global Technical Services GmbH (Germany) by Burns McDonnell Engineering in relation to inspections carried out (allegedly, in the opinion of the plaintiff, incorrectly) on components intended for the construction of an industrial plant, was defined without charge to the companies.

Lastly, some other professional liability cases against the Company or its subsidiaries are ongoing, which are adequately monitored by the competent functions of the Group and for which all the necessary defence activities are carried out. None of them is of particular concern, either because the claims are of modest value or because they are considered groundless.

However, all the cases described above are fully covered by the Company's insurance policies and risk funds.

HUMAN RESOURCES

Headcount

At **31 December 2018**, the Group had **3,705** employees, of whom **67.66%** are **graduates**, from around **69 different nationalities** and with an **average age of 42.5**.

Furthermore, since 2009 the Group has introduced a performance assessment system that assigns individual targets for the reference year, which are shown in a specific sheet. This system aims to focus on what the company expects from each person, and at the end of the period provides an assessment interview with their manager to discuss the past year and identify objectives and areas for development and improvement for the future, with a view to developing the strengths of each employee.

Training

The growth in the Group's workforce requires increasing emphasis on the importance of both technical and managerial training. During the year, approximately 51,500 hours of training activities were carried out, part of which consisted in technical secondments.

QUALITY, ENVIRONMENT AND SAFETY

Organisation, Management and Control Model as per Legislative Decree 231/2001

On 12 December 2003, the Board of Directors of RINA SpA approved the introduction of an Organisation, Management and Control Model aimed at preventing possible offences, as well as establishing a control body responsible for overseeing compliance with and the functioning of the Model.

The Organisation, Management and Control Model has been periodically updated following the expansion of the list of offences pursuant to Legislative Decree 231/2001 and in response to the continuous expansion of the RINA Group's business.

With the recent regulatory changes, the list of offences has been extended to include "receiving, laundering and using money, assets or benefits of illicit origin, as well as self-laundering"; "Offences against the environment"; "Mafia or publication of false financial information against the public administration". On 27 July 2018, the Board of Directors of RINA SpA therefore approved a new revision of the Organisation Management and Control Model that incorporates the aforementioned regulatory changes.

RINA SpA is attentive to the expectations of its stakeholders, aware of the value of the internal control system for them in preventing the directors, employees, collaborators, representatives and business partners from committing the offences described in Legislative Decree 231/2001.

Within the limits of the activities carried out in the interest of the Company and the Group, all the recipients of the Model - current and potential - are required to adapt to behaviours that do not involve the risk of committing offences.

The principles of ethics, impartiality, independence and honesty are the basis for the voluntary choice of implementing this Model, of which the Code of Ethics is an integral part, as well as the protocols necessary to meet international Compliance Codes such as IACS and IFIA, which RINA is associated with.

The Corporate Internal Audit organisational unit supports the Supervisory Body (ODV) in monitoring the effectiveness of the Model.

Health and Safety management

In relation to health and safety in the workplace requirements, Rina SpA applies the terms of Legislative Decree no. 81/08 "Implementation of article 1 of Law no. 123 dated 3 August 2007 on Health and Safety in the Workplace" and subsequent modifications introduced, for all the company's activities. Regarding employee training, internal training sessions are provided in Rina SpA on a monthly basis or on specific request, as required by the State Regions Conference Agreement of 21/12/2011, "Agreement between the Ministry of Employment and Social Policies, the Ministry of Health, the Regions and the Autonomous Provinces of Trento and Bolzano for the Training of Workers under article 37, paragraph 2, of Legislative Decree no.81 dated 9 April 2008". Rina SpA updates and/or drafts Risk Assessment reports for the activities carried out at the Company's offices internally. At Group level, Rina SpA participates, where requested, in working groups and/or meetings that include the analysis and drafting of health and safety at work procedures, in order to optimise health and safety in workplace management.

Other key information

On 8 August 2018, Rina S.p.A. renegotiated the pooled loan receiving a disbursement of EUR 150 million from BNP and Unicredit which it used to pay back the residual debt as at July 31, 2018 to the financing banks of EUR 126.4 million taken in July 2016, which had a maturity date of May 2021. The new loan consists of a tranche A of EUR 60 million with maturity 30 June 2023, to be repaid in half-yearly instalments according to a repayment schedule which will start from 30 June 2019, and a tranche B of EUR 90 million with maturity 30 June 2024, to be repaid on the due date, with a clause allowing early repayment that may be exercised by 31 July 2019 in the event a debenture loan of the same amount is issued.

Financial covenants which are more favourable than those of the previous loan are applicable to the loan. The loan is jointly and severally guaranteed by Rina S.p.A., Rina Services S.p.A., Rina Consulting S.p.A. and Rina Consulting – Csm S.p.A., in addition to the other main Rina Group companies.

In November 2018, the Company concluded the process of syndicating part of the EUR 150 million loan granted in equal parts in August 2018 by BNP and Unicredit. The process had a very positive outcome with the major banks with which the Group has a relationship making offers of financing far higher than the amount initially requested. For this reason, also in anticipation of potential further acquisitions, the Board of Directors resolved to request an additional tranche of financing, at the same conditions as that obtained on 8 August 2018, of 20 million Euro divided into 8 million Euro to increase the line A (now equal to 68 million Euro) expiring June 2023 to be repaid in instalments with an amortisation plan that provides for the first repayment of capital amounts next June 2019 and in 12 million to increase line B (today equal to 102 million of Euro), expiring June 2024, to be repaid in full at maturity with the possibility of early repayment by July 2019 if a fixed-rate bond loan with a duration of 6/7 years is issued. The aforementioned loans envisage a spread of 2.25% which is added to the Euribor 6M (now negative) with

a zero floor clause.

The aforementioned loans were used to hedge the risk of market rate fluctuations through IRS derivatives. In particular, on line A, a fixed rate of 0.4850% was negotiated on a partial portion of 42 million Euro out of the total 68 million (approximately 62%), on line B a fixed rate of 0.647% on a partial portion of 45 million Euro out of a total 102 million (around 44%), in light of the existing hedging instruments.

The total cost of the transaction, given the above-mentioned market rate hedges, leads to a finished rate of 3.5% on the total weighted loan. The loan provides for a financial covenant expressed by the leverage ratio (NFP / EBITDA Adjusted) which must be lower at 3.5 and which determines the currently 2.25% spread.

On the basis of a preliminary calculation the covenants are respected.

Information requirement as per Law 124/2017

The reference regulations require companies that receive financial contributions from public administrations and their subsidiaries to provide certain details in the explanatory notes.

The standard in question has been clarified several times, without dispelling the doubts as to its practical application. The Company has adopted the position taken by Assonime with Circular no. 5 of 22 February 2019, according to which the statutory information requirement only applies to specific and individual payments.

As a result, the Company has decided to indicate the following information in this note, according to the type of contribution/subsidy granted:

- with regard to paid appointments falling within the company's typical activity and at market conditions, the Company declares that it has received paid appointments from persons belonging to the Public Administration; these appointments, being part of the typical company activity and conducted according to market conditions, are not reported in this section, since they are not subject to the reporting obligations provided for in Article 1, paragraph 25 of Law 124/2017;
- with regard to contributions/subsidies which may have been used and which must be published in the National State Aid Register (transparency), please refer to this document;
- with regard to contributions provided by private entities (e.g. training grants from Fondimpresa), these are not the subject of any information requirements, as they fall outside the scope of this standard;
- with regard to any tax benefits from which the Company has benefited, we believe, also in accordance with the position taken by Assonime in the aforesaid circular, that they are of a general nature and therefore do not have to be disclosed for the purposes of the provision in question.

Performance outlook

First quarter performance in 2019 has substantially confirmed the trends envisaged in the budget.

During 2019, will be finalised the implementation of the new information system in the foreign subsidiaries, in order to ensure greater efficiency and effectiveness of the computer tools used by Group companies.

The secondary offices held abroad by the Italian companies belonging to the Group are listed below as of 31 December 2018:

Rina Services S.p.A.

Kazakhstan
Congo (Brazzaville)
India

Rina Consulting S.p.A.

South Korea
Libia
Egypt
Australia
India
EAU
Israel

On behalf of the Board of Directors

The Chair

Mr. Ugo Salerno

INDEPENDENT AUDITOR'S REPORT

at 31 December 2018



Independent auditor report

in accordance with article 14 of legislative decree no. 39 of 27 January 2010

To the Shareholders of
RINA SpA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of RINA SpA (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 responsibilities for the audit of the consolidated financial statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and the board of statutory auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.800.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Guarna 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wulmer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Pocapietra 9 Tel. 010290041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ligo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Editore Troilo 8 Tel. 0854545711 - **Roma** 00131 Largo Pochetto 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 23 Tel. 0461237004 - **Treviso** 31100 Viale Felsent 90 Tel. 0422696911 - **Trieste** 34123 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Pascolle 43 Tel. 043255789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285019 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;



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

We communicated 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 identified during our audit.

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree no. 39/10

The directors of RINA SpA are responsible for preparing a report on operations of the Group as of 31 December 2018, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) no. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Group as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of RINA SpA as of 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of legislative decree no. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Genoa, 30 April 2019

PricewaterhouseCoopers SpA

Signed by

Andrea Manchelli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

Consolidated financial statements at 31 December 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro thousand

Assets	Notes	31/12/2018	31/12/2017
Property, plant and equipment	9.1	41.943	43.402
Goodwill	9.2	159.983	154.201
Other intangible assets	9.3	55.142	59.943
Investments valued at equity method	9.4	12	1.371
Financial assets	9.4	763	1.527
Deferred tax assets	9.5	12.563	11.434
Other receivables and non-current assets	9.6	2.972	3.365
Non current Assets		273.378	275.243
Trade receivables	9.7	164.406	166.209
Financial assets	9.4	6.997	2.327
Other receivables and other current assets	9.6	27.958	32.684
Cash and cash equivalents	9.8	63.437	62.835
Current Assets		262.798	264.055
Non-current assets held for sale	9.9	4.038	3.543

Euro thousand

Liabilities	Notes	31/12/2018	31/12/2017
Issued share capital		49.518	49.518
Translation reserve		-5.785	-3.790
First time adoption reserve		1.407	1.407
Other reserves		91.093	91.535
Retained earnings		40.222	62.239
Net profit (loss) of the year		2.604	566
Net Equity of the Group		179.059	201.475
Capital and reserve of third parties		979	1.983
Result of third parties		590	982
Third parties equity		1.569	2.965
Equity	9.10	180.628	204.440
Payables due to banks and other lenders	9.11	168.731	126.506
Employee benefits	9.12	14.998	15.496
Provisions for risk and charges	9.13	6.603	9.090
Other payables and other non-current liabilities	9.14	6.071	4.379
Non Current Liabilities		196.403	155.470
Payables due to banks and other lenders	9.11	33.080	63.291
Trade payables	9.15	62.500	57.277
Tax payables	9.16	4.792	4.109
Other payables and other current liabilities	9.14	56.360	52.220
Current Liabilities		156.732	176.897
Liabilities held for sale	9.9	6.451	6.034

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Euro thousand

Profit and Loss	Notes	31/12/2018	31/12/2017
Revenues	10.1	433 020	427.335
Other revenues	10.2	10 188	10.199
Total revenues		443.208	437.534
Cost of raw materials	10.3	5 117	4.750
Cost of services	10.4	156 649	156.228
Personnel costs	10.5	221.730	210.664
Depreciation and amortization	10.6	19.089	16 391
Provisions and impairments	10.7	1.873	8.124
Other costs	10.8	23.127	27.015
Total costs		427.585	423.172
Financial revenues	10.9	13 063	5.381
Financial charges	10.9	18 582	14.359
Result before taxes		10.104	5.384
Income taxes for the year	10.10	6.910	3.836
Net income from ongoing assets		3.194	1.548
Profit (loss) of third parties		590	982
Components of comprehensive income that will not subsequently be reclassified to the income statement			
Actuarial Gain/Loss on defined benefit plans		0	-174
Total components of comprehensive income that will not subsequently be reclassified to the income statement		0	-174
Components of comprehensive income that will subsequently be reclassified to the income statement			
Differences from currencies translation of financial statement on foreign currency		-1.995	-5.998
Derivatives		-774	129
Tax Effect		216	11
Total components of comprehensive income that will subsequently be reclassified to the income statement		-2.553	-5.858
Comprehensive net Income of the Group		51	-5 466
Comprehensive net Income of third parties		590	982

CONSOLIDATED STATEMENT OF CASH FLOWS

Euro thousand

Profit before taxes from continuing operations	10 104	5 384
Profit before taxes from assets held for sale	0	0
Profit before taxes (from continuing and held for sale operations)	10 104	5 384
<i>Adjustments to reconcile profit for the year to cash flows from operating activities</i>		
Amortization of tangible and intangible assets	19 076	16 391
Provisions and impairments	1873	8 125
Net financial expenses/(incomes)	7 059	8 978
Income taxes paid	(9 040)	(10 287)
Other non-monetary changes	(2 594)	1495
Cash flow from operating activities before changes in working capital	26 478	30 086
Net change in working capital		
- Trade and other receivables	(9 796)	(4 174)
- Trade and other payables	1369	(666)
- Employee benefits and provisions for charges	(4 929)	(1659)
Cash flow related to operating activities (A)	13 122	23 588
<i>Cash flow from investing activities</i>		
Investments (net of disposals) of fixed assets		
-Intangible	(3 667)	(5 634)
-Tangible	(3 485)	(4 678)
Comete acquisitions net of cash acquired	(5 923)	0
Cash flow related to investing activities (B)	(13 075)	(10 312)
<i>Cash flow from financing activities</i>		
Openings of new bank loans	290 428	29 623
Repayment of bank loans and finance leases	(269 979)	(31781)
Changes in financial assets	(881)	(340)
Financial charges paid	(8 328)	(5 679)
Financial income collected	1268	830
Dividends paid	(2 777)	(2 116)
Cash flow related to financing activities (C)	9 731	(9 463)
Net cash flow for the period (A) + (B) + (C)	9 777	3 812
<i>of which change in cash and cash equivalents arising from assets and liabilities held for sale</i>		
Net cash flow for the period (A) + (B) + (C) excluding change of cash and cash equivalents resulting from assets and liabilities held for sale	9 777	3 812
Cash at the beginning of the period, net of bank overdrafts	53 521	50 234
Exchange rate differences on cash and cash equivalents	(174)	(525)
Cash and cash equivalents at the end of the period, net of bank overdrafts	63 124	53 521
Reconciliation of cash and cash equivalents at the end of the period		
	2018	2017
Financial statements' cash and cash equivalents	63 437	62 835
Bank overdrafts	(312)	(934)
Cash and cash equivalents cash flow statement	63 125	53 521

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2016	49.518	2.208	67.482	89.081	208.289	2.651	210.940
Net income (loss) for the year 2017			566		566	982	1.548
Reclassification of reserves			(3.857)	3.857	-	-	-
Other movements					-	-	-
Other components of comprehensive income					-	-	-
Measurement of defined benefit plans				(125)	(125)		(125)
Financial statements conversion with a functional currency other than Euro		(5.998)			(5.998)	(113)	(6.111)
Derivatives				129	129		129
Total result for the year	-	(5.998)	(3.291)	3.861	(5.428)	869	(4.559)
Changes in the consolidation area			329		329	(154)	175
Dividend distribution			(1.714)		(1.714)	(402)	(2.116)
Total transactions with shareholders	-	-	(1.385)	-	(1.385)	(556)	(1.941)
As at 31 December 2017	49.518	-3.790	62.806	92.942	201.476	2.964	204.440
Net income (loss) for the year 2018			2.604		2.604	590	3.194
Reclassification of reserves			(343)	343	-	-	-
IFRS 9			(20.559)		(20.559)		(20.559)
Other movements			50	(11)	39		39
Other components of comprehensive income					-		-
Measurement of defined benefit plans							
Financial statements conversion with a functional currency other than Euro		(1.995)			(1.995)	(194)	(2.189)
Derivatives				(774)	(774)		(774)
Total result for the year	-	(1.995)	(18.248)	(442)	(20.685)	396	(20.289)
Changes in the consolidation area					0	(746)	(746)
Dividend distribution			(1.732)		(1.732)	(1.045)	(2.777)
Total transactions with shareholders	-	-	(1.732)	-	(1.732)	(1.791)	(3.523)
As at 31 December 2018	49.518	-5.785	42.826	92.500	179.059	1.569	180.628

NOTES

1. General information

RINA S.p.A. ("RINA" or the "Company" or the "Parent Company") is a company incorporated and domiciled in Italy and organised according to the legal system of the Italian Republic, with its registered offices in Genoa, Via Corsica 12. The Registro Italiano Navale has a controlling share of 69.91% in the Company's capital.

RINA and its subsidiaries (the "Group" or the "RINA Group") mainly offer services for the classification of ships, certification activities and engineering services and advanced industrial services in general. The Group's historical core business is the classification of ships, consisting in assigning a class to a ship based on the conformity of the design and the materials used according to the type of load and use of the ship, in compliance with international rules and standards.

More details on how the Group performs its business are provided in the Report on operations.

2. Summary of the accounting standards used

The main accounting standards and principles applied in preparing and drafting the consolidated financial statements of the Group (the "Consolidated Financial Statements" or the "Financial Statements") are shown below. These standards have been applied coherently for all financial years presented in this document.

2.1 Basis for preparation

These Consolidated Financial statements have been prepared in compliance with the EU IFRS standards in force on the date of the report's approval. EU IFRS standards mean all the "*International Financial Reporting Standards*", the "*International Accounting Standards*" (IAS), and the interpretations of the "*International Reporting Interpretations Committee*" (IFRIC), previously called "*Standing Interpretations Committee*" (SIC), approved and adopted by the European Union.

The financial statements are based on the best available knowledge of the EU IFRS, and taking into account the best interpretations in this field; any future interpretative guidance and updates will be reflected in subsequent fiscal years in accordance with the methods required by the financial reporting standards, on a case-by-case basis.

These Consolidated Financial Statements have been prepared using the conventional historical cost criterion and with a view to business continuity. They are subject to approval by the Board of Directors of the Company on 16 April 2019.

2.2 Form and content of the financial statements

With regard to the form and content of the consolidated financial statements, the Group has made the following choices:

- the statement of financial situation shows current and non-current assets separately, and current and non-current liabilities in the same way;
- the consolidated statement of comprehensive income shows a classification of costs and revenues by nature;
- the consolidated statement of cash flows, on the other hand, was prepared using the indirect method.

The Company has chosen to draw up a comprehensive income statement that includes, in addition to the result for the period, changes in shareholders' equity relating to items of an economic nature which, by express provision of international accounting standards, are recognised among the components of shareholders' equity.

The templates used, as specified above, are those that best represent the Group's economic, equity, and financial situation.

These financial statements are subject to audit by the independent auditor PricewaterhouseCoopers SpA, statutory auditor of the Company and the Group.

2.3 Consolidation area and variations

These consolidated financial statements include the financial statements of the parent company Rina SpA and its subsidiaries. Where necessary, specific adjustments were made at the consolidated level to standardise the Group's financial statements to the EU-IFRS accounting standards.

The list of companies included in the scope of consolidation at 31 December 2018, indicating the share capital held by the Group, are indicated in annex 1 to this document.

During the 2018 financial year, the consolidation area changed as a result of the establishment or acquisition of the following companies:

- Comete Engineering S.A. (Tunisia): in January 2018 RINA Group acquired the majority of the share of this Tunisia-based company, parent of a group operating in the engineering and consulting services sector;
- CTSA - Construction Technical Services Arabia LLC (Saudi Arabia), a company fully consolidated started from 2018 following the amendment of the underlying shareholders' agreements which allowed RINA Group to obtain control of the company;
- RINA Congo SAS (Republic of the Congo), RINA Consulting SAS (France), RINA Energy (B) Sdn Bhd (Brunei), RINA Consulting Sociedad Civil (Mexico), companies established during 2018;
- RINA Consulting - Polaris srl: during 2018 the Group acquired 49% of this company from third-party shareholders, thus becoming the sole shareholder.

2.4 Consolidation principles

The criteria used by the Group to define the consolidation area and the relative consolidation principles are shown below.

Subsidiaries

The subsidiary companies are those companies that the Group controls. The Group controls a company when it is exposed to the variability of the company's results and has the power to influence these results through its power over the company. Generally, it is assumed that control exists when the company directly or indirectly holds more than half of the voting rights, taking into account the potential exercised or converted voting rights.

All subsidiaries are consolidated using the integral method from the date on which control is transferred to the Group. On the other hand, they are excluded from consolidation starting from the date on which this control is terminated.

Associated companies

Associates are companies over which the Group has significant influence, which is presumed to exist when the investment represents 20% to 50% of the voting rights.

Investments in associated companies are valued according to the net equity method. This evaluation criterion can be described as follows:

- i) the group's profits and losses are accounted for from the date in which the significant influence or joint control started and until the date when it ended; if, as a result of the losses, the company valued using the method in question shows a negative shareholders' equity, the carrying amount of the investment is cancelled and any excess attributable to the group, if the latter has committed itself to complying with legal or implicit obligations of the subsidiary company, or in any case covering its losses, is recorded in a specific fund;
- ii) unrealised gains and losses generated on transactions between the Parent Company and the subsidiary company valued using the equity method are eliminated based on the value of the Group's investment in the subsidiary; unrealised losses are eliminated, with the exception of cases in which they are representative of impairment.

Joint arrangements

The Group applies IFRS 11 in the assessment of joint arrangements. In accordance with the provisions of IFRS 11, a joint arrangement can be classified either as a joint operation or as a joint venture on the basis of a substantial analysis of the rights and obligations of the parties. Joint ventures are joint control agreements in which the parties, joint venturers, who hold joint control, have, among other things, rights to the net assets of the agreement. Joint operations are joint control agreements that give participants the rights to the assets and obligations on the liabilities relating to the agreement. Joint ventures are accounted for using the equity method, while investments in a joint operation involve the recognition of assets/liabilities and costs/revenues related to the agreement on the basis of the rights/obligations, due regardless of the ownership interest held.

Assets held for disposal

Non-current assets or disposal groups whose book value will be recovered mainly through sale rather than through their continuous use are classified as held for sale and are shown separately from other assets and liabilities in the consolidated statement of financial position.

The corresponding values of the previous year are not reclassified in the consolidated statement of financial position, but are instead shown separately in a specific column of variations in the evolution of the assets and liabilities in the year in which the non-current assets destined to be sold or disposal groups are classified as such.

Non-current assets or disposal groups classified as held for sale are first recognised in accordance with the specific reference IFRS applicable to each asset and liability, and subsequently recognised at the lower of the carrying amount and the related fair value, net of sale costs. Any subsequent losses in value are recognised directly as an adjustment to current assets or disposal groups classified as held for sale with a balancing entry in the income statement. On the other hand, a reversal was recorded for each subsequent increase in the fair value of an asset less sales costs, but only up to the amount of the impairment loss previously recognised. In accordance with the provisions of IFRS 5 (Non-current assets held for sale and discontinued operations), non-current assets classified as held for sale or part of a group held for sale are not amortised. Financial charges and other expenses attributable to the liabilities of a disposal group classified as held for sale must continue to be recognised.

Business combinations

Business combinations are recorded according to the acquisition method. According to this method:

- the amount transferred in a business combination is measured at fair value, calculated as the sum of the fair value of the assets transferred and of the liabilities assumed by the Group on the acquisition date and of the equity instruments issued in exchange for control of the acquired company. The charges ancillary to the transaction are recorded on the income statement at the time in which they are incurred.

- the identifiable assets and the liabilities acquired are recognised at fair value at the acquisition date; an exception is deferred tax assets and liabilities, assets and liabilities for employee benefits, liabilities or equity instruments relating to share-based payments of the acquired company or payments based on shares relating to the group issued to replace contracts for the company acquired, and assets (or groups of assets and liabilities) held for sale, which are instead valued according to their relevant principle;
- goodwill is calculated as the excess between the sum of the considerations transferred in the business combination, the value of the net equity pertaining to minority interests and the fair value of any equity investment previously held in the company acquired compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets and liabilities acquired at the acquisition date exceeds the sum determined above, the excess is immediately recognised in the income statement as income deriving from the transaction;
- any considerations subject to conditions provided for by the business combination contract are valued at fair value on the acquisition date and included in the value of the amounts transferred in the business combination for the purpose of calculating the goodwill.

In the case of business combinations carried out in stages, the investment previously held in the acquired company is revalued at fair value on the date control is acquired, and any resulting gain or loss is posted in the income statement.

If the initial values of a business combination are incomplete at the closing date of the financial period in which the business combination took place, they are posted as provisional values in the Group consolidated financial statements. These provisional values are adjusted in the subsequent measurement period to take into account the new information obtained on facts and circumstances existing at the acquisition date which, if known, would have affected the value of the assets and liabilities recorded at that date.

Put options assigned to minority interests

Potential payments relating to put options assigned to minority interests are recognised as financial payables, as they involve the payment of a predetermined amount of cash or other financial asset by the company that cannot be avoided if the third-party shareholders decide to exercise the option assigned to them. Liabilities relating to put options on minority interests is initially measured at fair value and subsequently remeasured according to the amortised cost method, using the effective interest rate. At the end of each financial year, the evaluation of this debt in the financial statements is updated; any differences are recorded in the income statement, under financial income and charges.

Financial payables for put options are classified under current liabilities, as other payables and other current liabilities if they are expected to be settled within 12 months from the balance sheet date; otherwise, they are classified as non-current liabilities.

Transactions with minority shareholders

The Group records transactions with minority shareholders as "equity transactions". Therefore, in the case of acquisitions and sales of additional shares after control is acquired, the difference between the purchase cost and the carrying amount of the minority interests acquired is recognised in group shareholders' equity.

Conversion of the accounts of foreign companies

The financial statements of subsidiaries are drafted using the currency of the primary economic environment in which they operate. The following rules apply for the translation of the financial statements of companies denominated in currencies other than the Euro, which is the Group's functional currency:

- assets and liabilities are converted using the exchange rates current at the balance sheet date;
- costs and revenues are converted at the average exchange rate for the year;

- exchange rate gains or losses arising from the translation of economic values at a rate that differs from the closing rate and from the translation of opening equity at a rate that differs from the closing rate are recorded in the "translation reserve" in the comprehensive income statement.
- goodwill, where applicable, and fair value adjustments relating to the acquisition of foreign operations are recognised as assets and liabilities of the foreign operation and translated at the closing rate for the period.

Subsidiaries with a functional currency other than the Euro in the consolidation area at 31 December 2018 and 2017 are listed in annex 1.

The exchange rates used for the conversion of the aforementioned balances are shown in the following table:

2018 CONSOLIDATED FINANCIAL STATEMENTS

AED	4,3371	4,2050	4,1461	4,4044
ALL	127,6200	123,5300	134,1300	133,5800
ARS	32,9094	43,1593	18,7260	22,9310
AUD	15797	16220	14729	15346
AZN	2,0077	19465	19426	2,0389
BDT	98,5604	96,0655	91,1565	99,1821
BGL	19558	19558	19558	19558
BRL	4,3085	4,4440	3,6041	3,9729
CAD	15294	15605	14644	15039
CHF	1,1550	1,1269	1,1115	1,1702
CLP	756,9400	794,3700	732,1900	737,2900
CNY	7,8081	7,8751	7,6264	7,8044
COP	3 486,7400	3 721,8100	3 333,8400	3 580,1900
DKK	7,4532	7,4673	7,4387	7,4449
DZD	137,6525	135,4881	125,3108	137,8343
EGP	210414	20,5108	20,1464	213309
EUR	1	1	1	1
GBP	0,8847	0,8945	0,8717	0,8872
GEL	2,9898	3,0675	2,8332	3,1250
GHS	5,5222	5,6218	4,9357	5,4313
HKD	9,2559	8,9675	8,8012	9,3720
HRK	7,4182	7,4125	7,4644	7,4400
IDR	15 803,2200	15 500,0000	15 113,2000	15 239,1200
INR	80,7332	79,7298	73,4980	76,6055
IRR	48 210,0000	48 090,0000	37 553,0000	43 264,0000
KRW	1299,0700	1277,9300	1275,8300	1279,6100
KZT	406,9100	437,5200	368,6300	397,9600
LBP	1780,2900	1726,0900	1702,3900	1807,9400
LKR	1916615	209,4810	172,3144	184,0026
MAD	11,0820	10,9390	10,9490	112360
MDL	19,8351	19,5419	20,8370	20,5271
MNT	2 917,1700	3 027,0300	2 754,6400	2 910,8600
MXN	22,7054	22,4921	21,3278	23,6612
MYR	4,7634	4,7317	4,8501	4,8536
MZN	712900	70,5100	716800	70,6600
NGN	360,9013	350,9425	350,6249	367,0458
NOK	9,5975	9,9483	9,3286	9,8403
OMR	0,4541	0,4403	0,4342	0,4611
PAB	1,1810	1,1450	1,1293	1,1993
PEN	3,8793	3,8630	3,6815	3,8854
PHP	62,2101	60,1130	56,9408	59,7950
PLN	4,2615	4,3014	4,2563	4,1770
PYG	6 764,2400	6 824,8200	6 345,7200	6 704,6500
RON	4,6540	4,6635	4,5687	4,6585
RUB	74,0415	79,7153	65,8877	69,3920
SAR	4,4286	4,2938	4,2351	4,4974
SEK	10,2583	10,2548	9,6369	9,8438
SGD	15926	15591	15582	16024
THB	38,1640	37,0520	38,2790	39,1210
TMT	4,1334	4,0075	3,9525	4,1976
TND	3,1106	3,4302	2,7295	2,9737
TRY	5,7077	6,0588	4,1214	4,5464
TWD	35,5864	35,0223	34,3471	35,6555
UAH	32,1091	31,7362	30,0276	33,7318
USD	1,1810	1,1450	1,1293	1,1993
UYU	36,2299	37,0943	32,3962	34,5522
VEF		729,8027	112787	119780
VND	27 180,0000	26 547,0000	25 652,0000	27 233,0000
XAF	655,9570	655,9570		
XOF	655,9570	655,9570	655,9570	655,9570
ZAR	15,6186	16,4594	15,0434	14,8054

Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the exchange rate on the date of the transaction. Cash assets and liabilities held in currencies other than the Euro are subsequently adjusted to the exchange rate at the year-end closing date. Any exchange differences found are reflected in the income statement.

Non-cash assets and liabilities held in currencies other than the Euro are recorded at their historical cost, using the exchange rate at the date when the transaction was initially recorded.

2.5 Valuation criteria

Property, plants and machinery

Property, plant and machinery are measured at purchase or production cost, net of accumulated depreciation and any impairment losses. The cost includes the charges directly incurred to make their use possible, as well as any dismantling and removal charges that will be incurred as a result of contractual obligations requiring the asset to be returned to its original condition.

Financial charges directly attributable to the acquisition, construction or production of an asset that justifies capitalisation in accordance with IAS 23R are capitalised on the asset itself as part of its cost.

Costs for ordinary and/or routine maintenance and repairs are taken directly to profit or loss when incurred. Costs to expand, upgrade or improve owned or leased assets are capitalised to the extent they meet the requirements to be classified separately as assets or part of an asset.

Property, plant and machinery owned under financial leasing contracts, through which the risks and benefits associated with ownership are substantially transferred to the Group, are recognised as Group assets at their current value or, if lower, at the current value of minimum lease payments, including any amount to be paid for the exercise of the purchase option. After their initial registration, the leased goods are depreciated by applying the criterion and the rates indicated above, unless the duration of the lease is less than the useful life represented by these rates, and there is no reasonable assurance of the transfer of the leased goods' ownership upon the agreement's natural expiry date; in this case, the depreciation period will be represented by the duration of the lease agreement itself.

Leases in which the lessor substantially retains all the risks and benefits of ownership are classified as operating leases. The costs associated with operating leases are recorded in a linear fashion on the income statement over the term of the lease agreement.

Depreciation is charged on a straight-line basis using rates that allow the assets to be depreciated until the end of their useful life.

The useful life estimated by the Group for the individual categories of property, plant and equipment is as follows:

Buildings	3%-5%
Machinery and equipment	15%-25%
Furnishings	15%-20%
Cars	15%-25%
Electronic office machinery	20%-40%
Ordinary office machinery	12%-33%
Furniture	12%-25%
Improvements to third parties assets	The lowest between the useful life of the improvements and the residual duration of the lease contract, taking into account any renewal periods if they are dependent on the lessee

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, when preparing the financial statements.

Goodwill

Goodwill is calculated as the excess between the sum of the considerations transferred in the business combination, the value of the net equity and the fair value of any equity investment previously held in the company acquired compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets and liabilities acquired at the purchase date exceeds the sum

of the considerations transferred, the value of the net equity pertaining to minority interests and the fair value of any equity investment previously held in the acquired company, this excess is immediately recognised in the income statement as income.

Goodwill is not amortised, but subjected to an annual valuation aimed at identifying any loss in value (impairment test). This test is carried out with reference to the organisational unit generating the cash flows ("cash generating unit" or "CGU") to which the goodwill is attributed.

Within the group 5 CGUs were identified and the goodwill was reassigned on the basis of the fair value of the CGUs in question on the date on which the CGUs were identified, as required by the accounting standards.

The impairment test was prepared on the basis of the 2019 budget and, for subsequent years, the strategic plan approved by the Board of Directors of the Parent on 26 February 2018. Please refer to paragraph 9.2 of these Notes for more details.

Any impairment of goodwill is recorded if the recoverable amount thereof is less than its carrying value on the financial statements. Recoverable value is defined as the greater of either the fair value of the CGU, less the disposal costs, or the relative value in use, understood as the actual value of the future cash flows for that asset. Impairment of goodwill is not allowed in the case of a previous write-down for losses in value.

If the impairment resulting from the impairment test exceeds the value of the goodwill allocated to the CGU, the remaining surplus is allocated to the non-current assets included in the CGU in proportion to their carrying value.

The test is performed at least once a year, or in any case if loss of value indicators are found.

Other intangible fixed assets

Intangible assets are identifiable non-cash assets without physical substance that generate future economic benefits for the Company. These elements are recognised at purchase and/or production cost, including expenses directly attributable to preparing the asset for use, net of accumulated amortisation and any loss in value.

Amortisation begins when the asset becomes available for use and is calculated systematically over the residual useful life of each asset.

In line with previous years, the useful life estimated by the Group for the various categories of intangible assets is shown below.

Software	33%
Concessions, licences and trademarks	33%
NDE clients portfolio	8%
ERA clients portfolio (now Rina Consulting Ltd)	10%
NDE orders portfolio	100%
ERA orders portfolio (now Rina Consulting Ltd)	25%
NDE software	20%
ERA software (now Rina Consulting Ltd)	20%

Impairment of property, plant and machinery and intangible assets with a finite useful life

At each balance sheet date, the Group assesses the existence of indicators reducing the value of property, plant and machinery and intangible assets with a finite useful life not fully amortised. If such indicators are found, the recoverable value of the assets is estimated, with any depreciation with respect to the relative book value being recorded on the income statement. Recoverable value is defined as the greater of either the fair value, less the disposal costs, or the relative value in use, understood as the actual value of the future cash flows for that asset. For an asset that does not generate largely independent cash flows, the value is determined in relation to the cash generating unit to which the asset belongs. When calculating the value in

use, the expected future cash flows are discounted using a rate that reflects the current market assessments of the cost of money in relation to the period of the investment and risks specific to the asset. A reduction in value is recognised in the income statement when the carrying value of the asset is higher than the recoverable value. If the conditions for a write-down previously carried out no longer subsist, the carrying amount of the asset is restored through registration on the income statement, within the limits of the carrying value that the asset in question would have had if the write-down had never been done and the amortisations had been carried out.

Financial assets

The Group's Financial assets are classified on the basis of the business model adopted to manage them and the characteristics of the related cash flows.

a) Financial assets valued at amortised cost

Financial assets which have been verified to meet the following requirements are classified in this category:

- (i) the asset is held within a business model whose objective is possession of the asset to collect contractual financial flows; and
- (ii) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the principal amount to be repaid.

These are mainly receivables from customers, loans and other receivables.

Trade receivables that do not contain a significant financial component are recognised at the price defined for the related transaction (determined in accordance with the provisions of IFRS 15 Revenues from customer contracts).

Other receivables and loans are initially recognised in the financial statements at their fair value increased by any directly attributable accessory costs to the transactions that generated them. At the time of subsequent measurement, financial assets were shown at amortised cost, with the exception of loans that do not contain a significant financial component, using the effective interest rate. The effects of this measurement are recognised as a financial income component.

The Group values receivables by adopting an expected loss impairment model.

For trade receivables the Group adopts a simplified approach which does not require periodic changes to the credit risk to be reported, but rather an expected credit loss (ECL) calculated on the entire ECL lifetime to be recorded.

In particular, the policy implemented by the Group involves the stratification of receivables, which are broken down by homogeneous risk categories. Different write-down percentages are applied to these categories, which reflect the likelihood of them being recovered. These are based on historical percentages and on any forward-looking data, which may impact the reasonable likelihood of them being recovered. Trade receivables are written down in full if they are not reasonably likely to be recovered (e.g. overdue past a certain point, bankruptcy and/or start of legal action).

Write-downs carried out in accordance with IFRS 9 are recognised in the consolidated income statement net of any positive effects related to releases or restorations of value and are represented under operating costs.

b) Financial assets at fair value through profit or loss ("FVOCI")

Financial assets which have been verified to meet the following requirements are classified in this category:

- (i) the asset is held within the framework of a business model whose objective is achieved both by collecting contractual financial flows and by selling the asset itself; and
- (ii) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the principal amount to be repaid.

These assets are initially recognised in the financial statements at their fair value plus any additional costs directly attributable to the transactions that generated them. At the time of subsequent measurement, the measurement made at the time of recognition is updated and any changes in fair value are recognised in the statement of comprehensive income.

With reference to the impairment model, it follows what is described in paragraph a) detailed above.

c) Financial assets at fair value with a balancing entry in the consolidated income statement ("FVPL")

Financial assets that are not classified in any of the previous categories (i.e. residual category) are classified in this category. These are mainly derivative instruments.

Assets belonging to this category are recorded at fair value upon initial recognition.

Ancillary costs incurred on recognition of the asset are immediately recognised in the consolidated income statement. On subsequent measurement, FVPL financial assets are measured at fair value.

Gains and losses arising from changes in fair value are recognised in the consolidated income statement in the period in which they are recognised under "Gains (losses) from assets measured at fair value".

Purchases and disposals of financial assets are accounted for at the settlement date.

Financial assets are derecognised when the related contractual rights expire, or when the Group transfers all the risks and benefits of ownership of the financial asset.

Derivative financial instruments

As permitted by IFRS 9, the RINA Group has chosen to continue to apply the hedge accounting provisions of IAS 39 instead of the provisions of IFRS 9.

Derivative instruments are initially valued at fair value and remeasured at each balance sheet date at fair value. The criteria for recognizing the gains and losses deriving from the remeasurement of the derivative instruments depend on their initial classification.

Derivative financial instruments subscribed for the purpose of hedging specific financial risks are recorded using hedge accounting rules if the relationship between the derivative financial instrument and the instrument being hedged is formally documented, and the hedge is periodically shown to be highly effective.

In this case, the accounting methods are:

- *Fair value hedge* - if a derivative financial instrument is selected to hedge exposure to changes in the current value of an asset or liability, the change in the fair value of the hedging derivative is recognised in the income statement, along with the valuation of the fair value of the assets and liabilities hedged.
- *Cash flow hedge* - if a derivative financial instrument is selected to hedge the exposure to the variability of the cash flows of a financial asset, liability, or a highly probable forecast transaction that could affect the comprehensive income statement, the effective portion of profits or losses on the financial instrument is recognised in equity; the accumulated profit or loss is reversed from equity and recorded in the income statement in the same period in which the transaction being hedged is recorded; the profit or loss

associated with a hedge, or that part of the hedge that has become ineffective, is recorded in the income statement when the ineffectiveness is recognised.

If the conditions for the application of hedge accounting are not met, changes in the fair value of the derivative financial instrument are recorded in the income statement.

Fair value measurement

The Fair value valuations of the financial instruments are carried out by applying IFRS 13 "Fair value measurement" ("IFRS 13"). The fair value represents the price that would be received for the sale of an asset or paid for the transfer of a liability within the context of an ordinary transaction carried out between market operators on the measurement date.

The fair value measurement is based on the assumption that the sale of the asset or the transfer of the liability takes place on the main market, or rather the market with the greatest volume and level of transactions for the asset or liability in question. In the absence of a main market, it is assumed that the transaction takes place on the most advantageous market to which the Group has access, or rather the market most likely to maximise the results of the asset's sale, or minimise the amount to be paid for the transfer of the liability.

The fair value of an asset or liability is determined in consideration of the assumptions that market participants would use to define the price of the asset or liability in question, with the presumption that they are acting in their best economic interests. The market participants are independent and informed buyers and sellers who are capable of entering into a transaction for an asset or liability, and are motivated, but are not obliged or induced, to carry out the transaction.

In carrying out the fair value measurement, the Group takes into account the characteristics of the specific asset or liability, and namely, for non-financial assets, the ability of a market participant to generate economic benefits by employing the asset for its greatest and best possible use, or by selling it to another market participant capable of using it for its greatest and best possible use. The fair value measurement of the assets and liabilities is carried out using techniques appropriate for the circumstances, and for which sufficient data are available, maximising the use of observable inputs.

IFRS 13 identifies the following hierarchy of fair value levels, which reflects the significance of the inputs used in the relative determination:

- Level 1 - Quoted price (active market): the data used in the measurements are prices quoted on markets where the same assets and liabilities in question are exchanged.
- Level 2 - Use of parameters observable on the market (e.g. for derivatives, the exchange rates used by the Bank of Italy, market rate curves, volatility provided by qualified providers, credit spreads calculated based on the CDS, etc.) other than the quoted prices referred to in level 1.
- Level 3 - Use of unobservable market parameters (e.g. internal assumptions, cash flows, risk-adjusted spreads, etc.).

Cash and cash balances

Cash and cash equivalents include cash, bank current accounts, deposits repayable on request and other short-term and highly liquid financial investments that are readily convertible into cash, or convertible into cash within 90 days of the original acquisition date, and are subject to a low risk of changes in value.

For the purpose of preparing the statement of cash flows, cash and cash equivalents have been calculated net of current account overdrafts.

Treasury shares

Treasury shares are recorded as a reduction in equity. The original cost of treasury shares and the revenues deriving from any subsequent sales are recorded as movements in shareholders' equity.

Financial liabilities (excluding derivatives)

Financial liabilities include financial payables, payables for leases and trade payables.

Amounts due to banks and other lenders are initially recognised at fair value net of directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. If there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change based on the current value of the new expected cash flows and the initially determined internal rate of return.

Leasing payables are initially recognised at the fair value of the capital goods covered by the contract, or, if lower, at the present value of the minimum payments due.

Trade payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if they are paid within one year of the balance sheet date. Otherwise, these payables are classified as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently measured using the amortised cost method.

When a financial liability is hedged against interest rate risk by a fair value hedge, changes in fair value due to the hedged risk are not included in the amortised cost calculation. These changes are amortised from the moment in which the fair value hedge accounting is interrupted.

Financial liabilities are eliminated from the financial statements when the obligation underlying the liability is extinguished, cancelled or fulfilled.

If put and call options are granted to minority shareholders, which guarantee them a cash settlement in exchange for cash or other financial assets, on the basis of IAS 32 the Group records a financial liability equal to the best estimate of the option's exercise price. This liabilities is subsequently remeasures on each balance-sheet date.

With reference to the derecognition of a financial liability, new records must be created for its extinction and the recognition of a new liability if the contractual terms are substantially different. The terms are considerably different if the actualised value of the financial flow under the new terms, including any fee paid net of the fee received and actualised using the original interest rate, are at least 10% different from the actualised value of the remaining financial flows of the original financial liability. If the exchange of debt instruments or the change in the terms are recognised as an extinction, any costs or fees paid are recorded as income or losses associated with the extinction. If the exchange or modification are not recognised as extinction, any costs or fees sustained will adjust the accounting value of the liability and will be amortised over the remaining term of the liability in question.

Personnel funds

Funds paid to personnel on or following termination of employment mainly comprise Severance Indemnity (TFR), governed by article 2120 of the Italian Civil Code.

Employee severance indemnity is a formalised program of benefits paid out after termination of the employment relationship; it constitutes a future obligation, and the Group bears the actuarial and investment risks associated with it. As required by IAS 19, the Group uses the Credit Unitary Projection Method to calculate the current value of the bonds and the related social security cost of current services; this calculation

method requires the use of objective and compatible actuarial assumptions on demographic (mortality rate, staff turnover rate) and financial variables (discount rate, future increases in salary levels). Actuarial gains and losses are recognised in comprehensive equity.

Following the pension reform, from 1 January 2007 the accrued employee severance indemnity is allocated to pension funds, to the treasury fund set up at INPS or, in the case of companies with fewer than 50 employees, can remain in the company in the same way as in previous years.

Employees were offered the right to choose where to invest their severance indemnity up until 30 June 2007. In relation to this, the allocation of the accrued amounts of TFR to the pension funds or to the INPS implies that a portion of the accrued TFR is classified as a defined contribution plan, since the obligation of the company is represented exclusively by the payment of contributions to the pension fund or to the INPS. The liability relating to the previous severance indemnity continues to represent a defined benefit plan to be assessed according to actuarial assumptions.

The other long-term benefits granted to employees, such as long-term bonuses, are also evaluated using actuarial methods, as well as taking into consideration demographic (mortality rate, staff turnover rate) and financial variables (discount rate). Actuarial gains and losses are recognised in equity.

Provisions for risks and charges

Provisions for risks and charges are recorded for specific losses and charges of a specific nature, of certain or probable existence, but the amount and/or date of which is uncertain.

Funds are only recorded when there is a current obligation (legal or implicit) for future payments caused by past events, and the payments are required to meet the obligation. The amount is the best estimate of the discounted outlay required to settle the obligation.

When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the funds are valued at the current value of the expected payment using a rate that reflects the market conditions, the change in the cost of money over time and the specific risk linked to the obligation.

The increase in the value of the fund associated with changes in the cost of money over time is recorded as a financial charge.

Potential risks are indicated in the specific section on disclosures on potential liabilities, and no provision is made for them.

In extremely rare cases, the indication of some or all of the information required by paragraphs 84-89 of IAS 37 could seriously affect the entity's position in a dispute with third parties on the matter underlying the provision, the contingent liability or the potential activity. In such circumstances, the entity is not obliged to provide the information but must indicate the general nature of the dispute, together with the fact that, and the reason why, the information has not been indicated.

Public contributions

Government grants are recognised when there is reasonable assurance that an entity will comply with any conditions attached and that the grant will be received. The contributions are recorded in the income statement throughout the period in which the related costs are recorded.

Benefits deriving from public funding obtained at a subsidised rate are recorded in a similar way to public grants.

This benefit is calculated when funding is first received as the difference between the initial carrying amount of the loan (fair value plus costs directly attributable to obtaining the loan) and the amount collected and is subsequently recognised in the income statement in accordance with the rules established for recognition of public contributions

Revenue recognition

Revenues from contracts with customers are recorded in accordance with IFRS 15.

On the basis of the 5-phase model introduced by IFRS 15, the Group records the revenues after identifying the contracts with its customers and the performance obligations (transfer of goods and/or services), determining the consideration the Group expects to be entitled to in exchange for meeting the performance obligations (at a given point in time versus over the course of a period of time).

The revenues are recorded at the time the performance obligations are satisfied by transferring the goods or services promised to the customer. This can happen at a given point in time or over the course of a period of time.

The Group operates in different sectors and the revenues generated cover very different contractual situations.

The majority of contracts stipulated by the Group are short-term, and the related revenues are recognised when the service is rendered to the final customer.

For other long-term contracts, mainly relating to marine and certification activities, the Group uses the percentage of completion method in order to calculate the amount of revenue to be recognised in a given period.

The percentage of completion is calculated for each contract based on the costs incurred compared to the estimated total costs or on the basis of the activities carried out with respect to the total planned activities. If a loss is expected as the final result of the contract, this is recorded in the income statement for the year in which the forecast is made for the entire amount envisaged.

Taxes

Current taxes are calculated on the basis of taxable income for the year, applying the tax rates in force at the balance sheet date.

Prepaid and deferred taxes are calculated for all differences between the tax value of an asset or liability and the related carrying amount. Deferred tax assets, including those relating to previous tax losses, for the portion not offset by deferred tax liabilities, are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered. Deferred and prepaid taxes are calculated using the tax rates that are expected to be applicable in the financial years in which the differences will be realised or settled, based on the tax rates in force or substantially in force at the balance sheet date.

Current, deferred and prepaid taxes are recorded in the income statement, except for those relating to items directly charged or credited to equity, for which the related tax effect is also recognised directly in equity. Taxes are offset when they are applied by the same tax authority and there is a legal right of compensation. It should also be noted that the Parent Company and some Italian subsidiaries adhere, starting from the financial year ended 31 December 2011 and subsequently renewed, to the tax consolidation of the Registro Italiano Navale, regulated in articles 117 to 129 of Presidential Decree 917/86, as amended by Legislative Decree no. 344/03.

3. Estimates and assumptions

The preparation of the financial statements requires the directors to apply accounting standards and methodologies which, under certain circumstances, are based on evaluations and estimates, historical experience, and assumptions that are considered to be reasonable and realistic in light of the relative circumstances.

The application of these estimates and evaluations affects the amounts recorded in the financial statements, as well as the information provided. Due to the uncertainty that characterises the assumptions and the conditions upon which the estimates are based, the final results of the items on the financial statements for which these estimates and assumptions have been utilised may differ from those contained in the financial statements showing the effects of the estimated items.

The following is a brief list of the items that, in relation to the Group, require greater subjectivity on the part of the directors in the preparation of estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the Group's economic and financial results.

- *Impairment test:* goodwill undergoes yearly impairment testing to ascertain whether impairment has occurred. The reduction in value, when the net carrying amount of the cash-generating unit to which they are allocated is higher than its recoverable value (defined as the higher value between its value in use and its fair value), must be recorded as a write-down. In order to check this value, the directors need to make subjective assessments based on the information available within the Group and on the market, as well as from historical experience. If a potential impairment is found, the Group will proceed to calculate the amount using appropriate valuation techniques. The same checks and valuation techniques are applied to the intangible and tangible assets with a definite useful life when there are indicators that provide for a reduction in value. Identifying the correct indicators of potential impairment, and the correct estimates to use for its calculation, depend on factors that can change over time, thus affecting the evaluations and estimates made by the directors.
- *Provision for doubtful trade receivables:* the write-down fund for trade receivables reflects the directors' best estimate of the losses relating to the client receivables portfolio. This estimate is based on the Group's forecast losses, calculated based on past experience for similar receivables, current and historical past due, careful monitoring of credit quality and projections of economic and market conditions.
- *Deferred tax assets:* deferred tax assets are shown based on forecast future taxable income. The estimation of future taxable income for the purpose of accounting for deferred tax assets depends on factors that may change over time and have a significant effect on the recoverability of deferred tax assets.
- *Incentives for managers:* the calculation of the incentives paid to managers as part of the incentive plan is based on estimates made by the directors that take into account Group EBITDA and Net Financial Position, based on contractual forecasts. These estimates may vary over time and are difficult to predict, such as the future performance of company management. The change in these components can significantly influence the assessments made by the directors.
- *Provision for risks and charges:* Provisions representing the risk of negative outcomes have been recorded for the legal and tax risks. The value of the provisions recorded on the financial statements for these risks represents the best estimate to date made by the directors. This estimate involves certain assumptions dependent upon factors that can change over time, and which could therefore have a significant effect in relation to the current estimates made by the directors during the preparation of the Group's financial statements.
- *Revenue recognition:* the Group uses the percentage of completion method for recognizing revenues in certain types of contracts. The use of the percentage of completion method requires the estimate of the services provided on the total expected services or the costs incurred compared to the total expected

costs. This estimate involves assumptions that may change over time, and which could have significant effects on calculating the Group's revenues.

- *Employee benefits*: the recognition of employee benefits requires the use of certain financial and demographic variables estimated by company management, such as the discount rate, the expected mortality and resignation rate. These variables are difficult to predict and may vary over time. Their variation can significantly affect the assessments made by directors in relation to the calculation of liabilities for employee benefits.

4. Accounting standards in force from 1 January 2018 and interpretations applicable at a future date

The accounting standards described below have been applied consistently throughout the periods included in these consolidated financial statements.

The accounting principles and the most significant valuation criteria used by the Company when drafting the financial statements remained unchanged compared to those used in the financial statements as at 31 December 2017, except as described in the following paragraph.

4.1 Standards and interpretations implemented by the EU and in force from 1 January 2018

Under IAS 8 (Accounting policies, changes in accounting estimates and errors), the IFRS in force from 1 January 2018 are briefly illustrated below.

IFRIC 22 - Foreign currency transactions and advance consideration

On 28 March 2018, EU Regulation 2018/519 was issued, implementing at EU level the interpretation IFRIC 22 "Foreign currency transactions and advance consideration"

The interpretation clarifies the exchange rate to use in transactions and in advances paid or received in a foreign currency.

The introduction of this interpretation did not have any significant impact on the financial statements as at 31 December 2018.

Amendments to IFRS 2 (Share-based payment)

On 26 February 2018 EU Regulation 2018/289 was issued, incorporating certain amendments to IFRS 2 - Share-based payment. These amendments involve:

- the methods for calculating the fair value of transactions with payment based on shares settled in cash on the valuation date (meaning on the date of assignment, on the closing date of each accounting period and on the date of adjustment) which must be made taking into consideration the market conditions (meaning a share price target) and conditions other than the accrual conditions;
- the accounting recognition of share-based payment transactions settled with equity instruments in which the entity acts as a withholding agent for the employee's tax liabilities (withholding tax);
- the recording of changes to the terms and conditions that determine the change in classification from payments based on "cash-settled" shares to payments based on shares "regulated with equity instruments".

The introduction of these amendments did not have any significant impact on the financial statements as at 31 December 2018.

IFRS improvements (2014-2016 cycle)

On 7 February 2018 EU Regulation 2018/182 was issued, incorporating certain amendments to IAS 28 - Investments in associates and joint ventures. In particular, the amendments clarify that the option for an investment entity (such as, for example, a common investment fund or a similar entity) to value its investments in associates and joint ventures at fair value in the income statement (rather than by using the net equity method) must be done for each single investment when they are first recorded. A similar clarification is also provided for entities that are not investment entities but which in turn holds investments in associates or joint ventures that are investment entities. In this case, in order to apply the net equity method, the entity can maintain the valuation at fair value in the income statement carried out by its investments in associates or joint ventures.

The introduction of these improvements did not have any impact on the consolidated financial statements as at 31 December 2018.

Amendments to IAS 40 - Change of use of investment property

On 14 March 2018, EU Regulation 2018/400 was issued, which incorporated certain amendments to IAS 40, providing clarifications on the changes in use which result in an asset that is not a real estate investment being classified as such or vice versa.

The introduction of these amendments did not have any impact on the consolidated financial statements as at 31 December 2018.

IFRS 9 (Financial instruments)

On 22 November 2016, EU Regulation 2016/2067 was issued, implementing at EU level IFRS 9 (Financial Instruments), which concerns the classification, measurement, derecognition and impairment of financial assets and liabilities as well as hedge accounting.

In accordance with accounting standard IFRS 9, the Company changed the impairment model of its financial assets (including trade receivables from customers), moving to the expected credit loss model according to IFRS 9.

As envisaged by the accounting standard, the Company, after identifying homogeneous credit clusters based on the specific nature of the credit, the type of counter-party and the deferred payment, applied the impairment model on trade receivables and contract assets through the approach simplified. This approach involves estimating the expected loss throughout the life of the receivable at the time of initial recognition and in subsequent valuations. For each customer segment, the estimate is made primarily by determining the average expected loss, based on historical statistics, if necessary adjusted using forward-looking information. For some categories of loans characterised by particular risk elements, specific assessments are made on the individual credit positions.

As a general rule, the method of carrying the expected uncollectibility (expected loss) is different depending on the customer cluster. More specifically, the expected loss is estimated on the basis of the trend of the outstanding credit compared to turnover, taking as a reference the values recorded for generations of turnover that have completed the management cycle and the most recent performance measurement parameters suitable for detecting deviations of trend compared to the historical trend.

As allowed by the accounting standard, the RINA Group has not reclassified the comparative periods, also in consideration of the complexity of reclassifying the values at the beginning of the first year presented without the use of elements known subsequently; therefore the effects deriving from the first application of IFRS 9 were recognised in shareholders' equity as of 1 January 2018.

The overall net impact of adopting IFRS 9 on the net equity at 1 January 2018 (transaction date) - equal to approximately EUR 20 million - is therefore primarily attributable to the higher write-downs due to expected losses on trade receivables as a result of moving from the incurred loss model under IAS 39 to the expected credit loss model.

If the Group had changed the comparative data at 1 January 2017 the bad debt provision would have been higher by around EUR 15 million. This amount is an estimate with a high degree of uncertainty as specified above, also due to the difficulties linked to the introduction of the new IT system. For this reason the Group adopted the above model which does not require the comparative periods to be revised.

IFRS 15 (Revenue from contracts with customers)

On 22 September 2016, EU Regulation 2016/1905 was issued, implementing IFRS 15 (Revenue on contracts with customers) and the relative amendments on a community level. In addition, on 31 October 2017 EU Regulation 2017/1987 was issued, incorporating the clarifications to IFRS 15.

IFRS 15 replaces the standards that used to govern how revenues are recorded, i.e. IAS 18 (Revenue), IAS 11 (Construction contracts) and the relative interpretations on recording revenue (IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Revenue – Barter transactions involving advertising services).

The Company carried out a qualitative and quantitative analysis of the possible effects of applying IFRS 15 on the Company's financial statements. Following the recognition of a sample of contracts for each type of business, it was concluded that the change in principle does not entail significant effects.

4.2 Accounting principles and interpretations applicable at a future date

The following are the new IFRS standards, amendments and IFRIC interpretations approved by the IASB, with mandatory effect after 31 December 2018.

IFRS 16 - Leasing, adopted by EU Regulation 1986/2017. The new principle is aimed at improving the recording of lease agreements, providing users of the financial statements with useful information for evaluating the effect of the lease on the financial situation, the net result and on the cash flows of the lessee. This discipline involves a considerable revision of the current accounting recognition of passive leasing contracts by introducing, for the lessor, a unified model for the different types of leasing (both financial and operational). IFRS 16 will apply retrospectively as of 1 January 2019 - or one of the following methods may be chosen in alternative:

- the "complete retrospective method" which involves recalculating all periods presented for comparison in the financial statements;
- the "simplified retrospective method" which calculates the cumulative effect of the first application of the principle to adjust the opening net equity for the period in which the principle is introduced, without therefore recalculating the periods presented for comparison.

The main provisions for the financial statements of the lessee company are:

- a) for the contracts in the field, the identified asset will be represented as an asset having the nature of a right of use, in the context of the Assets of the balance sheet (in the same way as a proprietary asset), in exchange for a financial liability;
- b) the initial registration value of the asset must be equal to the current value of the payments/periodic fees contractually provided for in order to dispose of the asset;
- c) on the occasion of accounting closures following the initial registration of the asset, and for the entire duration of the contract, the asset is amortised on the basis of a systematic criterion, while the financial liability is increased for accrued interest payable to be calculated based on internal rate of the lease;
- d) when paying the periodic fee, the financial liability is reduced by the same amount.

The scope of application of the principle does not include the so-called "short-term" contracts (no more than twelve months) and those so-called "low value" contracts (with items of value not exceeding \$ 5,000); for these contracts the lessor has the right to exercise the option not to apply IFRS 16, and therefore to continue to refer to the current accounting regime.

From the preliminary analysis carried out by the management of the Company, the application of the IFRS 16 accounting standard should entail the need to record assets and debts towards leasing companies for an estimated value in a range of about 50-40 million Euro.

A more accurate recalculation of these values will be carried out by the management in the financial statements at 31 December 2019, from which differences could emerge with respect to the preliminary estimate made to date.

As a result, the main impacts on the Group's consolidated financial statements can be summarised as follows:

- statement of financial position: higher non-current assets for recording the "right to use the asset leased" as a balancing-entry to financial debts;
- separate income statement: different nature, type and classification of expenses (amortisation of the "right to use the asset" and "financial charges for interest" compared to "operating lease payments", as per IAS 17) with consequent impact on operating profit (gross and net). Furthermore, in comparison to IAS 17, the combination of the amortisation of the "right to use the asset" and the effective interest rate method applied to the leasing payables result in higher charges on the income statement in the early years of the leasing contract and decreasing charges in the last years of the leasing contract.

Amendments to IFRS 9 - Financial Instruments - Negative Cleared Prepayments adopted by EU Regulation 498/2018. The amendments made to this standard are intended to clarify the classification of certain early repayment financial assets when IFRS 9 applies;

IFRIC Interpretation 22 - Foreign currency transactions and advances, adopted by EU Regulation 519/2018, which aims to clarify the accounting of transactions that include the receipt or payment of advances in foreign currency;

IFRIC Interpretation 23 - Uncertainty of treatments for income tax purposes, adopted by EU Regulation 1595/2018, aims to clarify how to reflect the uncertainty in accounting for income taxes.

Finally, on the date of approval of the financial statements in question, the following accounting standards, amendments and interpretations had been issued by IASB but had not yet been approved by the European Commission:

- IFRS 17 - Insurance Contracts;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- IFRS - Annual Improvements cycle 2015 - 2017;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement;
- Amendments to the Conceptual Framework;
- Amendments to IFRS 3: Business Combinations;

- Amendments to IAS 1 and IAS 8: Definition of Material.

Company management is still studying the potential impact that these standards, amendments and interpretations could have on the financial reporting of the Company when they are applied.

5. Financial risk management

In the business risks area, the main risks identified, monitored and, as specified below, actively managed by the Group are as follows:

- market risk, deriving from the fluctuation of exchange rates between the Euro and the other currencies in which the Group operates and interest rates;
- credit risk, deriving from the possibility of a counter-party default;
- liquidity risk, deriving from the lack of sufficient financial resources to meet financial commitments.

The following section provides qualitative and quantitative reference indications on the uncertainty of these risks.

5.1 Market risk

5.1.1 Exchange rate risk

Exposure to the risk of changes in exchange rates derives from the Group's activities carried out in currencies other than the Euro. Revenues and costs in foreign currencies can be influenced by exchange rate fluctuations with an impact on trade margins (economic risk), as trade and financial debt and receivables in foreign currency can be impacted by the conversion rates used, with an effect on the economic result (transaction risk).

Finally, exchange rate fluctuations are also reflected in the consolidated results and in equity, as the financial statements of subsidiaries are prepared in currencies other than the Euro and subsequently converted (translation risk).

The main exchange rate to which the Group is exposed is the EUR/USD rate, in relation to sales and services rendered on international markets.

As at 31 December 2018 the Group had hedges in place against exchange rate risk.

In 2018, the total amount of revenues directly exposed to exchange rate risk was equivalent to 28% of sales revenues (24% in 2017).

Sensitivity analysis for exchange rate risk

For the purposes of sensitivity analysis on the exchange rate, the items of the balance sheet in a different currency with respect to the functional currency used in the preparation of the consolidated financial statements have been identified.

Lastly, two scenarios were considered which represent an appreciation and depreciation of 10% of the exchange rate between the currency in which the balance sheet item is denominated and the currency of account respectively.

The table below shows the results of the analysis carried out (data in EUR thousands):

Impact on profit and on equity for the year after the tax effect			Impact on profit and on equity for the year after the tax effect		
	USD			USD	
-10%	1035,13	10%	-10%	2056,16	10%
		-846,92			-683,31
	INR			INR	
-10%	65,36	10%	-10%	127,69	10%
		-53,47			-104,47
	GBP			GBP	
-10%	108,71	10%	-10%	599,07	10%
		-88,95			-490,15
	CNY			CNY	
-10%	77,19	10%	-10%	48,77	10%
		-63,16			-39,9

5.1.2 Interest rate risk

The Group uses external financial resources in the form of debt and uses these funds in money and financial market instruments. Furthermore, the Group makes recourse to receivables deriving from their commercial activity on a recurring basis. Changes in the levels of market interest rates affect the cost and yield of the various forms of financing, loans and assignment of loans, thus affecting the Group's net financial charges. Furthermore, the Group has some medium/long-term loans held at fixed rates obtained from public bodies and credit institutions, some of which with the aim of financing the development of specific research and development programs.

At 31 December 2018, the amount of fixed-rate loans on total Group loans amounted to 69.73% (78.76% as at 31 December 2017), considering the effects of the hedges.

The company uses interest rate swaps (IRS) for hedging as detailed in paragraph 9.11 of these Notes.

Sensitivity analysis for interest rate risk

The measurement of the Group's exposure to interest rate risk was carried out using a sensitivity analysis that considered current and non-current financial liabilities, bank deposits and securities. The methodology used to carry out this analysis, together with the results obtained, is briefly described below.

Within the assumptions made, the effects on the Group's income statement and shareholders' equity were assessed for the financial years 2018 and 2017 deriving from a hypothetical change in market rates, which respectively account for an appreciation and depreciation of 50bps.

The calculation method applied the hypothesis of variation to the average annual balance of the Group's bank deposits, the specific balances of the gross financial debt, the interest rate paid during the year to remunerate the variable rate liabilities, and the interest rate used in discounting subsidised loans.

The table below shows the results of the analysis carried out:

Euro thousand

Year 2018	510	(510)	510	(510)
Year 2017	503	(503)	503	(503)

Note: the plus sign indicates a higher profit and an increase in equity, the negative sign indicates a lower profit and a decrease in equity

5.2 Credit risk

Credit risk measures how exposed the Group is to potential losses caused by failure to meet obligations to trade or financial partners. The overall exposure to credit risk at 31 December 2018 and 2017 is represented by the sum of the financial assets recorded in the financial statements, summarised below.

Euro thousand

Non-current financial assets	763	1.527
Other receivables and other non-current assets	2.972	3.365
Trade receivables	199.411	187.668
Current financial assets	6.997	2.327
Other receivables and other current assets	27.958	32.684
Bad debt provisions	(35.005)	(21.459)
Total Exposure to credit risk	203.096	206.112

Current and non-current receivables include tax receivables, advances to suppliers, advance payments of insurance and guarantee deposits. On the whole, they show a low level of credit risk.

With regard to trade receivables, the insolvency risk is monitored centrally by the Group's administrative management, which constantly monitors the Group's credit exposure, the collections of trade receivables and, by carrying out qualitative and quantitative analyses of creditworthiness, acceptance or not of new customers. The Group does not have significant concentrations of credit risk.

In the table above receivables are shown in the balance sheet net of the relative write-down provision, calculated on the basis of the analysis of the positions for which objective conditions of total or partial uncollectibility occur. Bad debt provisions amounted to EUR 35,005 thousand and EUR 21,459 thousand respectively as of 31 December 2018 and 2017. The increase is primarily due to the impact of adopting accounting standard IFRS 9.

Lastly, when selecting counter-parties for the management of temporary financial surpluses, the Group only uses partners with a high credit standing.

5.3 Liquidity risk

Liquidity risk is associated with the ability to meet financial commitments. Prudent management of liquidity risk arising from normal operations implies the maintenance of an adequate level of liquidity, short-term securities and the availability of funds obtainable through an adequate amount of credit lines.

Liquidity risk is managed centrally by the Group on the basis of the guidelines defined by the Parent Company. Administrative management periodically monitors the Group's financial position, drafting reports on incoming and outgoing cash flows, forecasts and final accounts.

In this way, the Group aims to ensure adequate coverage of our financial needs, carefully monitoring loans, open lines of credit and related uses in order to optimise resources and manage any temporary liquidity surpluses.

The Group's aim is to establish a financial structure that, in keeping with its business objectives, ensures an adequate level of liquidity, minimising the relative opportunity cost, and maintains a balance in terms of the debt composition and duration.

The following table analyses financial liabilities (including trade payables and other current payables); in particular, all the flows indicated are nominal future cash flows not discounted, determined with reference to the residual contractual maturities, both for the share in the capital account and for the interest share. Loans have been included on the basis of the contractual maturity in which the reimbursement takes place.

Euro thousand

Payables due to banks and other lenders (short/long-term)	33.080	66 731	102 000	201.811
Other payables and other non-current liabilities		6 071		6.071
Trade Payables	62 500			62.500
Other payables and other current liabilities	56 360			56.360
Total financial liabilities	151.940	72.802	102.000	326.742

Euro thousand

Payables due to banks and other lenders (short/long-term)	63.291	121 865	4 641	189.797
Other payables and other non-current liabilities		4 379		4 379
Trade Payables	57.277			57 277
Other payables and other current liabilities	52.220			52 220
Total financial liabilities	172.788	126.244	4.641	303.673

6. Financial assets and liabilities by category

The following table provides a breakdown of financial assets and liabilities by category at 31 December 2018 and 31 December 2017.

Euro thousand

Other current financial assets			6 997	6 997
Other non-current financial assets			763	763
Other receivables and other non-current assets			2 972	2 972
Trade receivables			164 406	164 406
Other receivables and other current assets			27 958	27 958
Total	0	0	203.096	203.096
Current payables to bank and other lenders			33 080	33 080
Non-current payables to banks and other payables			6 071	6 071
Long-term borrowings from banks and other lenders			168 731	168 731
Trade payables			62 500	62 500
Other payables and other current liabilities			56 360	56 360
Total	0	0	326.742	326.742

Euro thousand

Other current financial assets			2 327	2 327
Other non-current financial assets			1 527	1 527
Other receivables and other non-current assets			3 365	3 365
Trade receivables			166 209	166 209
Other receivables and other current assets			32 684	32 684
Total	0	0	206.112	206.112
Current payables to bank and other lenders			63 291	63 291
Non-current payables to banks and other payables			4 379	4 379
Long-term borrowings from banks and other lenders			126 506	126 506
Trade payables			57 277	57 277
Other payables and other current liabilities			52 220	52 220
Total	0	0	303.673	303.673

7. Information on fair value

In relation to financial instruments measured at fair value, the following table shows information on the method chosen for calculating fair value. The applicable methodologies are distinguished in the following levels, based on the source of the available information, as described below:

(a) Level 1 financial instruments

The fair value of financial instruments listed on an active market is based on market prices at the balance sheet date. A market is considered active if the quoted prices are observable and regularly available for an exchange, intermediary, agent, industrial group, pricing service or regulatory body and these prices represent current and recurring market transactions at normal market conditions. The quoted market price used for the financial assets held by the group is the current offer price.

(b) Level 2 financial instruments

The fair value of financial instruments not traded in an active market (for example, unlisted derivative instruments) is calculated using valuation techniques that maximise the use of observable market data and minimise the use of specific estimates by the entity. If all inputs affecting the fair value of a financial instrument are observable, the instrument is included in level 2.

(c) Level 3 financial instruments

The fair value of the financial instruments not exchanged on an active market (for example, non-listed derivatives) is determined by using unobservable market parameters (e.g. Internal assumptions, cash flows, risk-adjusted spreads, etc.).

The table below shows the assets and liabilities measured at fair value at 31 December 2018 and 2017:

<i>Euro thousand</i>			
Financial assets	-	-	-
Financial liabilities	-	1.707	-
Total	-	-	-
<i>Euro thousand</i>			
Financial assets	-	-	-
Financial liabilities	-	604	-
Total	-	604	-

8. Information on business combinations

Comete Engineering S.A. acquisition

In January 2018, the RINA Group acquired 70% of the company called Comete Engineering S.A. (referred to hereinafter as Comete), based on Tunisia and operating in the engineering and consultancy services sector, for a fee of EUR 7,546 thousand. As part of the acquisition, a "cross put/call" option will be assigned to minority shareholders, with a maturity of three years from the date of purchase, so the company is in fact consolidated 100% at light of the contractual conditions of this instrument for which the benefits are transferred in substance to the Group. This option therefore resulted in an estimated liability of EUR 1,954 thousand being recorded, on the basis of the best information available on the balance-sheet date.

The book values of the assets and liabilities of Comete on the acquisition date are provided below:

Euro thousand

Tangible assets	16
Intangible assets	163
Financial assets	55
Trade receivables	6.370
Work in progress	3
Other short-term receivables	619
Cash at bank and on hand	1.629
Total assets	8.854
Long-term financial payables	2
Provisions for employee benefits	-
Deferred tax assets/liabilities	-
Provisions for risks	288
Short-term financial payables	7
Trade payables	2.837
Other payables	1.157
Total liabilities	4.291
Acquired net asset	4.563

The above values include the price of Euro 7,546 thousand paid by the following Group companies.

The determination of goodwill is shown below:

Euro thousand

Consideration paid - 70 % of shares of COMETE (A)	7.546
Acquired net asset (B)	(4.563)
Liabilities for put/call options(C)	1.954
Goodwill (A) + (B) + (C)	4.937

The net cash flow absorbed by the acquisition of Comete Engineering S.A. shown in the table below:

Euro thousand

Consideration paid during year 2018 (A)	(7.546)
Cash at acquisition date (B)	1.629
Bank overdrafts (C)	(6)
Net cash flow absorbed by acquisition (A+B+C)	(5.923)

9. Notes on the statement of financial position

9.1 Property, plants and machinery

The following tables show the changes in the heading "property, plant and equipment" for the years ended 31 December 2018 and 2017.

2018 financial year

Euro thousand

Property, Plant and Equipment							
Land	1 744	0	0	-72	1	0	1 673
Buildings	29 898	0	210	-287	-221	66	29 666
Accumulated depreciation buildings	-7 683	0	-941	94	67	95	-8 368
Write down land	-301	0	0	21	0	0	-280
Land and Buildings	23 658	0	-731	-244	-153	161	22 691
Plant and equipment	35 524	4	787	-3	-7	-1 945	34 360
Accumulated depreciation plant and equipment	-30 833	-4	-1 128	2	6	1 955	-30 002
Plant and equipment	4 691	0	-341	-1	-1	10	4 358
Commercial and industrial equipment	19 238	-1	266	-2	-55	-5 035	14 411
Accumulated depreciation plant and equipment	-17 384	1	-522	28	32	5 034	-12 811
Commercial and industrial equipment	1 854	0	-256	26	-23	-1	1 600
Transport vehicles	261	316	36	-4	-4	129	734
Accumulated depreciation transport vehicles	-172	-300	-59	-3	-2	-107	-643
Furniture	8 660	2	219	-255	-25	-186	8 415
Accumulated depreciation furniture	-7 522	0	-137	45	30	94	-7 490
Electronic machines	14 764	25	1 390	-838	-42	259	15 558
Accumulated depreciation Electronic machines	-13 133	-15	-790	412	26	-268	-13 768
Other tangible assets	3 271	117	569	-203	-91	-49	3 614
Accumulated depreciation other tangible assets	-2 086	-101	-215	33	68	-2	-2 303
Other assets	4 043	44	1 013	-813	-40	-130	4 117
Tangible assets under construction	25	0	240	-21	0	0	244
Tangible assets under construction	25	0	240	-21	0	0	244
Leasehold improvements	22 066	0	1 432	0	5	545	24 048
Accumulated depreciation improvements leasehold improvements	-12 935	0	-2 220	0	0	40	-15 115
Leasehold improvements costs	9 131	0	-788	0	5	585	8 933
Total	43 402	44	-863	-1 053	-212	625	41 943

2017 financial year

Euro thousand

Property, Plant and Equipment							
Land	600	0	629	0	-5	520	1 744
Buildings	31 778	-300	1	-634	-428	-519	29 898
Accumulated depreciation buildings	-7 180	0	-224	0	146	-425	-7 683
Write down land	0	0	0	0	0	-301	-301
Land and Buildings	25 198	-300	406	-634	-287	-725	23 658
Plant and machines	37 350	-75	960	-7 685	-172	5 146	35 524
Accumulated depreciation plant and machines	-32 215	52	-2 191	7 386	139	-4 004	-30 833
Plant and equipment	5 135	-23	-1 231	-299	-33	1 142	4 691
Commercial and industrial equipment	43 238	-91	786	-19 454	-95	-5 146	19 238
Accumulated depreciation plant and equipment	-40 325	83	-651	19 454	50	4 005	-17 384
Commercial and industrial equipment	2 913	-8	135	0	-45	-1 141	1 854
Transport vehicles	400	0	2	-105	-36	0	261
Accumulated depreciation transport vehicles	-224	0	-32	69	15	0	-172
Furniture	8 768	-31	430	-1 120	-177	790	8 660
Accumulated depreciation furniture	-7 553	29	-448	1 171	136	-857	-7 522
Electronic machines	18 501	4	659	-6 464	-161	2 225	14 764
Accumulated depreciation Electronic machines	-16 545	0	-719	6 136	109	-2 114	-13 133
Other tangible assets	5 275	-2	693	-1	-136	-2 558	3 271
Accumulated depreciation other tangible assets	-4 375	2	-259	0	94	2 452	-2 086
Other assets	4 247	2	326	-314	-156	-62	4 043
Tangible assets under construction	48	0	5	-32	0	4	25
Tangible assets under construction	48	0	5	-32	0	4	25
Leasehold improvements	20 644	0	1 388	-49	-50	133	22 066
Accumulated depreciation improvements leasehold improvements	-11 167	0	-2 130	14	30	318	-12 935
Leasehold improvements costs	9 477	0	-742	-35	-20	451	8 933
Total	47 018	-329	-1 101	-1 314	-541	-331	43 402

At 31 December 2018 the sum of the "Land" and "Buildings" items was equal to EUR 22,691 thousand net of the accumulated depreciation (EUR 23,658 thousand at 31 December 2017), including the properties owned by the Group in Italy (sites in Genoa, Naples, La Spezia, Savona, Ancona, Livorno, Rome) and abroad (Netherlands, Turkey, China, Korea, Argentina, India).

The Buildings item also includes the following properties held under financial leases by the Group:

Euro thousand

Property in Savona	1.254	-505	749
Property in Napoli	2.877	-1.043	1.834
Property in La Spezia	900	-391	509
Property in Roma (ex CSM)	10.504	-1.261	9.243
Total	15.535	-3.200	12.335

Euro Migliaia

Property in Savona	1.254	-467	787
Property in Napoli	2.877	-956	1.921
Property in La Spezia	900	-365	535
Property in Roma (ex CSM)	10.504	-945	9.559
Totale	15.535	-2.733	12.802

The Industrial and commercial equipment item for EUR 1,600 thousand, net of the depreciation fund as of 31 December 2018 (EUR 1,854 thousand at 31 December 2017) mainly include equipment for inspections, testing and industrial processes.

The Leasholds improvements show a net value of EUR 8,933 thousand at 31 December 2018 (EUR 9,131 thousand at 31 December 2017) refer mainly to investments made on properties in which some of the corporate offices located in Genoa are located. Corsica and via Ruffini (formerly the Piccardo Institute). The main investments relate to the Parent Company for the restructuring and extraordinary maintenance of the aforementioned buildings.

The item Property, plants and equipment includes - in addition to those analysed above - Other assets equal to a net value of EUR 8,719 thousand as at 31 December 2018 (EUR 8,759 thousand as at 31 December 2017), relating to furniture and furnishings of the offices used at the Group's operating sites, transportation facilities, plant and equipment, electronic machines and other fixed assets.

This therefore includes the hardware acquired on lease by the Parent during 2018 and 2017, as shown in the table below:

Euro thousand

Hardware	1.250	-525	725
Total	1.250	-525	725

Euro thousand

Hardware	1.892	-1.006	886
Total	1.892	-1.006	886

9.2 Goodwill

The change in the "goodwill" item (equal to EUR 159,983 thousand at 31 December 2018) for the years ended 31 December 2018 and 2017 is shown in the tables attached below.

Euro thousand

Goodwill by acquisition of EDIF Group	99.191	99.191
Goodwill by acquisition of Gruppo D'Appolonia (now RINA Consulting S.p.A.)	32.986	32.986
Goodwill by acquisition of Gruppo QIC	15.393	15.393
Goodwill by acquisition of Simtex	2.250	2.250
Goodwill by acquisition of CSM	1.912	1.912
Goodwill by acquisition of Gruppo Hayes Stuart	1.579	1.579
Goodwill by acquisition of Gruppo Comete	4.938	0
Goodwill by acquisition of Construction Technical Services Arabia Ltd	487	0
Goodwill - other	1.247	889
Total	159.983	154.201

Pursuant to IAS 36, at the end of each year impairment test is carried out in order to ascertain the existence of any impairment loss.

The impairment test is performed by comparing the value of the net invested capital of the set of net assets independently able to produce cash flows (cash generating unit), with the value in use of the cash generating unit itself. The value in use was determined by applying the "discounted cash flows" method (DCF) by discounting the unlevered free cash flows relating to the CGU resulting from the 2019 budget and, for subsequent years, the 2019-2021 business plan approved by the Company's Board of Directors in February 2018 and considered today to be substantially respected.

The five CGUs identified for the purpose of the impairment test in line with the similar test carried out for 2017 are the following: *marine, energy, industry, certification* and *T&I (transport & infrastructure)*.

The goodwill is assigned to each CGU on the basis of their relative fair value on the date in which the CGU were identified as required by the relevant accounting standards. Therefore, 114.5 million in goodwill was attributed to the marine sector, 15.7 million to certification, 24 million to T&I, 1 million to energy and 4 million to industry.

The goodwill generated from the acquisition of the Comete Group was allocated in full to the T&I CGU on the basis of the businesses in which the companies operates.

Subsequently, the long-term growth rate was identified for each CGU on the basis of the average annual growth rates of OECD advanced economies for each reference period of the plans, and the discount rate of the cash flows (WACC) that reflects the market valuations of the cost of money, the specific business sector and geographical area risks for each CGU.

The WACC used for discounting future cash flows is equal to 9.6% for marine, 10.2% for T&I, 9.3% for certification, 8.7% for industry and 11% for energy.

The annual terminal growth rates (G) were calculated as 2.7% for marine, 3% for T&I, 1.8% for certification, 1.8% for industry and 2.6% for energy, also considering the high growth markets in which the Group mainly operates.

In light of this impairment plan, the breakeven WACC and G for the CGUs are as follows: *marine* WACC 13.4% G -2.7%, *certification* WACC 12.2% G -3.2%, *T&I* WACC 12.6% G -0.5%, *energy* WACC 12.1% G 0.3%, *industry* WACC 9.9 % G -0.1%.

The results show that the estimated recoverable value of the above-mentioned cash generating units exceeds the carrying amount at the reference date.

9.3 Other intangible assets

The change in the "other intangible assets" item (equal to a net value of EUR 55,142 thousand at 31 December 2018) for the years ended 2018 and 2017 is shown in the tables attached below.

2018 financial year

Euro thousand

Other development costs	46	0	0	-2	0	0	44
Accumulated amortization other development costs	0	0	-9	0	0	-9	-18
Other development costs	46	0	-9	-2	0	-9	26
Patents	810	0	80	0	0	0	890
Accumulated amortization patents	-620	0	-93	0	0	0	-713
Patents	190	0	-13	0	0	0	177
Concessions, licenses and trademarks	6 828	0	1	0	-1	-5	6 823
Accumulated amortization concessions, licenses and trademarks	-648	0	-3 318	0	1	6	-3 959
Software	56 851	0	2 905	-2	-42	1 862	61 574
Accumulated amortization software	-39 541	0	-4 376	3	31	333	-43 550
Concessions, licenses and trademarks	23 490	0	-4 788	1	-11	2 196	20 888
Other intangible assets	37 577	603	128	-28	-80	-34	38 166
Accumulated amortization other intangible assets	-7 745	-440	-3 816	0	61	32	-11 908
Other intangible assets	29 832	163	-3 688	-28	-19	-2	26 258
Intangible assets under construction	4 634	0	3 882	-4 631	0	-1	3 884
Set-up and extension expenses	290	0	0	0	-9	0	281
Accumulated amortization set-up and extension expenses	-288	0	-1	0	9	0	-280
Set-up and extension expenses	2	0	-1	0	0	0	1
Development costs	2 705	0	2 381	0	0	1 487	6 573
Accumulated amortization development costs	-956	0	-1 377	0	8	-340	-2 665
Development costs	1 749	0	1 004	0	8	1 147	3 908
Total	59 943	163	-3 613	-4 660	-22	3 331	55 142

2017 financial year

Euro thousand

Other intangible assets							
Other development costs	44	0	3	-1	0	0	46
Accumulated amortization other development costs	-1	0	0	1	0	0	0
Other development costs	43	0	3	0	0	0	46
Patents	3 583	0	61	0	0	-2 834	810
Accumulated amortization patents	-3 289	0	-90	0	0	2 759	-620
Patents	294	0	-29	0	0	-75	190
Concessions, licenses and trademarks	6 829	0	0	0	-1	0	6 828
Accumulated amortization concessions, licenses and trademarks	-195	0	-455	1	1	0	-648
Software	39 327	-24	15 068	25	-137	2 592	56 851
Accumulated amortization software	-33 490	24	-3 658	-15	117	-2 519	-39 541
Concessions, licenses and trademarks	12,471	0	10,955	11	-20	73	23,490
Other intangible assets	38 068	0	109	-64	-6	-530	37 577
Accumulated amortization other intangible assets	-3 734	0	-4 551	8	3	529	-7 745
Other intangible assets	34,334	0	-4,442	-56	-3	-1	29,832
Intangible assets under construction	11,341	0	35	-6 742	0	0	4,634
Set-up and extension expenses	230	0	3	-50	-15	122	290
Accumulated amortization set-up and extension expenses	-237	0	-6	50	15	-110	-288
Set-up and extension expenses	-7	0	-3	0	0	12	2
Development costs	1 693	0	950	0	0	62	2 705
Accumulated amortization development costs	-523	0	-372	0	0	-61	-956
Development costs	1,170	0	578	0	0	1	1 749
Financing operations costs	12	0	0	-12	0	0	0
Accumulated amortization financing operations costs	-12	0	0	12	0	0	0
Total	59,646	0	7,097	-6,787	-23	10	59,943

The item Other intangible assets includes intangible fixed assets deriving from the PPA process relating to the 2016 acquisition of the former EDIF group, whose book value was EUR 47 billion at 31 December 2016 is made up primarily of the client portfolio and software. These intangible fixed assets are subject to amortisation and their net book value at 31 December 2018 amounted to approximately EUR 31 million.

The other items included in Other intangible fixed assets are listed below:

- Software (equal to EUR 18,024 thousand at 31 December 2018): the main increases for the year are due to the purchase of new programs for technical-operational use, as well as EUR 1,855 thousand for IT projects completed during the year and previously accounted for under "intangible assets in progress".
- Intangible assets under construction (equal to EUR 3,884 thousand as at 31 December 2018), which include IT programs under development and processing, produced with the assistance of specialised external software companies, as well as ancillary activities preliminary to the implementation of the ERP system "Microsoft Dynamics". This item also includes expenses for other IT programs under development and processing products with the help of specialised external software companies that, as not yet in use, are not subject to amortisation.

With reference to the intangible fixed assets described above, no impairment indicator was identified in 2018, so no impairments were made on Intangible assets at 31 December 2018.

9.4 Investments and Financial Assets (current and non-current)

The details of investments and current and non-current financial assets for the years ended 31 December 2018 and 2017 are shown in the table below.

Euro thousand

Investments in other companies	763	1 735
Provision for equity investments in other companies	0	-208
Equity investments in associated companies	12	1.371
Total non-current assets	775	2.898

Euro thousand

Held for trading securities	1.143	1.107
Other financial assets	2.005	161
Current financial assets vs Registro Italiano Navale	3.849	1 059
Other prepaid expenses	0	0
Total current financial assets	6.997	2.327

Investments in other companies amounted to EUR 763 thousand (EUR 1,527 thousand at 31 December 2017). The decrease from the previous year is due to the sale of the investment in IB Srl acquired during 2016.

The sale value of the investment in IB s.r.l. amounted to EUR 322 thousand, generating a loss of EUR 969 thousand recorded in the income statement. The investment was sold as it was no longer considered strategic by Management.

Further details are provided below:

Euro thousand

Year ended 31 December 2018

Nido del Mare S c a r l.	Italy	EUR	80%	16
N.P.I. Srl	Italy	EUR	100%	12
Ctm	Italy	EUR	21%	11
Formare	Italy	EUR	5%	1
Accademia Italiana M M	Italy	EUR	4%	16
Distretto Ligure delle Tecnologie Marine	Italy	EUR	1%	10
Ditenave Scarl	Italy	EUR	2%	3
Fondazione Silp	Italy	EUR		34
Consorzio Csq Automotive	Italy	EUR	17%	6
Distretto Ligure delle Tecnologie Marine	Italy	EUR	1%	10
Consorzio Cetma	Italy	EUR	4%	10
RINA Prime Value Services SpA	Italy	EUR	30%	490
SFC SCPA - SISTEMI FORMATIVI CONFINDUSTRIA	Italy	EUR	4%	10
FIDIMPRESA LIGURIA SOC.COOP A RESP LIMITATA P.A.	Italy	EUR	0,04%	6
Consorzio Tecnopolo di Castel Romano -Roma	Italy	EUR	50%	5
CONSORZIO MATRIS	Italy	EUR	40%	9
ISIRIM	Italy	EUR	21%	1
PASTIS - CNRSM SCPA IN LIQUID	Italy	EUR	1%	0
SIDERFOR SRL	Italy	EUR	1%	3
CIRA	Italy	EUR	0,06%	1
DEMOCENTER-SIFE SCARL	Italy	EUR	0,03%	10
DI T.N.E SCARL	Italy	EUR	0,02%	12
BANCA CREDITO COOP. ROMA	Italy	EUR		1
CONSORZIO MATELIOS	Italy	EUR	0,07%	9
DISTRETTO AEROSPAZIALE SARDEGNA	Italy	EUR	0,11%	4
RETE POEMA	Italy	EUR		15
INDUSTRIA DOMANI SCARL	Italy	EUR	17%	3
Fondo sval Partecipazioni CSM	Italy	EUR		(40)
SOCIETA' TELEMATICA	Italy	EUR		1
Consorzio TRAIN	Italy	EUR	12%	11
Consorzio CETMA	Italy	EUR	9%	23
Consorzio TRE	Italy	EUR	10%	7
Consorzio Stress	Italy	EUR	12%	48
Polo d'Innovazione	Italy	EUR	1,0%	1
SIIT Scpa	Italy	EUR	1%	3
Total Equity investments in other companies				763

Euro thousand

Consorzio Nido del Mare	Italy	EUR	80%	16
N.P.I. Srl	Italy	EUR	100%	12
Ctrm	Italy	EUR	21%	11
Formare	Italy	EUR	5%	1
Accademia Italiana M.M.	Italy	EUR	4%	16
Distretto Ligure delle Tecnologie Marine	Italy	EUR	1%	10
Ditenave Scarl	Italy	EUR	2%	3
Consorzio Ciq Automotive	Italy	EUR	17%	6
Distretto Ligure delle Tecnologie Marine	Italy	EUR	1%	10
Consorzio Cetma	Italy	EUR	4%	10
IB Srl	Italy	EUR	24%	1 291
SFC SCPA - SISTEMI FORMATIVI CONFINDUSTRIA	Italy	EUR	4%	10
FIDIMPRESA LIGURIA SOC COOP.A RESP LIMITATA P.A.	Italy	EUR	0,04%	6
Consorzio Tecnopolo di Castel Romano -Roma	Italy	EUR	50%	5
CONSORZIO MATRIS	Italy	EUR	40%	9
ISRIM	Italy	EUR	21%	1
PASTIS - CNRSM SCPA IN LIQUID	Italy	EUR	1%	0
SIDERFOR SRL	Italy	EUR	1%	3
CIRA	Italy	EUR	0,06%	1
DEMOCENTER-SIPE SCARL	Italy	EUR	0,03%	10
DI.T.N.E SCARL	Italy	EUR	0,02%	12
BANCA CREDITO COOP. ROMA	Italy	EUR		1
CONSORZIO MATELIOS	Italy	EUR	0,07%	9
DISTRETTO AEROSPAZIALE SARDEGNA	Italy	EUR	0,11%	4
RETE POEMA	Italy	EUR		15
Fondo sval Partecipazioni CSM	Italy	EUR		(40)
SOCIETA' TELEMATICA	Italy	EUR		1
Consorzio TRAIN	Italy	EUR	12%	11
Consorzio CETMA	Italy	EUR	9%	23
Consorzio TRE	Italy	EUR	10%	7
Consorzio Stress	Italy	EUR	12%	48
Polo d'Innovazione	Italy	EUR	1%	1
SIT Scpa	Italy	EUR	1%	3
Total other companies				1.527

The item of equity investments valued using the equity method amounted to EUR 12 thousand at 31 December 2018 (EUR 1,371 thousand at 31 December 2017). The decrease from the previous year is due to:

- the liquidation of the company Yizhong Marine Consulting Service Co.Ltd during 2018.
- entry into the scope of consolidation of the company Construction Technical Services Arabic, following the implementation of the shareholders' agreements of the company which also affected its control, as previously specified.

The details of the investments in question are shown in the following table:

Euro thousand

Tasneef - RINA Business Assurance	Abu Dhabi	AED	25%	12
Total				12

Euro thousand

Yizhong Marine Consulting Service Co.Ltd	Cina	CNY	50%	110
Tasneef - RINA Business Assurance	Abu Dhabi	AED	25%	12
Construction Technical Services Arabia Ltd	Saudi Arabia	SAR	50%	1 249
Total				1.371

The item Other current securities equal to EUR 1,143 thousand (EUR 1,107 thousand at 31 December 2017) consists entirely of the "time deposits" held by the Group companies based primarily in Brazil and South Korea.

current financial assets towards Registro Italiano Navale equal to EUR 3,849 thousand (EUR 1,059 thousand at 31 December 2017) consist of financial receivables of the Parent relating to the current account contract (cash pooling) with the Registro Italiano Navale.

The item current loans to others, amounting to EUR 2,005 thousand, consists of other loans granted by the Group.

9.5 Deferred tax assets

This item includes the balance of deferred tax assets deriving from the temporary differences between the value attributed to an asset or liability in the financial statements and the value attributed to it for tax purposes. The Prepaid taxes item amounting to EUR 12,563 thousand at 31 December 2018 (EUR 11,434 thousand at 31 December 2017) mainly consists of previous tax losses, which will be deducted from the profits of future years, mainly in Italy.

9.6 Other receivables and other current and non-current assets

The details of other receivables and other current and non-current assets for the years ended 31 December 2018 and 2017 are shown in the table below.

Euro thousand

Financial receivables from others	47	705
Other non current loans	2.848	3.296
Other non-current receivables	124	70
Total	2.972	3.366

Euro thousand

Current group loans	0	607
Other current loans	125	152
Tax receivables	19.169	18.376
Other short-term receivables	8.664	13.553
Total	27.958	32.688

The item Other non-current loans, equal to EUR 2,848 thousand, mainly includes the following items:

- long-term guarantee deposits, equal to EUR 2,486 thousand (EUR 2,131 thousand at 31 December 2017), which include sums paid as collateral for leases, according to the current use in some countries in which the Group operates, as well as various guarantees for other leases and user contracts for EUR and other security deposits with third parties;
- loans to personnel for EUR 315 thousand, granted mainly by RINA Services SpA and by the Parent Company, on which an interest rate of 2% is applied;

The item Other current loans equal to EUR 125 thousand (EUR 152 thousand at 31 December 2017) includes short-term security deposits of EUR 48 thousand relating to security deposits on property leased abroad.

The item Tax receivables equal to EUR 19,169 thousand (EUR 18,375 at 31 December 2017) mainly include the following items:

- tax assets for taxes paid in Italy and abroad equal to EUR 13,003 thousand (EUR 11,680 thousand at 31 December 2017).
- VAT credit equal to EUR 6,165 thousand (EUR 6,695 thousand at 31 December 2017).

The item Other short-term receivables equal to EUR 8,664 thousand (EUR 13,553 at 31 December 2017) mainly refer to:

- receivables from the Registro Italiano Navale for EUR 1,634 thousand (EUR 1,920 thousand at 31 December 2017) mainly comprise trade receivables.

- short-term accrued income and prepaid expenses, equal to EUR 2,130 thousand (EUR 5,291 thousand as at 31 December 2017), which mainly refer to prepayments for software licenses, membership fees, maintenance and rental fees, premiums for insurance policies paid in relation to the following year.

- other short-term receivables, amounting to € 4,899 thousand (€ 6,341 thousand at December 31, 2017) mainly relating to receivables from insurance companies and institutions, advances to suppliers (€ 954 thousand), receivables from personnel (€ 224 thousand) and receivables from current social security institutions (€ 23 thousand). The item also includes receivables from insurance companies for insurance coverage and credits for contributions on projects financed by Italian entities.

9.7. Trade receivables

The following is a breakdown of the "trade receivables" caption at 31 December 2018 and 2017. The provision for bad debts for the years 2017 and 2018 highlighted the following changes following the application of IFRS 9 in relation to the impairment of receivables detailed in paragraph 4.

Euro thousand

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Trade receivables	187 668	187 828
Bad debt provision	-21.459	-32 723

Trade receivables	166.209	155.105
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Euro thousand

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Trade receivables	199.411	187 668
Bad debt provision	-35 005	-21.459

Trade receivables	164.406	166.209
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The provision for doubtful receivables showed the following movements:

Euro thousand

Initial Balance	21.459	19.280
IFRS 9	16.625	
Increases	133	6.010
Utilization/releases	(2.918)	(3.831)
Changes in consolidation area	214	127
Exchange rate effect	-508	
Final balance	35.005	21.459

9.8 Cash and cash equivalents

The item "cash and cash equivalents" of EUR 63,437 thousand as at 31 December 2018 (EUR 62,835 thousand as at 31 December 2017) consists of bank and postal deposits as well as cash and securities. In particular, the balance at the end of the year is represented by the liquidity held at the Italian and foreign branches.

The following table shows the composition of the cash and cash equivalents by currency:

Euro thousand

Euro	36.067	35.705
US Dollar	10.299	14.159
Remimbi	967	578
GBP	1.577	1.740
Other currencies	14.527	10.653
Cash and cash equivalents	63.437	62.835

9.9 Current assets and liabilities held for sale

The assets and liabilities relating to the company Elettrodinamica Srl are presented as "assets and liabilities held for sale", following the decision to proceed with its sale.

The parent company has issued a guarantee to the subsidiary Elettrodinamica Srl in relation to the risks related to the recoverability of some receivables existing in the company's financial statements; in relation to this guarantee, a provision of EUR 2.5 million has been allocated. This amount is deducted from the item "Current assets held for sale".

At the beginning of 2014, Elettrodinamica Srl sold its business to a third party, an operator in the electrical plant sector; the residual part of the assets is mainly made up of receivables from a subsidiary company.

Elettrodinamica Srl is available for sale as it is considered outside the scope of the Group's typical activities. The classification of this company remained unchanged from the previous year on the basis of the actions necessary to complete the acquisition by Registro Italiano Navale, which had expressed its interest in the acquisition of Elettrodinamica Srl in the previous years, renovated in the first few months of 2019.

The assets and liabilities of Elettrodinamica Srl for the financial year 2018 and the economic results generated for the 2018 and 2017 financial year are summarised below.

Euro thousand

Other intangible and financial assets	1.148	1.155
Inventories, trade receivables and other current and non-current assets	5.390	4.944
Total assets	6.538	6.099

Euro thousand

Equity	69	61
Trade payables and other liabilities	413	304
Payables due to banks and other lenders	5.227	5.123
Provisions for risks	829	611
Total liabilities	6.538	6.099

Euro thousand

Revenue from sales and other revenues	142	310
Costs of raw materials and services	(90)	(62)
Other costs	(96)	(420)
Loss before taxes	(44)	(172)
Taxes	32	(7)
Net loss	(12)	(179)

9.10 Net equity

Share capital

In 2018, the Share Capital consisted of 103,262,597 shares of a nominal value of EUR 0.50 each.

- 72.189.744 of these were ordinary shares, equal to 69.91%, held by the shareholder "Registro Italiano Navale",
- in addition to 671,066 ordinary shares, equal to 0.65%, in treasury shares in portfolio
- , 2,869,350 class B shares, equal to 2.78% overall, held by the executives of the companies belonging to the RINA Group who subscribed to the offer reserved for them on April 14, 2012, and
- 27,532,437 class C shares (with no nominal value), equal to 26.66%, held by the "NAUS SpA" shareholder.

The Share Capital shown in these consolidated financial statements is of EUR 49,518 thousand as at 31 December 2018.

Ordinary shares	72 189.744	72.189.744
Own shares	671.066	671.066
Category B shares	2.869 350	2 869 350
Category C shares	27.532.437	27 532 437
Total	103.262.597	103.262.597

The share capital of RINA S.p.A. is equal to EUR 50,986 thousand. In light of the provisions of international accounting standards for the purposes of the treatment of the share plan relating to category B shares, the share capital is shown in the financial statements net of this item as detailed below.

Euro thousand

Share capital	50.986	50.986
Reserve for category B shares (share plan)	(1.468)	(1 468)
Issued capital	49.518	49.518

Translation reserve

The translation reserve, which had a negative balance of EUR 5,785 thousand at 31 December 2018 (negative for EUR 3,791 thousand at 31 December 2017) consists of the adjustment of the result recorded under equity to that shown in the income statement due to the conversion, for the financial statements in currencies other than the functional currency of the parent company, at different exchange rates of income statement and balance sheet items.

Retained earnings reserve

Retained earnings reserves of EUR 42,826 thousand at 31 December 2018 include the results of the Group for the past years and the year under way.

Other reserves

The other reserves, equal to EUR 92,500 thousand at 31 December 2018 compared to EUR 92,942 thousand at 31 December 2017.

Minority interests

Non-controlling interests, amounting to EUR 1,569 thousand at 31 December 2018 (EUR 2,965 thousand at 31 December 2017) refer to the portion of equity attributable to minority shareholders of the Group.

Please refer to attachment 1 "Consolidation area" for details of the companies that have minority interests held by third parties.

9.11 Payables to banks and other lenders (current and non-current)

The following table describes current and non-current financial liabilities at 31 December 2018 and 2017:

Euro thousand

Short-term bank loans	21 923		29.150	
Long-term bank loans and convertible bonds	8 297	159.329	20 908	114.783
Bank overdrafts	539		9.314	
Down payments			825	
Loan from Registro Italiano Navale	1 500	2.250	1.500	3.750
Loan from leasing companies	815	7 152	710	7.973
Other borrowings	5		6	
Accrued liabilities on borrowings			878	
Payables to banks and other lenders	33.079	168.731	63.291	126.506

The item short-term bank loans includes the negative fair value of the IRS derivative on the bank loan equal to EUR 1,707 thousand at 31 December 2018.

The item bank overdrafts includes accrued interest payable at 31 December 2018 and not yet charged for EUR 227 thousand.

The composition of non-current bank loans at 31 December 2018 and 2017 is shown below:

2018 financial year

Euro thousand

Loan ABNP Panbas	Variable	Eur 6 m + 2,25%	88 000	09/08/2018	30/06/2023	87 018	8 540	58 479	-
Loan B BNP Panbas	Variable	Eur 6 m + 3%	102 000	09/08/2018	30/06/2024	100 606	-	245	100 851
Total			170 000			167 624	8 295	58 479	100 851

2017 financial year

Euro thousand

BNL loan A2	Variable	Eur 6 m + 2,5%	5 835	20/07/2016	24/05/2021	5 003	770	4 234	-
BNL loan A1 with irs	Variable	Eur 6 m + 2,8%	104 000	20/07/2016	24/05/2021	89 311	13 761	75 550	-
BNL loan A2 with irs	Variable	Eur 6 m + 2,8%	14 500	20/07/2016	24/05/2021	17 482	2 893	14 789	-
BNL loan A2 without irs	Variable	Eur 6 m + 2,5%	5 860	20/07/2016	24/05/2021	-	-	-	-
BNL loan A2	Variable	Eur 6 m + 2,5%	25 920	20/07/2016	24/05/2021	22 271	3 433	18 837	-
BNL loan A2	Variable	Eur 6 m + 2,5%	1 885	20/07/2016	24/05/2021	1 624	251	1 373	-
Total			158.000			135.691	20.909	114.783	0

The composition of current bank loans at 31 December 2018 and 2017 is shown below:

Euro thousand			December 2018						
Short-term bank loans			Application date		Maturity date				
Description									
Banca Sella loan	Variable	Eur 3 m + 0.8%	2 000	11/04/2018	08/10/2019	1 667	1 667		
Hot Money Credem	Fixed	0.50%	2 000	05/07/2018	04/01/2019	2 000	2 000	-	
Hot Money Carispeza	Fixed	0.45%	6 000	02/10/2018	05/02/2019	6 000	6 000	-	
Hot Money Credem	Fixed	0.37%	1 000	08/11/2018	31/01/2019	1 000	1 000	-	-
Credem loan	Fixed	0.65%	500	27/02/2018	27/08/2019	334	334	-	-
B Pop Sondrio loan	Fixed	0.50%	2 800	23/04/2018	01/05/2019	1 302	1 302	-	-
B Pop Sondrio loan	Fixed	0.50%	2 500	15/06/2018	01/12/2019	1 767	1 767	-	-
Carispeza - contracts loan	Fixed	0.80%	5 000	27/04/2018	27/04/2019	3 465	3 465		
B Pop Sondrio loan	Fixed	0.40%	4 000	13/06/2018	01/12/2019	2 826	2 826		
Banca Sella loan	Variable	Eur 12 m + 0.6%	150	05/07/2018	05/07/2019	113	113		
Total			25 750			20 474	20 474	0	

The difference between the accounting balance in one year shown in the table above and the balance of the item Short-term bank loans is due mainly to the negative fair value of the derivative described above.

Euro thousand			December 2017							
Short-term bank loans					Application date		Maturity date			
Description										
Hot Money Credem	Fixed	0.28%	2 000	05/07/2017	02/02/2018	2 000	2 000	-	-	
Sella Paghe loan	Fixed	0.45%	350	14/12/2017	24/06/2018	350	350	-	-	
Hot Money Banco Popolare	Fixed	0.65%	5 000	21/09/2017	31/01/2018	5 000	5 000	-	-	
Hot Money UBI Banca	Fixed	0.45%	3 000	24/10/2017	24/01/2018	3 000	3 000	-	-	
Hot Money Carispeza	Fixed	0.45%	6 000	24/10/2017	29/01/2018	6 000	6 000	-	-	
Hot Money Credem	Fixed	0.28%	150	29/06/2017	05/07/2018	150	150	-	-	
Hot Money Banca Passadore	Fixed	1.55%	1 000	09/10/2017	05/01/2018	1 000	1 000	-	-	
Hot Money Credem	Fixed	0.28%	1 500	20/10/2017	19/02/2018	1 500	1 500	-	-	
Sella Paghe loan	Fixed	0.45%	1 700	14/12/2017	24/06/2018	1 700	1 700	-	-	
Sella Paghe loan	Fixed	0.45%	1 200	14/12/2017	15/06/2018	1 200	1 200	-	-	
Hot Money UBI Banca	Fixed	0.45%	3 000	24/10/2017	24/01/2018	3 000	3 000	-	-	
Hot Money Banca Passadore	Fixed	0.60%	750	17/10/2017	12/01/2018	750	750	-	-	
Hot Money Banca Popolare di Sondrio	Fixed	0.30%	3 000	24/10/2017	17/01/2018	3 000	3 000	-	-	
Hot Money Banca Popolare di Sondrio	Fixed	0.35%	500	07/11/2017	24/05/2018	500	500	-	-	
Total			29,150			29,150	29,150	0		

Euro thousand

Registro Italiano Navale	15 000	29/07/2011	30/06/2021	1 500	2 250	1 500	3 750
Total	15,000			1,500	2,250	1,500	3,750

In addition to the non-current bank loans listed above, Non-current payables to banks and other lenders include Other non-current loans equal to EUR 9,402 which mainly relate to the following items:

- Loans for leasing equal to EUR 7,152 thousand at 31 December 2018 (EUR 7,973 thousand at 31 December 2017) represents the Group's residual debt for leasing mainly relating to real estate.

- The Registro Italiano Navale non-current loans, amounting to EUR 2,250 thousand at 31 December 2018 (EUR 3,750 thousand at 31 December 2017), which represents the residual long-term loan granted by the parent company to the Group during the 2011 financial year. The financing was granted for a total amount of EUR 15 million on 29 July 2011 and will expire on 30 June 2021. The interest rate applied is of 4.41% per annum, plus a spread of 0.1% per annum.

The breakdown of the net financial debt at 31 December 2018 and 2017 is as follows, in accordance with the Consob Communication of 28 July 2006 and with the ESMA/2011/81 Recommendations:

Euro thousand

A	Cash	63.306	62.696
B	Cash equivalents	131	138
C	Trading securities	1.143	1.108
D	Liquidity (A) + (B) + (C)	64.580	63.942
E	Current financial receivables	6.169	1.699
F	Current financial payables	(22.461)	(40.168)
G	Current portion of non-current bank loans	(8.296)	(20.908)
H	Other current financial payables	(2.321)	(2.216)
I	Current and other current financial payables (F) + (G) + (H)	(33.078)	(63.292)
J	Net current financial indebtedness (D) + (E) + (I)	37.671	2.349
K	Non current portion of medium/long term bank loans	(159.329)	(114.782)
L	Bond issued		
M	Other non current financial payables	(9.402)	(11.723)
N	Non current payables and other financial liabilities (K) + (L) + (M)	(168.731)	(126.505)
O	Net financial Indebtedness (J) + (N)	(131.060)	(124.156)

Lastly, it should be noted that the net financial position includes collections on current accounts held by RiNA Consulting SpA, classified in cash, whose amounts must be contractually transferred to some partner companies for specific EU projects for which the Company is acting as lead. At 31 December 2018 these amounted to EUR 7,139 thousand (EUR 6,038 thousand at 31 December 2017) for interest free debts of the same amount recorded under other payables.

9.12 Employee benefits

The following tables show the amount and changes in the "employee benefits" item (TFR - staff leaving indemnity) for the years ended 31 December 2018 and 2017:

Contributions to other pension plans fund	92	96
Employee severance indemnity fund	14.906	15.400
Total	14.998	15.496

Euro thousand

Initial balance	15.496	16.421
Service Cost	0	0
Interest Cost	(33)	-29
Changes in the consolidation area	204	157
Advances and liquidations	(669)	-1.227
Remeasurement	0	174
Employee benefits	14.998	15.496

The profits and losses due to remeasurements of the fixed benefit plans are shown below, for the year ended 31 December 2018:

Euro thousand

Remeasurements - (gains) losses arising from changes in financial	16
Remeasurements - (gains) losses due to other changes	(71)
Actuarial adjustments	55
Total remeasurements	0

The actuarial assumptions used to calculate fixed benefit plans are summarised in the following table:

Economic assumptions		
Inflation rate (annual)	1,5%	1,5%
Discount rate (annual)	Euro area curve "composite" rate of securities issued by corporate issuers rated AA	
Demographic Assumptions	ISTAT Survival Table	
Actuarial assumptions	Turnover derived from the tendency to leave the company based on age and sex	

9.13 Provisions for risks and charges

The table below summarises the amount of the item “provisions for risks and charges” at 31 December 2018 and 2017:

Euro thousand

Provision for taxes	514	1 294
Provision for legal disputes	177	124
Provision for commercial risks	80	32
Provision for risks and future charges	4.605	6.333
Other provisions for risks	1.227	1.307
Total	6.603	9.090

The changes in provisions for risks and charges for the financial years 2018 and 2017 are attached below:

Euro thousand

	As at 31 december 2017	Change in the consolidation area	Provisions	Uses/releases	Reclassifications of assets held for sale	Other reclassifications	Exchange effect	As at 31 december 2018
Provision for risks and charges	6 333	288	1 445	(3 461)				4 605
Other provisions for risks	2 757	(43)	151	(867)				1 998
Total provisions for risks	9.090	245	1.596	(4 328)				6.603

Euro thousand

	As at 31 december 2016	Change in the consolidation area	Provisions	Uses/releases	Reclassifications of assets held for sale	Other reclassifications	Exchange effect	As at 31 december 2017
Provision for risks and charges	5 552	-	17	(1 186)		1 950		6 333
Other provisions for risks	1 950	(9)	1 077	(261)				2 757
Total provisions for risks	7.502	(9)	1 094	(1.447)		1.950		9.090

The item Provisions for risks and charges of EUR 4,605 thousand at 31 December 2018 (EUR 6,334 thousand at 31 December 2017) was set up to cover the potential consequences of the proceedings in progress exceeding the amount of our insurance policy ceilings.

The Other provisions for risks shown above, equal to EUR 1,998 thousand at 31 December 2018 (EUR 2,757 thousand at 31 December 2017) are for potential operating risks, mainly related to the activities of the Group's foreign companies and include the provision for taxes covering tax liabilities.

9.14 Other current and non-current payables and liabilities

The table below shows the details of other payables and other current and non-current liabilities as at 31 December 2018 and 2017:

Euro thousand

Other non-current payables	6 071	4 379
Total	6.071	4.379

Euro thousand

Other current payables	56.183	52.218
Short-term provisions	177	4
Total	56.360	52.222

The item other non-current payables of EUR 6,071 thousand at 31 December 2018 (EUR 4,379 thousand at 31 December 2017) mainly relates to the staff payables equal to EUR 3,920 thousand (EUR 3,710 thousand at 31 December 2017) which includes primarily the estimate of the liability to certain company executives in relation to the long-term incentive plan, remained unchanged from the previous year.

The item Other current payables of EUR 56,360 thousand at 31 December 2018 (EUR 52,226 thousand at 31 December 2017) consists of the items described below:

- Payables to personnel, equal to EUR 13,638 thousand at 31 December 2018 (EUR 12,460 thousand at 31 December 2017) include the payable for holidays and permits not taken, skills and bonuses to be paid to employees.
- Payables to social security and welfare institutions of EUR 11,053 thousand at 31 December 2018 (EUR 9,585 thousand at 31 December 2017) include the social security contributions accrued during the year on deferred remuneration.
- Payables to the Registro Italiano Navale amounted to EUR 3,133 thousand at 31 December 2018 (EUR 3,138 thousand at 31 December 2017) which refer to the payable related to the tax consolidation.
- Accrued liabilities and deferred income amounting to EUR 2,619 thousand at 31 December 2018 (EUR 4,370 thousand at 31 December 2017) refer to prepaid or deferred liabilities or income that are relevant to a period other than that in which they are recorded.
- Other payables of EUR 25,742 thousand at 31 December 2017 (EUR 22,667 thousand at 31 December 2017) mainly includes payables for withholding taxes on employee income, VAT payables and other similar tax payables) for EUR 14,934 thousand, payables to third parties for minority interests on which call and put options have been stipulated in favour of the Group

and minority shareholders for EUR 1,954 thousand relating to the company Comete Engineering S.A., details of which have already been provided above.

9.15 Trade payables

Trade payables, for an amount of EUR 62,500 thousand at 31 December 2018 (EUR 57,277 thousand at 31 December 2017) include payables owed by the Group to third party suppliers for the purchase of goods and services. Trade payables are due to expire in less than 12 months. The rise is also related to the increase in current assets with a view to greater efficiency in the management of net working capital.

Euro thousand

Trade payables	62 500	57 277
Total	62.500	57.277

9.16 Current tax payables

Current tax payables for an amount of EUR 4,792 thousand at 31 December 2017 (EUR 4,109 thousand at 31 December 2018) refer to current taxes, net of related advances.

This amount refers to payables for income taxes of the Group's foreign companies; under the tax consolidation agreement, the corresponding payables for the Italian companies are classified under liabilities to the Registro Italiano Navale.

10. Notes to the Income statement

10.1. Revenues

Revenues from sales consists of services performed and invoiced by the Group to its clients by the end of the financial year, and include invoices and credit notes to be issued.

The following is a percentage breakdown of revenues by business line:

Euro thousand

Marine	120.010	27%	117.522	27%
Certification	64.344	15%	58.651	14%
T&I	43.618	10%	37.001	9%
Energy	159.533	37%	172.358	40%
Industry	49.261	11%	47.767	11%
Other	-	0%	83	0%
Total	436.767	100%	433.383	100%

For an analysis of revenue trends compared to last year, please refer to the description in the Report on operations.

The following is a breakdown of sales revenues by geographic area:

AMERICAS	37.697	9%	44.778	10%
ASIA	44.655	10%	46.235	11%
CENTRAL & EASTERN EUROPE	31.287	7%	32.088	7%
NORTHERN&WESTERN EUROPE	90.095	21%	87.095	20%
GREECE MIDDLE EAST & AFRICA	56.747	13%	46.840	11%
ITALY	176.287	40%	176.347	41%
Grand Total	436.767	100%	433.383	100%

The difference between the overall value shown above and the financial statements is attributable to a series of other revenues that by their nature are not related to specific businesses and therefore continue to be classified as Other revenues.

10.2 Other revenues and income

Other revenues and income, amounting to EUR 10,188 thousand for the year ended 31 December 2018 (EUR 10,199 thousand at 31 December 2017) mainly include income from tax credits for research and development activities equal to EUR 916 thousand; increases in fixed assets for internal work for EUR 3,501 thousand; income from insurance reimbursements for EUR 121 thousand; and income for tax incentives from the Chinese government for EUR 336 thousand. The remaining part relates to non-recurring revenues of the various companies of the Group divided among them.

10.3 Costs for raw materials

Costs for raw materials, equal to EUR 5,117 thousand for the year ended 31 December 2018 (EUR 4,750 thousand at 31 December 2017) include stationery costs, costs relating to materials and consumables, purchases of inventoried and promotional goods.

10.4 Cost of services

The details of the item "cost of services" for the financial years 2018 and 2017 are shown below:

Euro thousand

Insurance for business activities	3 776	4.013
Personnel insurance	3 838	4.647
Administrative and fiscal consulting	8 076	7.591
Maintenance and software licenses	5 771	6.165
Commissions on trade brokers	202	290
Technical consultancy NES	92 368	92.933
Legal and notary fees	1.674	1 794
Cleaning and security	1.444	1 168
Agency commissions	10	2
Fees for courses sold to customers	1 265	1 620
Publications and subscriptions	162	125
Associative and accreditation shares	3 268	3 664
Travel costs	18.238	14 951
Utilities	1.918	1 719
Bank services	1.875	2 522
Remuneration to auditors and committees	318	1.372
Representation expenses	815	890
Telephone expenses	1.588	2 061
Postal charges and courier services	480	538
Canteen and meal vouchers	2.043	1 703
Fairs and congresses	1.107	1 025
Furniture and real estate maintenance	3.307	2 883
Other costs of services	2.833	2.273
Training to employees costs	193	217
Costs from Registro Italiano Navale	80	60
Total Cost of services	156.649	156.226

Services costs are in line with the previous year.

10.5 Personnel cost

The details of the item "Personnel cost" for the financial years 2018 and 2017 are shown below:

Euro thousand

Salaries and wages	161 514	154.827
Social Charges	37 592	35 298
Employee severance indemnity	6 536	6 499
Contributions to other pension plans	908	1.512
Other personnel costs	13 901	12 528
Fees to directors	1 279	0
Total Personnel cost	221.730	210.664

The item Salaries and wages includes the entire expenditure for employees, including additional monthly payments, bonuses, any changes in category and performance improvements, and unused holiday leave.

The item Social charges contributions reflects the cost of contributions incurred by Group companies in compliance with the laws in force in each individual state.

The item Other personnel costs includes the costs for mileage and travel allowance paid to employees, as well as the benefits applied by Group companies abroad according to local laws, benefits and related expenses.

The workforce at 31 December 2018 and 2017, broken down by professional category, is shown below:

Executives	123	129
Employees	3 578	3.497
Workers	4	4
Total workforce	3.705	3.630

The increase in personnel costs consist mainly of non-recurring costs incurred during the year.

10.6 Depreciation and Amortisation

Depreciation and amortisation of fixed assets is summarised in the following table:

Euro thousand

Depreciation buildings	935	761
Depreciation other assets	5.257	7 051
Depreciation of tangible assets	6.192	7.812
Amortization other intangible assets	12.897	8 579
Amortization of intangible assets	12.897	8.579
Total Depreciation and amortization	19.089	16.391

The depreciation of tangible assets, equal to EUR 6,192 thousand, relate primarily to the category improvements to third-party assets and plant and machinery.

The amortisation of other intangible assets, equal to EUR 12,897 thousand, refers mainly to software and assets deriving from the purchase price allocation of the Edif Group.

10.7 Provisions and impairments

The details of the item "Provisions and write-downs" for the financial years 2018 and 2017 are shown below:

Euro thousand

Trade receivables write-downs	9	1
Allowance for bad debt provisions	133	6.009
Other write-downs	135	978
Total Provisions and write-downs of receivables	277	6.988
Provisions for risks and charges	1.596	1.094
Total Provisions for risks and charges	1.596	1.094
Write-downs tangible assets	0	2
Write-downs equity investments	0	40
Totale Write-downs	0	42
Total Provisions and write-downs	1.873	8.124

10.8 Other costs

The table below shows the breakdown of the item "Other costs" for the financial years 2018 and 2017:

Euro thousand

Rent and leases	8.678	10.253
Car leasing expenses	4.911	4.490
Leasing	916	859
Rent and leases Registro Italiano Navale	1.352	1.418
Total Operating expenses	15.857	17.020
Other operating costs	6.275	3.525
Losses on receivables	855	1.178
Extraordinary expenses	140	5.292
Total Other operating expenses	7.270	9.995
Total Other costs	23.127	27.015

The operating expenses mainly includes lease payments paid by Group companies for the lease of office buildings, in Italy and abroad.

The item Other operating costs mainly include other charges primarily relating to various Italian and foreign taxes. The reduction mainly derives from the streamlining done to contain operating costs.

10.9 Financial income and expenses

The breakdown of financial income and charges for the financial years 2018 and 2017 is shown below:

Euro thousand

Ordinary capital gains from other equity investments	0	451
Income from other equity investments	0	451
Negotiable interest income	7	78
Securities interests	7	78
Interest on bank and postal accounts	494	151
Other financial income	752	145
Financial income from Registro Italiano Navale	10	4
Other financial income	1.256	300
Exchange rate gains	8.125	4.972
Unrealised foreign exchange gains	3.675	-421
Exchange rate gains	11.800	4.551
Total Financial income	13.063	5.380
Interest charges on bank loans	4.252	4.223
Interest charges on leasing	162	179
Interests on other non-current payables	0	1
Interests on other current payables	272	43
Ordinary losses from equity investments	1.034	3
Ordinary losses from securities	57	0
Write down securities	317	457
Other financial expenses	2.013	462
Financial expenses from Registro Italiano Navale	221	292
Investments costs	8.328	5.660
Exchange losses	8.776	9.460
Unrealised exchange losses	1.478	-761
Loss on currency transaction	10.254	8.699
Total Financial expenses	18.582	14.359

The item Exchange rate gains include gains and losses realised during the year, or estimated based on the exchange rates at the end of the year.

The item other financial income include interest receivable on bank and post-office current accounts. The increase in the year mainly reflects the contribution of the new consolidated companies.

The item Investments costs mainly includes the interest payable for loans, such as interest payable on bank and post-office deposits and bank fees for loans granted by banking and credit institutions (including the charges for the pooled loan taken out by RINA S.p.A. during the year).

The item ordinary losses from equity investments, other equity investments refers mainly to the capital loss deriving from the sale of the equity investment in IB Srl (€ 969 thousand).

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The increase in the item Other financial expenses is due primarily to the renegotiation of the pooled loan during the year.

10.10 Taxes

The details of the item "taxes" for the financial years 2018 and 2017 are shown below:

Euro thousand

Regional tax on productive activities (IRAP)	982	933
Corporate income taxes (IRES)	2.112	1.166
Deferred Tax assets	-1.329	-2.051
Deferred taxes liabilities	-819	-1.324
Income taxes on foreign subsidiaries	5.964	5.113
Total Taxes	6.910	3.837

11. Related party transactions

The details of related party transactions are shown below:

Euro thousand

Registro Italiano Navale	5.483	6.883	1.432	221	250	10
Fees to directors			1279			
Total	5.483	6.883	2.711	221	250	10
Total financial statement item	27.958	56.360	427.585	18.582	433.020	13.063
% on total	20%	12%	1%	1.2%	0.1%	0.1%

Euro thousand

Registro Italiano Navale	2.979	8.387	1.478	292	537	4
Fees to director			1.165			
Total	2.979	8.387	2.643	292	537	4
Total financial statement item	32.688	52.226	423.172	14.359	427.336	5.380
% on total	9%	16%	1%	2%	0.1%	0.1%

12. Board of Statutory Auditors' fees

In 2018, the total amount of the remuneration of the parent company's board of statutory auditors amounted to EUR 108 thousand and is unchanged from the previous year.

13. Audit fees

The Audit fees for the RINA Group accounts and the fees for other services paid to auditing company PricewaterhouseCoopers SpA for the years ended 31 December 2018 and 2017 are summarised in the following table:

Euro Thousand

Audit fees	256	269
Fees for other services	55	
Total remuneration to the Audit firm	311	269

14. Commitments and guarantees

At 31 December 2018, the Group has guarantees issued by credit institutions and insurance companies in favour of third parties for EUR 38,851 thousand (EUR 24,684 thousand at 31 December 2017).

The guarantees are issued by these institutions in order to participate in tenders (bid bonds) or in order to perform (performance bonds) procurement contracts; the largest amounts are attributable to the Group's main operating companies: in particular, Rina Consulting SpA has guarantees for EUR 23,958 thousand, RINA Services SpA for EUR 5,728 thousand and Rina Consulting - Materials Development Center for EUR 3,577 thousand.

It should be noted that RINA SpA has issued bank guarantees of EUR 3,606 thousand to Elettrodinamica Srl, indirectly controlled through Rina Consulting SpA, for credit facilities granted by financial institutions

15. Important events occurring after the closure of the financial period

No significant events occurred after the closure of the financial period.

Annex 1 - Consolidation area

RINA S.p.A	ITALY	EUR	100
RINA Services S.p.A	ITALY	EUR	100
SOA RINA Organismo di Attestazione S.p.A	ITALY	EUR	100
RINA Academy S.r.l	ITALY	EUR	62.73
RINA CHECK S.r.l	ITALY	EUR	100
AGROQUALITA' S.p.A	ITALY	EUR	53
Studio Sperimentale Metallurgico SSM S.r.l	ITALY	EUR	100
ITA - Istituto Tecnologie Avanzate S.r.l	ITALY	EUR	60
RINA Intermodal S.r.l	ITALY	EUR	90
RINA Consulting S.p.A	ITALY	EUR	100
ComServices S.r.l	ITALY	EUR	100
RINA Consulting - GET S.r.l	ITALY	EUR	100
RINA Consulting - CSM S.p.A	ITALY	EUR	100
RINA Consulting - Polans S.r.l	ITALY	EUR	100
ELETTRODINAMICA S.r.l	ITALY	EUR	100
RINA Netherlands B.V	NETHERLANDS	EUR	100
RINA INDUSTRY B.V	NETHERLANDS	EUR	100
RINA ASIA B.V	NETHERLANDS	EUR	100
RINA International B.V	NETHERLANDS	EUR	100
RINA EMEA B.V	NETHERLANDS	EUR	100
RINA Consulting BV	NETHERLANDS	EUR	100
RINA UK Ltd	UK	GBP	100
NDE GLOBAL TECHNICAL SERVICES UK Limited	UK	GBP	100
EDIF Group Limited	UK	GBP	100
EDIF Group Finance Limited	UK	GBP	100
Edif Group Management Limited	UK	GBP	100
RINA Consulting Ltd	UK	GBP	100
OST Energy Ltd	UK	GBP	100
NDE Technical Services UK Ltd	UK	GBP	100
RINA Consulting Defence Ltd	UK	GBP	100
RINA Belgium BVBA	BELGIUM	EUR	100
RINA Consulting SA	BELGIUM	EUR	100
RINA Bulgaria Ltd	BULGARIA	BGL	100
RINA CLASSIFICATION AND CERTIFICATION CYPRUS LIMITED	CYPRUS	EUR	100
RINA Jadran D.o.o	CROATIA	HRK	100
RINA DENMARK ApS	DENMARK	DKK	100
REGISTRO ITALIANO NAVALE FINLAND OY	FINLAND	EUR	100
RINA France S.r.l	FRANCE	EUR	100
OST Energy Ltd France branch	FRANCE	EUR	100
Rina Consulting SAS	FRANCE	EUR	100
NDE Global (Holding) GmbH	GERMANY	EUR	100
RINA Germany GmbH	GERMANY	EUR	100
NDE Technical Services GmbH	GERMANY	EUR	100
NDE Global Technical Services GmbH	GERMANY	EUR	100
RINA Hellas Limited Classification Society	GREECE	EUR	100
RINA Latvia SIA	LATVIA	EUR	100
UAB RINA Baltic	LITHUANIA	EUR	100
RINA RE SA	LUSSEMBURG	EUR	100
RINA MALTA LIMITED	MALTA	EUR	100
RINA Mediterranean Institute Ltd	MALTA	EUR	40
RINA Norway AS	NORWAY	NOK	100
RINA Poland Sp. z o.o. (Spółka z ograniczoną odpowiedzialnością)	POLAND	PLN	100
RINA Ibero S.L. Sucursal em Portugal	PORTUGAL	EUR	100
RINA Sintex S.r.l	ROMANIA	RON	100
RINA CONSULTING-EAST EUROPE SRL	ROMANIA	RON	80
POLARIS-ANSERV SRL	ROMANIA	RON	80
RINA Ibero S.L.U	SPAIN	EUR	100
RINA SWEDEN AB	SWEDEN	SEK	100
RINA Switzerland SA	SWITZERLAND	CHF	100

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SARL BACT BUREAU ALGERIEN DE CONTROLE TECHNIQUE	ALGERIA	DZD	49
RINA Saudi Arabia LLC	SAUDIA ARABIA	SAR	100
Construction Technical Services Arabia Limited	SAUDIA ARABIA	SAR	50
RINA CONGO SAS	CONGO	XAF	100
RINA West Africa Sarl	IVORY COAST	XOF	100
RINA Egypt LLC	EGIPT	EGP	100
RINA EMEA Dubai branch	UNITED ARAB EMIRATES	AED	100
RINA EMEA BV - ABU DHABI BRANCH	UNITED ARAB EMIRATES	AED	100
RINA Energy Ghana Limited	GHANA	GHS	100
D'Appolonia JV Company Limited	GHANA	GHS	65
RINA Lebanon SAL	LEBANON	LBP	55
RINA Maroc S a r l A U	MOROCCO	MAD	100
RINA Mozambique Lda	MOZAMBIQUE	MZN	100
RINA Consulting Lda	MOZAMBIQUE	MZN	100
RINA CTSI Nigeria Limited	NIGERIA	NGN	51
RINA International Engineering Consultancy LLC	OMAN	OMR	100
RINA RUS LLC	RUSSIA (FEDERAZIONE RUSSA)	RUB	100
RINA Consulting O o o	RUSSIA (FEDERAZIONE RUSSA)	RUB	100
RINA EMEA (Incorporated in The Netherlands)	SOUTH AFRICAN REPUBLIC	ZAR	100
OST Energy Africa (Pty) Ltd	SOUTH AFRICAN REPUBLIC	ZAR	100
RINA Tunisia Sarl	TUNISIA	TND	100
Laboratoire d'Analyses et d'Essais LAB21SA	TUNISIA	TND	70
Comete Engineering SA	TUNISIA	TND	70
RINA Denizcilik ve Belgelendirme Limited Sirketi	TURKEY	TRY	100
RINA CONSULTING MUHENDISLIK LIMITED SIRKETI	TURKEY	TRY	100
RINA Ukraine LTD	UKRAINE	UAH	100
RINA Albania ShpK	ALBANIA	ALL	100
RINA Hong Kong Ltd Australia branch	AUSTRALIA	AUD	100
NDE TECHNICAL SERVICES Australia Pty Limited	AUSTRALIA	AUD	100
OST Energy Pty Ltd	AUSTRALIA	AUD	100
RINA Azerbaijan M M C	AZERBAIJAN	AZN	100
RINA Bangladesh Ltd	BANGLADESH	BDT	100
RINA Energy (B) Sdn Bhd	BRUNEI	BND	50
RINA Shanghai Quality and Technical Services Co Ltd	CHINA	CNY	100
RINA Italy Classification Society (China) Co Ltd	CHINA	CNY	100
NDE Technical Services (China) Co Ltd	CHINA	CNY	100
RINA (SHANGHAI) QUALITY CERTIFICATION CO LTD	CHINA	CNY	100
RINA Asia BV Korea branch	SOUTH KOREA	KRW	100
RINA Academy Philippines INC	PHILIPPINES	PHP	51
RINA GEORGIA LLC	GEORGIA	GEL	100
RINA Hong Kong Ltd	HONG KONG	HKD	100
RINA Intermodal Limited	HONG KONG	USD	90
RINA India Pvt Ltd	INDIA	INR	100
RINA Consulting Private Limited	INDIA	INR	100
PT RINA Indonesia	INDONESIA	IDR	100
RINA KAZAKHSTAN LLP	KAZAKHSTAN	KZT	100
RINA Malaysia Sdn Bhd	MALAYSIA	MYR	100
RINA Malaysia Energy Sdn Bhd	MALAYSIA	MYR	100
RINA Hong Kong Limited Taiwan branch	TAIWAN	TWD	100
RINA Hong Kong Ltd Singapore branch	SINGAPORE	SGD	100
NDE TECHNICAL SERVICES Singapore Pte Ltd	SINGAPORE	USD	100
RINA CEYLON (Private) Limited	SRI LANKA	LKR	100
RINA Hong Kong Ltd (Thailand branch)	THAILAND	THB	100
RINA HONG KONG LTD TURKMENISTAN BRANCH	TURKMENISTAN	TMT	100
Representative Office of RINA Hong Kong Ltd in Hai Phong	VIETNAM	VND	100

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RINA ibena Suc en Argentina	ARGENTINA	ARS	100
RINA Brasil Servicos Tecnicos Ltda	BRASIL	BRL	100
Bracert	BRASIL	BRL	100
RINA Classification and Certification Canada Limited	CANADA	CAD	100
Hayes Stuart Inc	CANADA	CAD	100
Hayes Stuart Atlantic Inc	CANADA	CAD	100
Canada NDE Technical Services Ltd	CANADA	CAD	100
RINA Clasificación Marítima y Certificación South Pacific Limitada	CHILE	CLP	100
RINA Consulting SpA	CHILE	CLP	100
RINA Colombia S.A.S	COLOMBIA	COP	100
RINA ECUADOR CIA LTDA	ECUADOR	USD	100
RINA CLASSIFICATION AND CERTIFICATION MEXICO S de R L de C V	MEXICO	MXN	100
RINA Consulting Sociedad Civil	MEXICO	MXN	100
RINA PANAMA SA	PANAMA	PAB	100
RINA Paraguay S R L	PARAGUAY	PYG	100
RINA PERU CLASIFICACIÓN MARITIMA Y CERTIFICACION S A C	PERU	PEN	100
RINA USA Inc	USA	USD	100
QIC Inc	USA	USD	100
RINA Consulting Inc	USA	USD	100
NDE TECHNICAL SERVICES USA Inc	USA	USD	100
Construction Technical Services Inc	USA	USD	100
D'A PPOLONIA SA	URUGUAY	USD	100
TIC Services SA	VENEZUELA	VEF	100