ANNUAL REPORT 2019

RifLine INCREASING MOVEMENT

ANNUAL REPORT 2019

INDEX

LETTER TO THE STAKEHOLDERS

Dear friends,

As we are writing these lines, the world is facing a complex and difficult period – a global pandemic that has put Italy and many other countries in the world in lockdown, with the future that is perhaps as unpredictable as it has ever been. It is certain that, after these terrible days of global health emergency, a period of great economic difficulty will follow. This event that involves both Italy and the world is completely unparalleled. It is an event that will change the geopolitical and economical balance, transforming all nations and habits and putting all institutions to the test, beginning with the European Union.

As such, it is certainly not easy to sum up and trace our future direction.

It is in these complex and worrying moments, however, that a company, a management team, employees and a business project is put to the test. It is in these moments that we could and should look toward the future and shift our course of action even if the storm is raging.

On the other hand, *smooth seas don't make skillful sailors* as they say. And it is here in this moment that we need to become good sailors, teaming up like never before.

Year 2019 has been an extraordinary year for us. The consolidated profit before taxation was 1.3 million EUR which, compared to the 2018 profit of 0.8 million EUR, marks an increase of 62%. Even the NFP has increased by more than 3.1 million euro going from minus 4.8 million in 2018 to minus 1.7 million euro in 2019.

The presented result was achieved in a year where the global economic growth was very low.

But not only that, the economic performance has been accompanied by the achievement of important industrial objectives: we have followed through our plans to open new offices around the world starting from Turkey opening two offices – in a country where we didn't have a presence – one in Istanbul and one in Izmir, and we strengthened our presence in China by opening a new office in Quingdao.

Our now completely "global" nature is precisely the reason why we were immediately affected by the pandemic, with our offices in China closed in early January. However, the same global nature of our company made it possible for us to get back to work, as they offices are reassuming the operations in China and other countries of the world.

This past year the company registered steady grown like always, but cautious.

This caution, our “quiet strength”, has been the solid foundation that gave us the opportunity to keep writing the now usual letters to our stakeholders who give us the energy, will, and determination to face the future.

Naturally, it won’t be easy to maintain the course but people will always need logistics, and more so in the upcoming months! People will need successful and efficient structures that will be able to keep their costs low. They will basically need *us*.

Step by step, we have built a truly international company that present on the main markets of the global trade. It is a priceless asset right now, achieved not only and not so much through offices, but through men and women, through a team that has proven capable to meet the challenges.

I am confident that we will not only know how to take these ravaging storms on but also how to tame them. We will be ready to accustom to the new balance of things because we know that even when things change, the need for trade and moving goods, the need to link people and ideas, the need to make new projects possible in every part of the world is never going to fade.

It is in human nature to only see the rain clouds of today but we see beyond them, the sun is still there to be seen, and we are ready to work and build our sunny future days step by step.

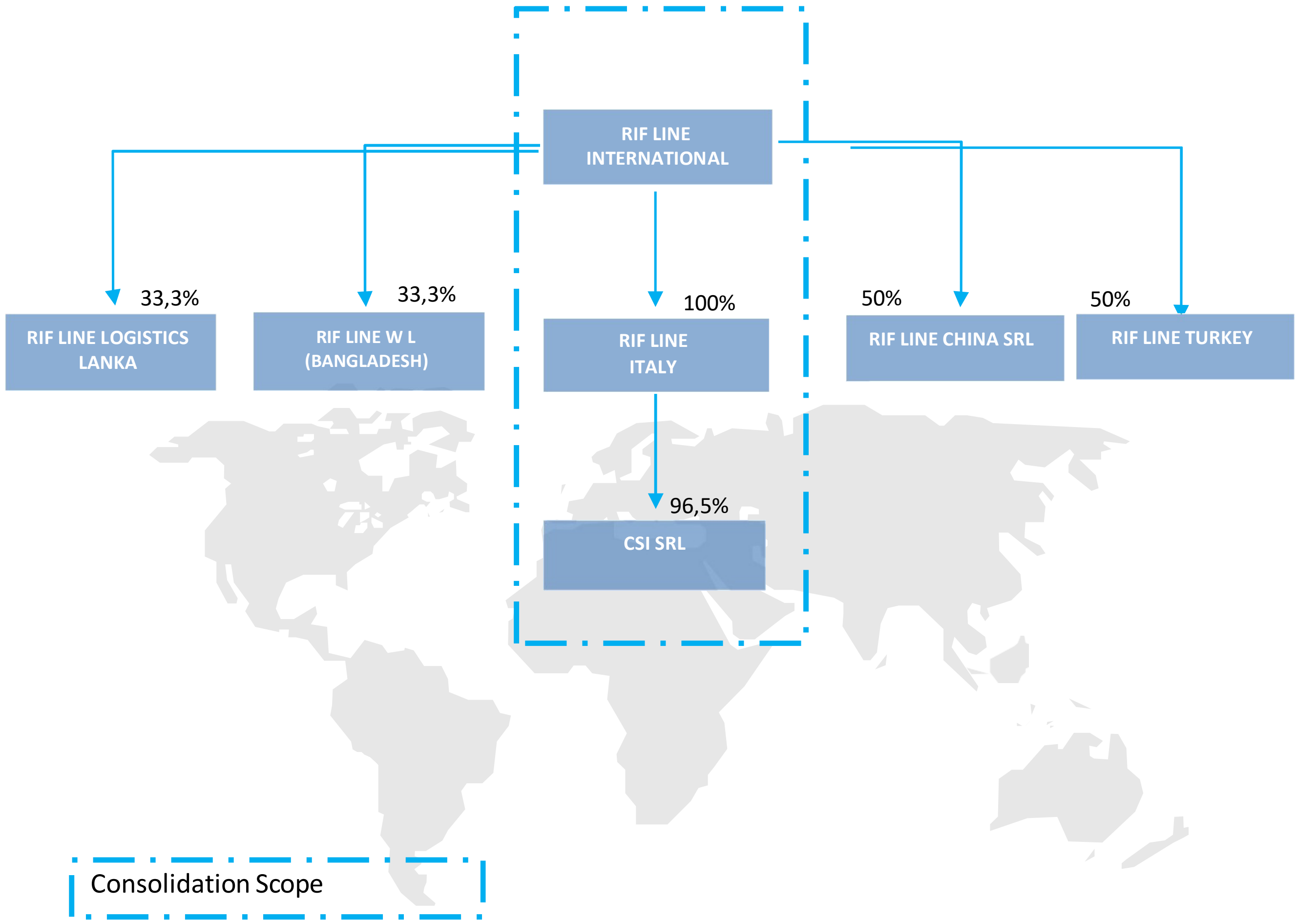
Warmest regards.

For the Board of Directors

Francesco Isola

Giorgio Voria

COMPANY INFORMATION



Shareholder structure

On May 31, 2020, the Group is controlled by

Rif Line International SpA

Andrea Mantegna st. 4

00054 Fiumicino

P.I. 14708451001

Group Structure

On May 31, 2020, the Group includes the following companies:

- Rif Line International S.p.A. (Parent Company)
- Rif Line Italy S.p.A. (100% subsidiary)
- CSI SRL (96,5% subsidiary of Rif Line Italy Spa)
- Rif Line China (Ownership share 50%)
- Rif Line Lojistik SRL – TURKEY (Ownership share 50%)
- Rif Line Worldwide Logistics Bangladesh (Ownership share 33,3%)
- Rif Line Logistics Lanka (Ownership share 33,3%)

The companies Rif Line China and Rif Line Lojistik have been incorporated into the Group during the first quarter of 2019, but they were fully operational only at the end of the financial year. As such, they were not included in this years' financial statement report.

Registered office

RIF LINE INTERNATIONAL S.P.A.

Andrea Mantegna st. 4

00054 Fiumicino (RM) - Italy

Tel. +39 06 4004661

Legal information

Authorized Registered Capital € 700.000

Subscribed and Paid-up Capital € 700.000

Tax Code Number is VAT no: 14708451001

Reg. in C.C.I.A.A. Roma under no. 1540073 R.E.A.

Branches

Rome: Andrea Mantegna st. 4 – 00054 Fiumicino (RM)

Milan: Torino st. 34 20040 - Cernusco sul Naviglio (MI)

Bari: Orfeo Mazzitelli st, 270 70124 – Bari (BA)

Rif Line Logistics Centre: Street Della Chimica 3 – 00071 Pomezia, Santa Palomba

ORGANIZATIONAL STRUCTURE OF THE CORPORATE BODIES

Board of Directors

Giorgio Voria	(President)
Francesco Isola	(CEO)
Aldo Fontana	(Director)
Flaminio Rizzi	(Director)

Board of Auditors

Alberto Albino Torti	(President)
Mauro Di Marino	(Standing Auditor)
Alberto Nicchio	(Standing Auditor)
Giuseppe Gentile	(Alternate Auditor)
Simone Mazza	(Alternate Auditor)

THE NETWORK

Rif Line group Offices

Italy: Rome, Milan, Bari, Pomezia (Rif Line Logistics Centre)

Turkey: Istanbul, Izmir

Bangladesh: Chittagong, Dhaka

Sri Lanka: Colombo

China: Hong Kong, Shanghai, Shenzen, Quingdao

Japan: Tokyo

Correspondent Offices:

Europe: the United Kingdom, the Netherlands, France, Spain, Portugal, Russia

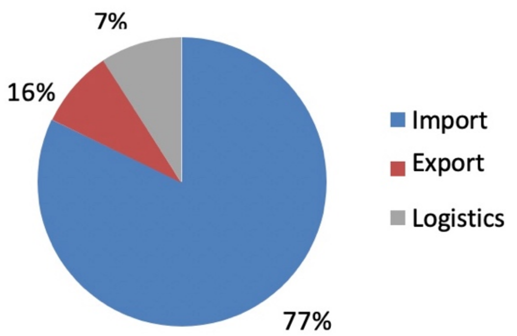
Americas: The United States, Canada, Mexico, Costa Rica, Panama, Colombia, Venezuela, Brazil, Argentina,Chile, Peru, Uruguay

Africa: Morocco, Algeria, Tunisia, Egypt, Nigeria, South Africa,

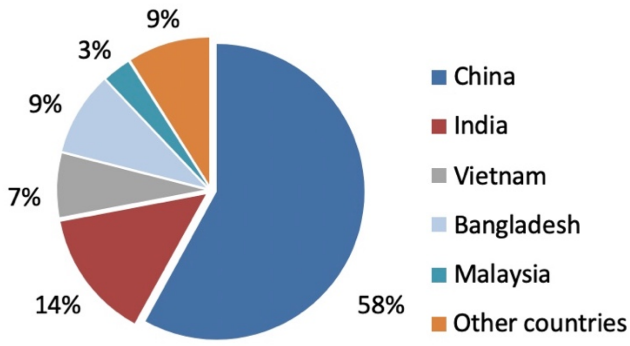
Middle East: Israel, Lebanon, Turkey, Saudi Arabia, United Arab Emirates, Qatar, Iran

SUMMARY OF THE ECONOMIC AND FINANCIAL DATA

Revenue by business sector



Shipments by geographical area



The Main Economic Indicators of the Group (€000)

	2018	2019
Revenue	29.146	30.382
Gross Profit	5.568	6.889
EBITDA	1.395	2.215
EBIT	1.018	1.605
Income before tax	801	1.330
Net Income	471	812

The Main Financial Indicators of the Group (€000)

	2018	2019
Net Working Capital	2.368	291
Invested Capital	13.460	12.008
Net Assets	697	1.509
NFP	(4.844)	(1.742)
Fixed Assets	3.448	3.473

REPORTS OF THE BOARD OF DIRECTORS ON THE BUSINESS PERFORMANCE

Introduction

The Report on the business performance of the Board of Directors is based on the Financial Statements on December 31st 2019, prepared according to the current legislation criteria and the principles referred to in art. 2423 civ. code, duly supplemented by the Accounting Policies drawn up by the Italian Accounting Body for the changes in the national rules of financial statements presentation report.

The financial statements were drawn up according to the same evaluation principles, accounting principles, and financial statements adopted in the previous year.

The evaluation criteria comply with the provisions of art. 2426 of the civil code and are determined in the context of continuing company business activity. There was no cases that needed further verifications under the derogations pursuant to art. 2423, paragraph 4, and art. 2423a, paragraph 2, Italian Civil Code. No items were grouped within the balance sheet or the profit and loss account.

The report must be read together with the Financial Statements and the Explanatory Notes thereto, as they are integral parts of this year's Financial Statements.

Macroeconomic Performance

In 2019, the global economic activity followed the same path of growth as in the second half of the previous year. World GDP in Purchasing Power Parity recorded a 3.9% growth in 2019, the same level as in 2018. The recovery was driven by the positive economic development of emerging Asian countries, by a recovery investment put in place by the advanced economies as well as by an increase in certain raw materials prices (including oil), which provided benefits to the countries exporting these products.

The economic activity varied in different geographical areas: within emerging Asian countries, which are by far the most dynamic, as well as within others like China that have shown a steady trend. At the same time, the growth rates of some advanced economies, such as the United States, Japan, and the major European countries, which showed dynamics above expectations even in 2018, recorded growth that is close to or below 2% per year.

In this situation, the biggest pandemic crisis of the last 100 years broke down.

While we were comprising this report, various economic studies institutes have tried to estimate the results on the global economy of the current crisis.

The studies are often in conflict and are still subject to continuous updating.

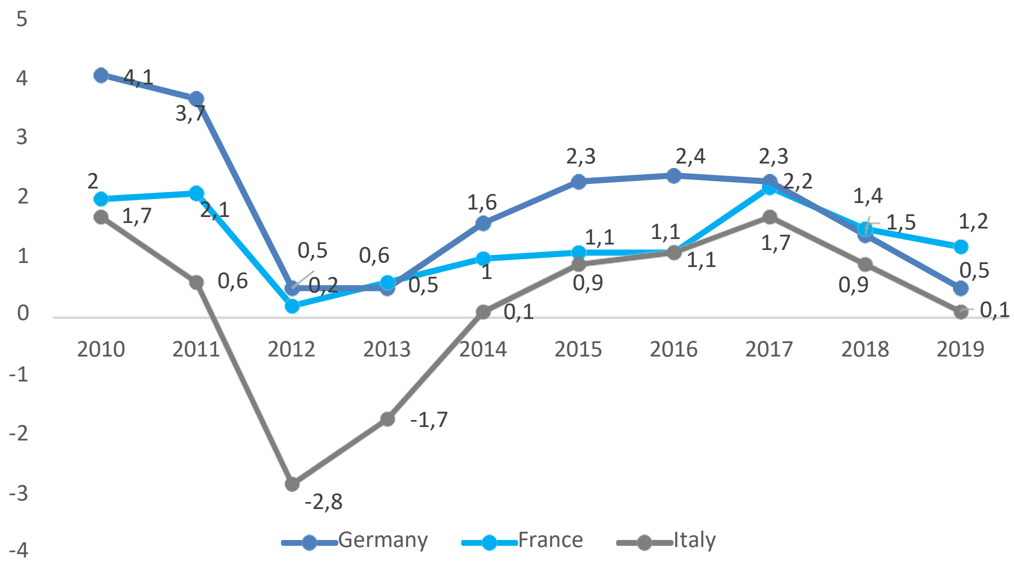
However, everyone agrees on one thing: the impact of the damages caused by the Coronavirus on the global economy will depend on how quickly the measures to contain the virus are put in place as well as on the financial resources that will be allocated to support the real economy.

We're starting with China. The first indicators of COVID-19's impact on the Chinese economy look worse than initially expected. Surveys on Chinese manufacturing and services sector plummeted to record levels in February, car sales plummeted by 80%, and Chinese exports fell by 17.2% in January and February. According to the think tank organization USA CSIS (Center for Strategic and International Studies) the estimates of Chinese growth have been drastically falling. According to Bloomberg, a decline in GDP in the first quarter is expected, the first deficit since China began reporting quarterly data in 1992. China's economic recovery is therefore linked to the recovery of foreign demand, which will depend on how quickly they tackle the virus.

Europe and The United States: Europe and Japan are already in recession due to their weak performance during the last quarter as well as due to their strong dependence on trade. As some analysts report to the WSJ, a strong deficit is expected for the second quarter.

Global impact estimation show variability: at the beginning of last week, the Organization for Economic Cooperation and Development (OECD) predicted that the Covid-19 pandemic will reduce global GDP growth by half a point. There is a major growth set back expected within the countries that are deeply interconnected with China, in particular South Korea, Australia, and Japan. Instead, Bloomberg Economics suggests that GDP growth for the whole year could fall to zero in a pandemic scenario but this one would be the worst possible scenario.

Gross Domestic Product Price Index of France, Germany, and Italy – Source: Tomson Reuters Data stream:



The United Nations Conference on Trade and Development (Unctad) says that the global economic slowdown caused by the coronavirus pandemic will cause a drop for at least $1 trillion. The United Nations expects direct foreign investment to fall between 5% and 15% (the lowest levels since the global financial crisis of 2008-2009).

According to IMF, the global economy will fall by 4.2% in 2020. This decline, which has never been seen before, will be followed by a “very uncertain” recovery in global GDP by 5.4% the following year. In the two-year period, the total loss of global GDP could be up to 9 trillion dollars, higher than the Japan and Germany’s GDP together. The impact is particularly clear if we consider that in 2009, after the outbreak of the global financial crisis, the loss of world GDP was limited to 0.1%. The peculiarity of this crisis is in fact linked to its global nature to which no country is really “immune”. According to the IMF, both advanced and developing economies as well as all emerging markets are in recession, for the first time since the Great Depression.

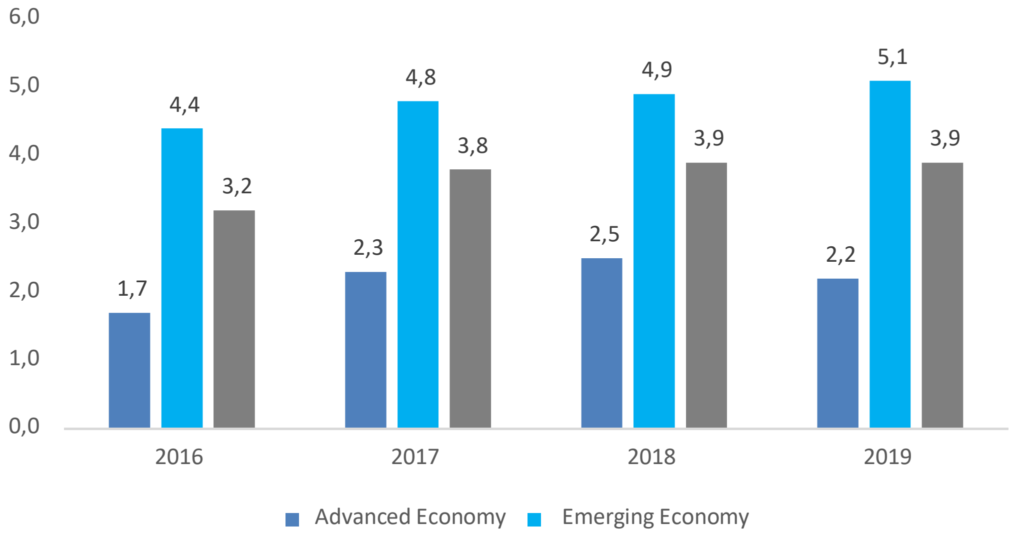
Global GDP Index – Source Prometeia, Update of Forecast Report 2019

Zones and Countries	GDP (Var%)				GDP (Quote % on Global GDP)			
	2018	2019	2020*	2021*	2018	2019	2020*	2021*
USA	2,9	2,7	(6,1)	4,2	2,9	2,7	2,9	2,7
Japan	1,2	0,9	(5,2)	3,0	1,2	0,9	1,2	0,9
Euro Zone	2,4	2,0	(7,5)	4,7	2,4	2,0	2,4	2,0
Russia	1,7	1,5	(5,5)	3,5	1,7	1,5	1,7	1,5
China	6.6	6.4	1,0	8.5	6.6	6.4	6.6	6.4
India	7,4	7,8	1,9	9,2	7,4	7,8	7,4	7,8
South Africa	1,5	1,7	(5,8)	4,0	1,5	1,7	1,5	1,7
Brazil	2,3	2,5	(5,3)	2,9	2,3	2,5	2,3	2,5
Middle East	3,2	3,6	(2,8)	4,0	3,2	3,6	3,2	3,6
Africa S. Sahara	3,4	3,7	(3,4)	2,4	3,4	3,7	3,4	3,7
Global	**3,9**	**3,9**	**(4,2)**	**5,4**	**3,9**	**3,9**	**3,9**	**3,9**

Just as it happened during the crisis of 2009, among other things, Asia – particularly China, which has relatively better prospect – is emerging. According to the IMF’s World Economic Outlook, the Chinese economy will also avoid a deficit in 2020 and will manage to achieve a slight growth of 1,0% (followed by a raise by 8.5% next year). This certainly reflects the fact that China itself faced the pandemic first and more decisively. At the same time, it launched an immediate stimulus plan of 7 trillion yuan (8% of the national income), which others will follow in the upcoming years.

Other emerging economies in Asia (from India, to Indonesia, to Vietnam) seem to also be able to avoid losing ground this year. In fact, the Covid-19 pandemic, like the financial crisis of a decade ago, seems to accelerate a shift in the international economy's balance from West to East. In this dynamic, the IMF foresees that Europe will experience higher difficulties than the United States, and Italy, in turn, even more difficulty than the other major economies of the monetary union.

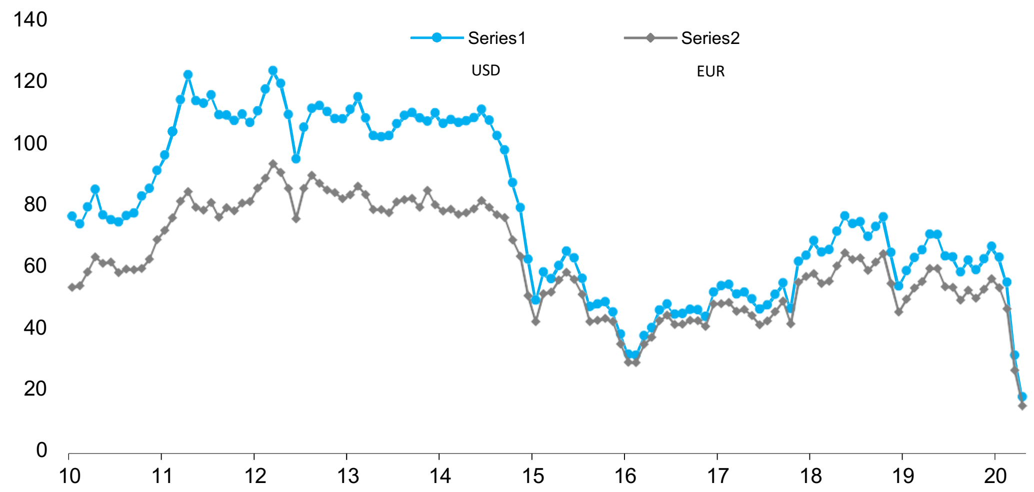
Global GDP Index – Source Prometeia



The IMF's forecasts are slightly less negative for the United States. According to the Monetary Fund, this year's recession is expected to reduce the real amount of the national income by 6.1%, with a recovery of 4.2% in 2021. Thus, the number one economy in the world seems to be able to recover almost completely in a single year. Europe, on the other hand, does not appear to be in a position to return to pre-pandemic levels for at least two years, probably by the end of 2021 or 2022.

This difference between Europe and the United States is certainly driven by the size of the fiscal stimulus launched by the American administration: the first stimulus already in effect is worth 9.5% of the GDP, with a second one on the way. The gap between Europe and the United States seems to get wider with the pandemic, as it had already happened after the financial crisis of 2007-2008.

Oil Price Index – Source Tomson Reuters Data stream: Preparation Unioncamere



Oil history reflects the volatility of raw materials, as well as the quotation's high sensitivity to international events that are happening on the global markets and, above all, to the evolution of supply and demand for crude oil worldwide.

The energy from raw materials' prices had a substantial increase in 2018, especially for oil prices, with a *per barrel* of almost 72 dollars in March 2019, which afterward settled at 67 dollars in December 2019. The medium-term forecast has shown values declining sharply.

In April 2020 in fact, a barrel of Brent crude oil reached 16 USD, with a negative short-term outlook.

The high demand of base metals, occurring due to the recovery of the major economies of the world and the cuts in production in China, has driven the price of metals up in 2019 and it will continue to rise in 2020. In this case, the estimates show stabilization in the next two years. Finally, commodities are also on the rise, showing lower values than energy or metals, but the estimates show that the prices will become stable over the medium term as well.

The situation in Italy

Italian exports, in particular, not affected by the dynamics of commodity prices, recorded an increase of 2.4%, consolidating the growing trend of recent years.

Italian trade by zones and countries (values EUR/M) – Source MISE

	Export			Import			Balance		
	2018	2019	Delta	2018	2019	Delta	2018	2019	Delta
European Union	263	266	3	251	251	-	12	15	3
Non-EU countries	48	52	4	43	42	(1)	5	10	5
North Africa	12	12	-	16	15	(1)	(4)	(3)	1
Other African countries	5	5	-	6	7	1	(1)	(2)	(1)
North America	47	50	3	17	19	2	30	31	1
Central South America	14	14	-	9	9	-	5	5	-
Middle East	18	18	-	22	17	(5)	(4)	1	5
Central Asia	7	7	-	10	10	-	(3)	(3)	-
East Asia	40	42	2	49	51	2	(9)	(9)	-
Other territories	11	10	(1)	3	2	(1)	8	8	-
Total	**465**	**476**	**11**	**426**	**423**	**(3)**	**39**	**53**	**14**

As the data above has shown, Italy's exports of goods have increased significantly over the past year, maintaining a constant trend in imports, and demonstrating a robust recovery in manufacturing, which together have contributed to the GDP in more proportional manner.

As far as external balances are concerned, Italy continues to have a more positive net balance, ending the year with a trade surplus of over 53 billion euro, third in Europe after Germany and the Netherlands.

As for the general economic performance, if 2017 and 2018 were good years for the Gross Domestic Product of Italy, which grew by 1.7% and 0.9%, 2019 was uneven in the first part when growth trends have declined, especially in the last two quarters. The year ended, however, with a minimum increase of 0.1%.

In this situation, it has broken loose the economic crisis generated by the Covid-19 pandemic. At the time of reporting, as aforementioned, the forecast for the upcoming years are to be updated, but expected to have negative numbers for our country. The IMF in fact predicts that Italy is the country with the most severe economic crisis due to the coronavirus this year.

The World Economic Forum, published every six months by Washington, has just come out, and it reveals the devastating impact of the pandemic on the global economy.

For Italy, the drop in gross domestic product (GDP) in 2020 should be 9.1%, followed by a rebound of 4.8% next year: thus, sufficient to recover only half of the income levels lost in recent months.

This is the second worst projection among all the countries in the World Economic Forum, with only Greece in danger of doing even worse, with a GDP drop of 10%.

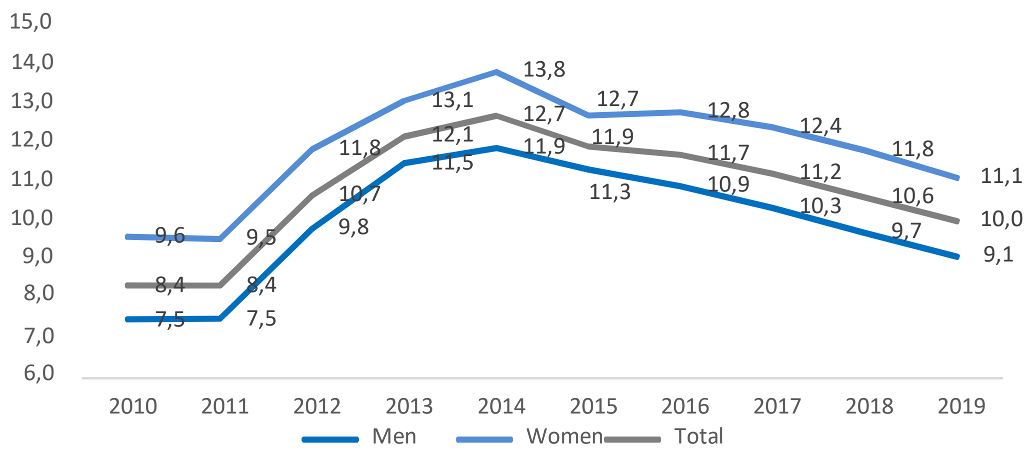
However, the Monetary Fund seems to be aligning with the other European governments (France, Italy, Spain, and Portugal), which are calling for a strong joint response to the emergency from the euro zone. From the World Economic Forum: “The significant European support for the countries that have been hit particularly hard by the epidemic should complement their national efforts, which would help them support their financial needs that occurred due to this global economic shock that arrived entirely from abroad.”

The public sector situation is similar to the economic state. For Italy, the Monetary Fund is foreseeing the deficit of 8.3% in GDP in 2020 compared to 1.6% last year (then, it should follow a decline of 3.5% in 2021).

The deviations for other countries were even higher: the deficit of the current fiscal year should rise to 9.2% in GDP in France, 9.5% in Spain, and even 15.4% in the United States; only Germany seems to be able to contain the impact of the crisis in the public sector: the deficit in GDP is expected to rise to 5.5% this year and then decline to 1.2% next year, while the deficits of all the other major European countries for next year will remain at least twice as high as the Maastricht threshold of 3% in GDP (Italy doing much better than average in this case).

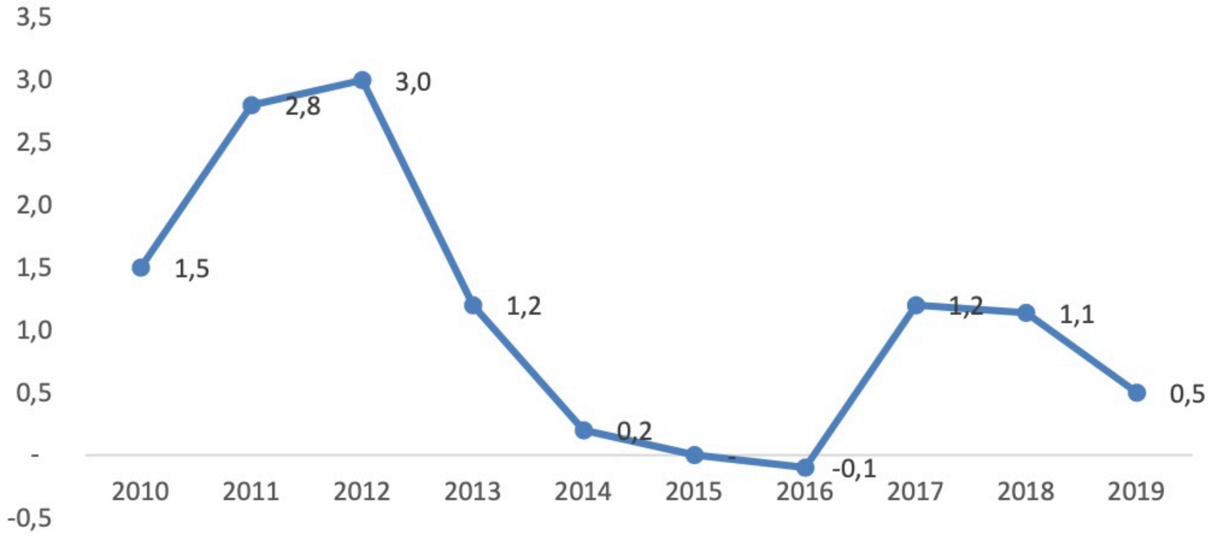
In this situation, it should not come unexpected that the unemployment rates projected for the upcoming years are set to be high. In January of this year, the unemployment rate in Italy was 10.0%, experiencing a slight recovery in December (10.6%). However, we are experiencing strong growth imbalances for different parts of the country and especially among the young, with 37.9% unemployment, one of the highest rates in Europe.

Unemployment rate in Italy 2010- 2019 – Source ISTAT



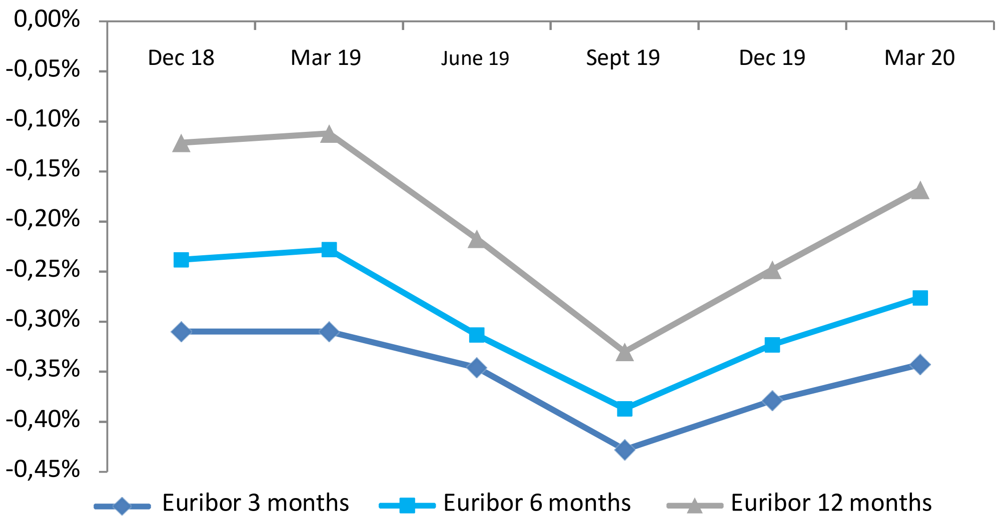
According to Eurostat's estimation, the annual Eurozone inflation rate was 1.3% in 2019 compared to 1.2% in 2018. The increase in inflationary pressure was mainly in the goods sector, while the recovery of oil prices had a more limited impact.

Inflation rate in Italy (CPI) 2010- 2019 – Source ISTAT



In Italy, the average annual inflation rate for 2019, measured by the PCI index, is 0.5% lower than the European average, which shows that the economy is struggling to consolidate growth trends. (Source: ISTAT). The dynamics of consumer prices in 2019 reflected mostly the effects of the energy and durable goods price rise, but the decline in household consumption expenditure continues. The households and companies are expected to see a recovery trend in price at the end of the year, which will still, however, remain low. On the other hand, there are still large margins of underutilization of production capacity, which contribute to maintaining the prices' underlying dynamic at a minimum.

EURIBOR Fluctuation Rate 2019 /2020 - Source BCE



The negative three-month interest rate (Euribor) is expected to remain stable even in 2020. In the first quarter there has been a slight increase because of the pandemic, but it's difficult to foresee the return to positive values soon, also following the re-launch of the QE put in place by the ECB to deal with the emergency.

The government bond soared in the first quarter of 2020, reaching a peak of 275 basis points on March 17th, due to the uncertainties related to the increase in debt needed to face the emergency.

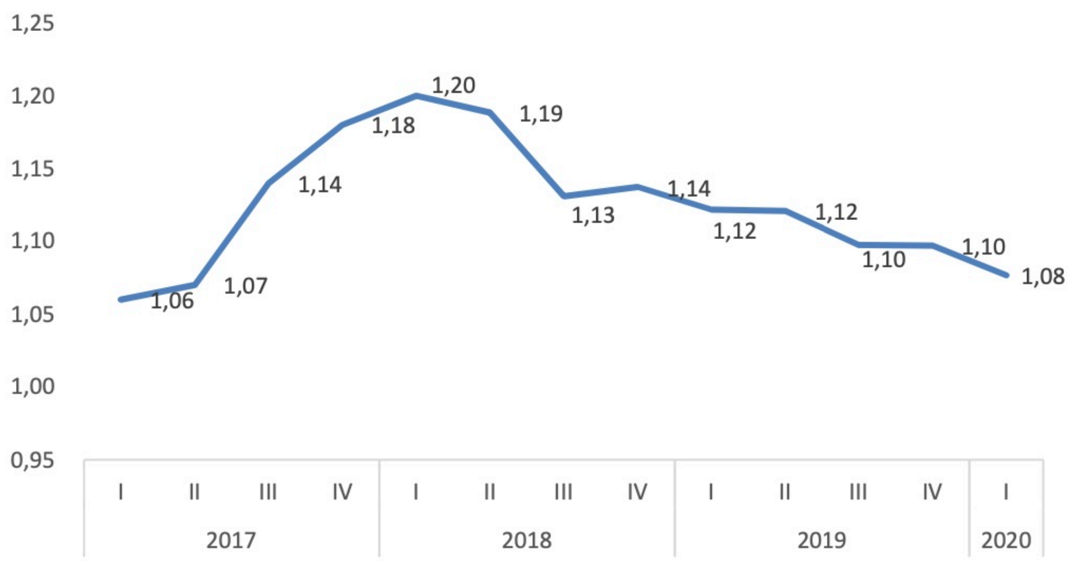
Subsequently, thanks to the intervention of the ECB, the figure decreased but it remained higher than the period before the pandemic.

In April 2020, the 10-year BTP - Bund spread was stable, at around 218 basis points; its trend will be strongly influenced by the European institutions' decisions regarding the actions to support the countries in the upcoming months that are affected by the pandemic the most.

Euro-Dollar Exchange

In 2019 and the first part of 2020, the exchange rate of the EURO against the US dollar has been growing gradually, with the US currency returning to 2015 levels and amounting to 1.07 dollars. This environment has encouraged the exports' recovery of non-durable goods (the company's traditional market in that geographical area). However, the volatility of the rate has created difficulties for operators who needed to limit the risks of exchange rates.

EUR-USD Fluctuation Rate – Source BCE



This situation is expected to continue in 2019 when, thanks to the recovery of the QE put in place by the ECB in support of the European economy in times of crisis, an stable exchange rate with a ratio of €/$ is expected, close to the level of parity (Source: Bank of Italy and ISTAT data).

Regarding interest rates, the Governing Council of the ECB, in accordance with its strategic decision to maintain a high level of liquidity within the system, has confirmed that interest rates will remain at an all-time low close to zero, reaffirming that it will maintain an accommodating monetary policy stance for as long as it is necessary, with consideration to the fact that the underlying Euro-Area price pressures will need to remain steady over the medium to long term.

Activities of the company

Rif Line operates in the international shipping sector. With a network of 3 offices in Italy, 10 offices abroad, and correspondents in 52 countries around the world, Rif Line offers the highest-quality service to clients worldwide. The Rif Line group in Italy is complemented by CSI SRL, the company that has the logistic terminal of Santa Palomba under its management (Rif Line Logistics Centre), since December.

Organizational Structure

The company has its own offices in Italy (Rome, Milan, and Bari), where the shipping activities are managed, and acts through a net of clearing agents in all major Italian ports. Rif Line has its own offices in China, Hong Kong, Bangladesh, Japan, Sri Lanka, and Turkey as well. In October 2019, the new office in Istanbul became operational and in February 2020 the new office in Izmir.

The Rif Line Logistics Centre, the crown jewel of the Rif Line logistics structure, covers an area of 10,000 square meters of warehouses equipped with the latest technologies available. In 2020, we have initiated a plan for the expansion and modernization of the warehouses, which will cover a total surface of approx. 19,000 sq. m. Also, a protected and video-monitored area has been installed for the safe storage of classified goods and armaments. Since December 2016, the structure is managed by the subsidiary company CSI SRL. All the structures are built according to the highest standards and complementary to territory and environmental protections principles.

Presentation of the 2019 results

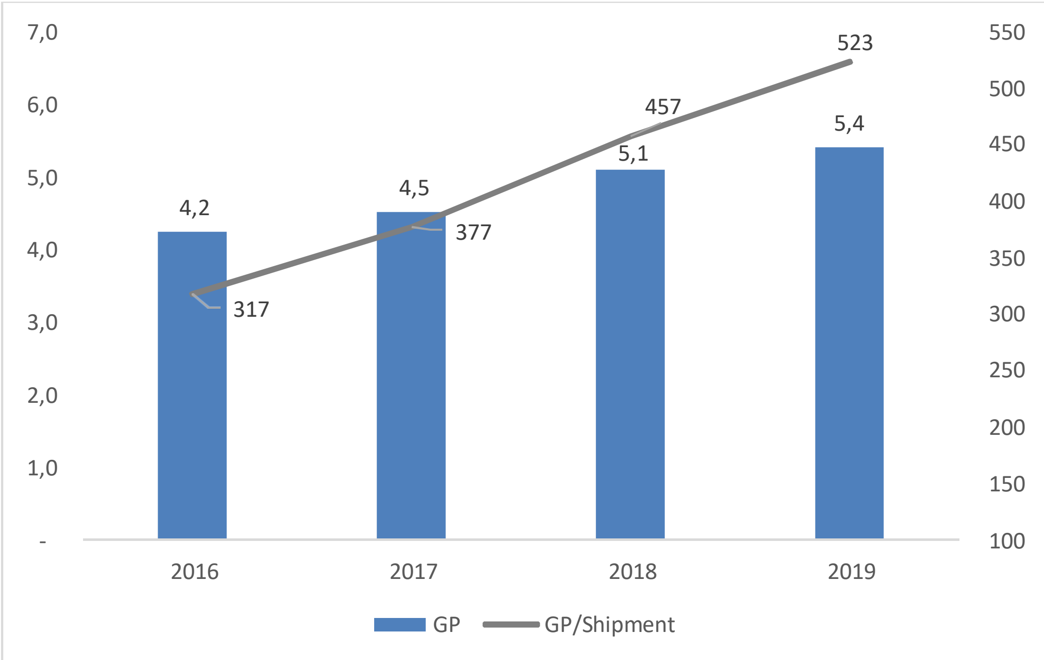
In an unstable macroeconomic scenario, our company experienced a year of strong growth in terms of profits, turnover, and volumes.

It has been an incredible year, which has allowed us to improve all the main economic indicators of the business.

The Group’s consolidated revenue has risen (€30.4m, +4.5% compared to 2018), with an EBT of €1.3m +66% compared to 2018. We have worked to improve collection times from customers (62 days in 2019 considering the transaction volumes in the custom duties, compared to 74 days in 2018), and we achieved a better result on NFP which has improved to over 3.1m EUR compared to December 2018 (- €1.7 thousand compared to - € 3.8 m in 2018).

Our thorough and dedicated work to strengthen the company’s assets allows us today to think about the difficult months ahead with slight optimism.

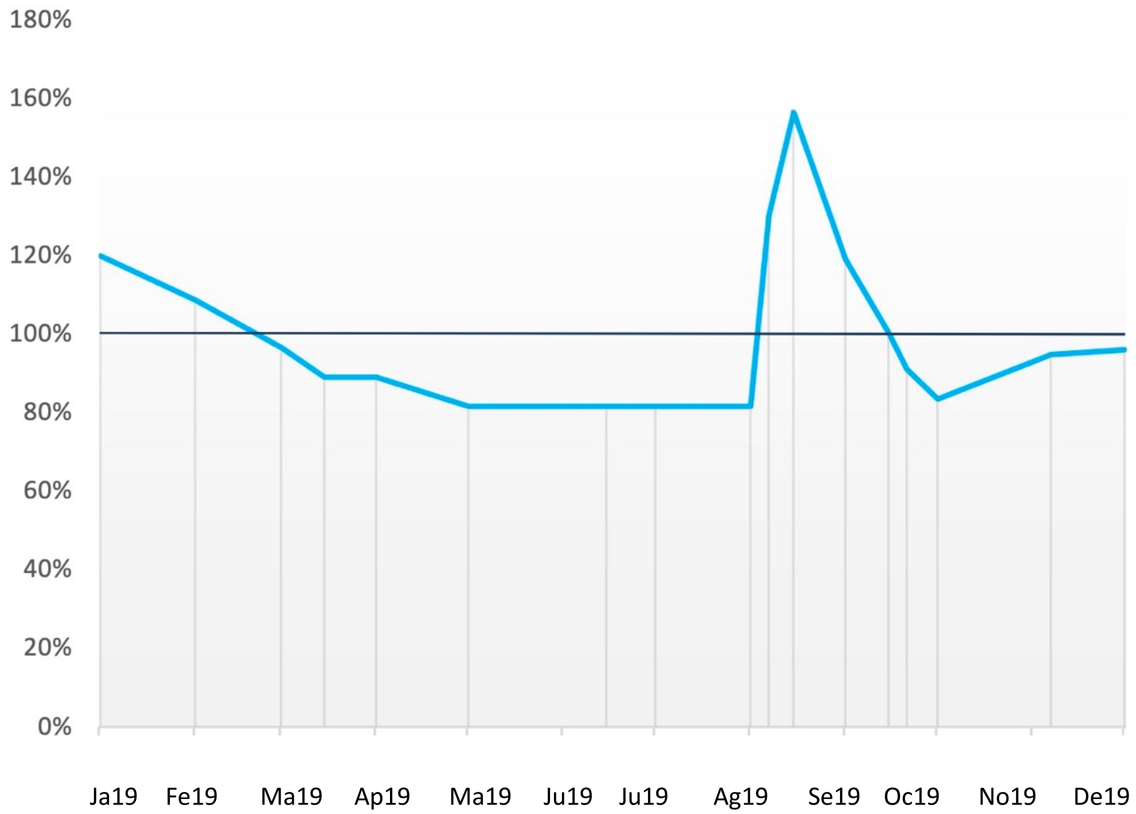
GP trends (values in €000) and average GP per shipment (values in €)



The increase in turnover is partly linked to an increase in the number of shipments compared to the previous year (+4%). Moreover, this increase is above all due to a higher average selling price. The greater profit, made possible by paying more attention to customers and improving the range of services as well as by the attention paid to the purchase costs of transports, has placed the average profit per shipment at 523 EUR, with a 14,5% increase compared to last year. The value is significant if we take into consideration that, in the last 4 years, we have managed to improve this index by more than 65%, in an almost saturated market.

In the first part of 2020, thanks to the strong increase in the cost of air freight and the demand for imports of medical equipment related to the Covid19 emergency, we have recorded an increase in sales. The cost of sea freight has shown a stable development with peaks in January and August due to the growing demand for goods. During 2020, the values are higher than those of last year because of the increase in blank sailings occurring among the main navigation companies in March and April.

Deviation of ocean freight rates and tendencies in 2019



The revenue: As aforementioned, the turnover generated is increasing, compared to last year.

For the first time, the consolidated sales exceeded the psychological threshold of 30 million EUR at € 30.382k with a 4% increase compared to last year. At single entity level:

- Rif Line Italy has reported revenues of €28.415 in thousands (compared to €27.797 (in thousands), reported in 2018, with a 2% increase).
- CSI has reported revenues of €2.668 in thousands (compared to €1.863 (in thousands) recorded in 2018, with a 43% increase).
- Rif Line International has reported revenues of €935 in thousands (compared to €787 (in thousands) recorded in 2018, with a 19% increase).

Intra-group revenue and expenses amounted to € 1.637 in thousands.

In terms of volumes, in a time of market instability characterized by slow growth, the company was able to confirm the excellent performance recorded in 2018 in terms of maritime trade, recording growth in the air freight sector (+9% compared to 2018) largely driven by exports growth.

In a time where the market remains very volatile (as demonstrated by the average performance of freight rates), Rif Line has managed to succeed thanks to its operators' competence and professionalism, acquiring commercial strength also thanks to the international development of its own brand.

Operating margins: the operating margins, the EBITDA, and the net EBIT improved for all the companies within the Group. Notably:

- Rif Line Italy has an EBITDA and an EBIT of €1,123 in thousands and € 806,000 with anincrease of 116% and respectively 97% compared to last year (€ 519,000 and € 409,000 in 2018).
- CSI has an EBITDA and an EBIT of €174,000 and € 108,000 with an increase of 70% and respectively 83% compared to last year (€102,000 and €59,000 in 2018).
- Rif Line International has an EBITDA and an EBIT of €918,000 and € 913,000 with an increase of 18% and respectively 17% compared to last year (€781,000 for both values in 2018).

As such, the already excellent gross margin profitability recorded in 2018 for all the companies of the Group has been confirmed and has improved due to the thorough commercial work and careful structural costs' management as well as the progressive and gradual consolidation of the brand on both the foreign and domestic market.

The cost for the remuneration of staff employed by the Company is slightly higher than in the previous year. In 2019, the Group's companies incurred costs of €3,239 compared to €3,166 in 2018. The revenue growth has however allowed our company to deduct the overall impact of this cost on the company's turnover (10.7% against 10.9% in 2018).

Income tax: Income taxes for the year amount to:

- 231,000 EUR for Rif Line Italy, with a 40% tax rate, slightly lower than in 2018 (44%) due to a lower impact of the adjustments of the total profit generated during the year.
- 35,000 EUR for CSI, with a 36% tax rate,
- 250,000 EUR for Rif Line International with a 28% tax rate.

Net financial position and cash flow: On December 31st, 2019, the Group's financial position is negative by 1.7 million euro of which:

- Rif Line Italy has a positive NFP of € 135k against a net debt of 3.4 m euro on Dec. 18
- Rif Line International has a negative NFP of 1.4 m euro (- € 1.1 m on Dec. 18)
- CSI has a NFP of 412,000 euro (276,000 euro on Dec. 18).

The overall improvement of the Group's NFP of €3.1m, compared to the previous year, is mainly due to Rif Line Italy and it is the result of the great work dedicated to rebalancing the payment terms between customers and suppliers as well as the new factoring contract in place that has allowed to cancel about 1.2m EUR in loans on Dec. 19. The slight increase in the financial exposure of Rif Line International is linked to the loans granted to Rif Line Bangladesh for the development of their new office in Dhaka and to Rif Line Turkey for the opening of the two new offices in Istanbul and Izmir.

Main operating activities of the period

Opening of Rif Line China: In March, Rif Line developed its own international network by opening a new company on the Chinese market. As such, transforming the representation offices into real operational and commercial offices.

The new company is composed of a team of 24 people in Shanghai and Shenzhen while the representation offices remain in Hong Kong and Beijing.

This operation follows the opening of new offices in Bangladesh and should be considered, as previously stated, an important part of our company's strategic intent to expand and adapt to the always-growing demands of the market.

Opening of new offices for Rif Line in Dhaka and Chittagong. This section is about the development of the existing structures. The Dhaka and Chittagong offices of Rif Line Worldwide Logistics Bangladesh, inaugurated in March before the Italian Deputy Ambassador in Dhaka, H.E. Dr. Giuseppe Semenza, representing the natural evolution of our company and demonstrate the Group's commitment to a country that has become crucial for the development of our market's strategy across the Indian subcontinent.

Opening of Rif Line Logistics Lanka: The Colombo office has 7 people in its operating team and is the last opened by our group. The decision to invest in this country is due to the increased trade activity with Europe as well as the need to further develop the cross trade within Asia.

Opening of Rif Line Lojistik Turkey: The last internationally raised flag is in Turkey. The Istanbul office, which has been operating since October, has immediately achieved an excellent commercial success by quickly acquiring customers in Asia and in various European countries, further consolidating the relations with our trading partners.

The Track and Trace system: This year we initiated a marketing strategy for our new tracking system called *Webcontainer* – an innovative platform that allows customers to constantly follow their goods wherever they are in the world and receive accurate, constant updates of the delivery date. This is the first step towards total digitalization which we know will improve the efficiency of our procedures and optimize the service we provide to our customers.

Development of the Bari branch: In January 2018, the Bari branch became operational, not only for commercial representation, it is revolutionized to be a real management hub for the services we provide to our customers.

The structural upgrade in Puglia follows the strong determination to be closer and offers services to customers in an area of Italy that continues to show great dynamism.

Subsequent Events

Covid-19 Pandemic: The pandemic that broke out in China in January and reached Italy at the end of February made it difficult for us to predict any economic or financial outcome. As a company, there have been implemented all the initiatives to protect the health of employees and collaborators by using the concept of smart working extensively.

From a financial point of view, aware of the possible slowdown in revenue that was possible to face, company reinforced the debt recovery department by relocating an additional resource from the administrative department.

As a result of the lock down in March, company recorded a 20% reduction in imports by sea and, at the same time, a strong increase in the demand of medical devices and protective masks imported by air.

Said that, the operational teams were reshaped as well, strengthening the group of operators dedicated to air traffic by deploying a resource previously involved in maritime traffic.

New Headquarters in Fiumicino: In March, the building of 1,000 sq. m. was purchased located in the municipality of Fiumicino to be used as a business center. As such, a new real estate company – Real Estate Development SRL (RED) has been established, and it is fully owned by the parent holding company.

The purchase was made with company`s own resources through a 12-year bank loan.

New offices for the network: This section is about the development of the already existing structures. The new offices in Quingdao, China and Izmir, Turkey, which were opened in January and February, represent the natural evolution of our network in those geographical areas of the world and demonstrate the Group's commitment to globalization.

Rif Line Express: The Rif Line Group is aware that the development of e-commerce is meant to change consumer habits radically. For this reason, an agreement was signed in January with ASENDIA – one of the biggest players of parcel shipments worldwide that is part of the French group "La Poste" – to develop and implement a courier service. The service implies the creation of an integrated internet portal that will contain all the world's major e-commerce sites. This will allow each customer to easily organize their shipments using an extensive international network of couriers.

Business Outlook

Below are highlighted the main areas of increase in the 2020 budget.

Values in €000	Import	Export	Logistics	Total	% on revenue
Revenue	26.118	3.600	1.856	**31.574**	
Gross Profit	4.180	756	560	**5.496**	17%
EBITDA				**1.578**	5%
Earnings Before Tax				**1.105**	3%

Revenue: Next financial year's challenge will be to confirm the exceptional volume and performance of 2019 which, despite the increase in shipments in the coming months, will be difficult to estimate due to the current development of the pandemic.

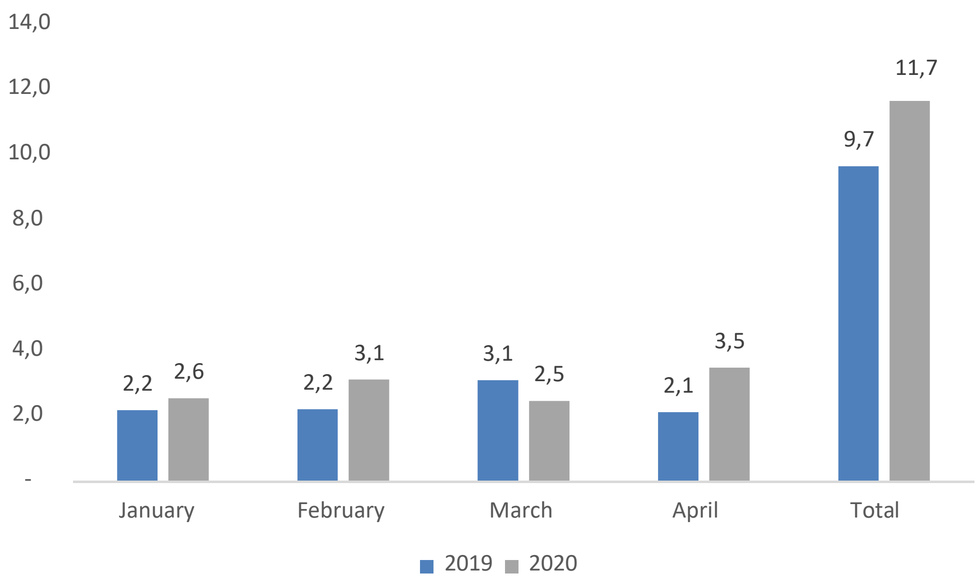
As seen in the graphic below, in the month of April it is recorded a strong increase in shipments by air due to the imports of individual protective gear and surgical masks.

In the following months, it is expected that the demand for such imports to remains high, while on the other had is expected a drop of about 20% in shipments related to traditional sectors.

The budget drawn up for 2020 conservatively stipulates that freight rates will be broadly in line with those recorded in 2019 and therefore will be at a lower cost than the previous two years.

The anticipation of growth on the export market is sustained by the investments made in the network (described within the globalization paragraph), and it is the result of the specific business strategy of prioritizing the increase of this sector's role in the business.

Sales trends in the first quarter 2019– 2020 €/ in thousands



As a result of masks and medical equipment imports, the final balance of the first quarter of 2020 is higher than the budget as well as the same period of 2019, with revenues exceeding 11.7 million euro.

Gross Profit: Compared to 2019, the gross profit, calculated as the difference between the profits and the costs directly coming from shipping practices, is up, mainly because of the optimization of transport costs at destination and the expected positive trends of the freight market. The stability of the margins of strong economic growth (anticipated in Italy in 2020) is the result of the management's specific choice to encourage solid growth through a reliable and secure customer base rather than pursuing an increase in volumes at the expense of clients' quality and security of payment of claims.

EBITDA and the Income before Tax: The EBITDA trend is influenced by the above factors and it is the result of the management's determination to make margins a priority over volumes, risking undermining the achieved results over the medium to long term.

Globalization: As already mentioned above, there is no intention to interrupt the development and the increased aspiration for globalization displayed by the RIF brand. Proof of this is the opening of the two new offices in China and Turkey, which were built just before the pandemic.

The unparalleled situation company found itself in has only delayed some of development projects, but kept the confidence to be able to get back on track.

The choice of international expansion is closely linked to the aspiration to grow export business more and more and in a much stronger way. This choice has been the key to company`s achievements in the last few years.

Moreover, international expansion allowed to develop a Cross Trade between the countries in which there is a national presence and contributes significantly to the improvement of performance as a Group.

Training efforts: People's talents are the number one factor in achieving an excellent service. Also, clients' perception on the quality of services depends on the ability of our team to put the Group's essential values on display. For this reason, Rif Line is committed to invest in the people that are an essential and substantial part of the business activity. As such, the teams were provided with specific training, tailored to their needs.

Contribution to the country and to the world

This year, Rif Line is committed to continue to support the country and all the areas of the world where we operate. As such, our initiative to provide economic support to the charity organizations involved in training and integrating youth from disadvantaged communities into the labor market in Bangladesh continues.

Approval of Financial Statements

The annual financial statements report completed on December 31st, 2019 is approved today by the Board of Directors, with recommendations to put the achieved profit in reserve.

Fiumicino May 31st, 2020

For the Board of Directors

Francesco Isola

Giorgio Voria

CONSOLIDATED FINANCIAL STATEMENTS OF RIF LINE GROUP

Balance sheet

Assets

Item	Description	2019	2018
A)	**Subscribed capital, unpaid**		
B)	**Fixed Assets**		
I	*Intangible*		
1)	Start-up and expansion costs	488.507	346.126
2)	Development costs	140.465	179.534
3)	Industrial patent and intellectual property rights	12.000	12.000
4)	Concessions, licenses, trademarks, and similar	11.863	9.631
5)	Goodwill	1.855.724	2.091.841
6)	Assets under construction and deposits	-	-
7)	Other	84.469	97.995
	Total Intangible fixed assets	2.593.028	2.737.127
II	*Tangible*		
1)	Land and buildings	2.132	2.748
2)	Plants and machinery	80.208	96.615
3)	Furniture, fixtures, and equipment	146.606	86.452
4)	Other assets	106.706	129.803
5)	Assets under construction and deposits	-	-
	Total Tangible fixed assets	335.652	315.618
III	*Financial*		
1)	Investments in		
a)	Subsidiaries	137.808	-
2)	Receivables		
a)	toward others		-
	• Within 12 months	50.000	-
	• Over 12 months	281.285	241.035

Balance sheet

Assets *(cont'd)*

Item	Description	2019	2018
3)	Other equities	75.630	154.793
4)	Treasury shares	-	-
	Total Financial fixed assets	544.723	395.828
	Total Fixed Assets	**3.473.402**	**3.448.573**
C	**Current Assets**		
I	*Stocks*		
1)	Raw materials and consumable	7.814	52.658
2)	Work-in-progress and semi-finished goods	-	-
3)	Custom work-in-progress goods	-	-
4)	Finished goods	-	-
5)	Deposits	-	-
II	*Receivables*		
1)	From trade		
	Within 12 months	11.220.381	12.865.534
	Over 12 months	-	-
2)	From subsidiaries		
	Within 12 months	200.000	30.000
	Over 12 months	-	-
3)	From associates		
	Within 12 months	-	-
	Over 12 months	-	-
4)	From parent companies		
	Within 12 months	-	-
	Over 12 months	-	-
5)	From affiliate companies		
	Within 12 months		

Balance sheet

Assets (cont'd)

Item	Description	2019	2018
	• Over 12 months	-	-
5-bis)	Receivables from taxes		
	• Within 12 months	533.141	193.759
	• Over 12 months	-	-
5-ter)	Deferred taxes		
	• Within 12 months	466	466
	• Over 12 months	-	-
5-qtr)	From other accounts		
	• Within 12 months	13.670	318.513
	• Over 12 months	33.371	
III	*Current financial assets that are not fixed assets*		
1)	Investments in subsidiaries	-	-
2)	Investments in associates	-	-
3)	Investments in parent companies	-	-
4)	Other investments	-	-
5)	Treasury shares	-	-
6)	Other shares	587.946	199.750
IV)	*Cash assets*		
1)	Bank deposits	1.833.973	737.275
3)	Cash and cash equivalents	1.056.540	412.796
	Total current assets	**15.487.302**	**14.810.751**
D)	Accruals and deferrals		
	• Other	375.034	458.500
	Total Assets	**19.335.738**	**18.717.824**

Balance sheet

Liabilities

Item	Description	2019	2018
A)	Net Assets		
I	Capital	700.000	200.000
II	Premium share reserve	-	-
III	Revaluation reserve	-	-
IV	Legal reserve	33.357	-
V	Statutory reserve	133.796	-
VI	Reserve for own shares	-	
VII	Other reserves		
	• Consolidation reserve	(196.569)	25.920
	• Rounding off reserve in Euro	-	-
VIII	Retained profits (losses) carryforward	26.356	-
IX	Net profit for the year	806.216	471.020
	Total Net Assets	**1.503.156**	**696.940**
B)	**Provisions for contingencies and costs**		
1)	Provisions for pension plans and similar	34.118	19.365
2)	Provisions for taxes, even if deferred	-	
3)	Other	-	
	Total provisions for contingencies and costs	**34.118**	**19.365**
C)	**Employee severance indemnity**	**526.027**	**414.332**
D)	**Debt and other payables**		
1)	Bonds		
	• Within 12 months	-	-
	• Over 12 months	-	-

Balance sheet

Liabilities (cont'd)

Item	Description	2019	2018
2)	Convertible bonds		
	• Within 12 months	-	-
	• Over 12 months	-	-
3)	Shareholder loans		
	• Within 12 months	-	-
	• Over 12 months	-	-
4)	Debts payable to banks		
	• Within 12 months	4.068.677	5.105.165
	• Over 12 months	1.152.707	1.098.075
5)	Debts payable to other financial institutions		
	• Within 12 months	-	-
	• Over 12 months	-	-
6)	Accounts		
	• Within 12 months	-	-
	• Over 12 months	-	-
7)	Debts payable to suppliers		
	• Within 12 months	5.003.124	5.427.477
	• Over 12 months	-	
8)	Bonded debt		-
	• Within 12 months	-	-
	• Over 12 months	-	
9)	Debts payable to subsidiaries		
	• Within 12 months	-	-
	• Over 12 months	-	-
10)	Debts payable to associates		
	• Within 12 months	-	-
	• Over 12 months	-	-

Balance sheet

Liabilities *(cont'd)*

Item	Description	2019	2018
11)	Debts payable to parent companies		
	• Within 12 months	-	-
	• Over 12 months	-	-
11-bis)	Debts payable to affiliated companies		
	• Within 12 months	-	-
	• Over 12 months	-	-
12)	Debts payable to tax authorities		
	• Within 12 months	585.471	401.998
	• Over 12 months	-	-
13)	Debts payable to social security institutions		
	• Within 12 months	130.285	99.978
	• Over 12 months	-	-
14)	Other payable debts		
	• Within 12 months	5.996.785	4.562.904
	• Over 12 months		600.000
	Total debt	**16.937.049**	**17.295.599**
E)	**Accruals and deferrals**		
	• Premium on loans		
	• Other	335.387	291.587
	Total Liabilities	**19.335.738**	**18.717.823**

Income statement

Item	Description	2019	2018
A)	**Production value**		
1)	Revenue from sales and services	30.028.724	28.988.792
2)	Product inventory var. in progress, semi-finished, and finished	-	-
3)	Variation in contract work-in-progress	-	-
4)	Increases of non-current assets from in-house production	-	-
5)	Other revenue and income		
	• Other	352.889	157.189
	Total Production value	**30.381.613**	**29.145.981**
B)	**Production costs**		
6)	Raw and auxiliary materials, consumables, and supply	63.091	64.992
7)	Services	23.492.582	23.578.178
8)	Use of third-party assets	608.589	489.863
9)	For employees		
	a) Salaries and wages	2.295.038	2.294.219
	b) Social security	690.255	594.900
	c) Employee severance indemnity	146.060	152.212
	d) Pension plans and similar	39.987	43.357
	e) Other costs	67.273	81.158
		3.238.613	3.165.846
10)	Amortization and depreciation,		
	a) Amortization of intangible fixed assets	138.717	105.183
	b) Amortization of tangible fixed assets	68.131	46.114
	c) Other deprecation of fixed assets	222.490	222.490
	d) Depreciation of receivables of assets	181.090	2.920
		610.428	376.707
11)	Variation of raw and auxiliary materials, consumables, and supply	44.844	(6.662)

Income statement (cont'd)

Item	Description	2019	2018
12)	Reserves for contingencies	-	-
13)	Other reserves	-	-
14)	Other operating costs	718.651	458.639
	Total production costs	**28.776.797**	**28.127.564**
	Difference between value and cost of production (A-B)	**1.604.815**	**1.018.416**
C)	**Financial income and expenses**		
15)	Income from investments:		
	• from subsidiaries	-	-
	• from associates	-	-
	• from others	-	-
16)	Other financial income		
	a) from fixed assets receivables		
	- from subsidiaries	-	-
	- from associates	-	-
	- from parent companies	-	-
	- from others	5.189	2.679
	b) from securities within fixed assets	-	-
	c) from securities included under assets	-	3.080
	d) from other financial income	8.387	4.195
	- from subsidiaries	-	-
	- from associates	-	-
	- from parent companies	-	-
	- from others	-	-

Income statement (cont'd)

Item	Description	2019	2018
17)	Interests and other financial expenses		
	• from subsidiaries		
	• from associates		
	• from parent companies		
	• from others	(271.517)	(210.264)
17 bis)	Profits (losses) on exchange rates	(25.201)	(17.060)
	Total interests and other financial expenses	**(283.141)**	**(217.371)**
D)	**Adjustments to financial assets values**	-	-
18)	Revaluation		
	a) of investments	-	-
	b) of financial assets	-	-
	c) of securities included under assets	-	-
	d) of financial derivatives	-	-
19)	Depreciation		
	e) of investments	-	-
	f) of financial assets	-	-
	g) of securities included under assets	-	-
	h) of financial derivatives	-	-
	Total adjustments to financial assets values	-	-
	Results before taxes (A-B±C±D)	**1.321.674**	**801.045**
20)	Current, deferred, and prepaid income tax		
	• Current taxes	515.457	330.026
	• Deferred taxes (prepaid)	-	-
21)	**Profit (loss) for the year**	**806.216**	**471.020**

Financial Statement

Description	2019	2018
(A) Cash flow from operating activities (indirect method)		
Profit (Loss) for the year	806.216	113.540
Income tax	515.457	90.859
Receivable (payable) Interest	271.517	175.941
1) EBIT	**1.593.190**	**380.340**
Adjustments for non-monetary elements without NWC offsets		
Increase in reserves	327.150	130.919
Amortization of assets	429.337	106.723
Other increase (decrease) adjustments for non-monetary elements	0	(136.600)
Adjustments for non-monetary elements that don't have NWC offsets	**7.756.487**	**101.042**
2) Cash flow before NWC variations		
NWC variations		
Decrease (Increase) of stocks	44.844	(2.030)
Decrease (Increase) of trade receivables	1.475.153	(968.782)
Increase (decrease) of accounts payable to suppliers	(424.353)	174.143
Decrease (Increase) of prepaid accruals and deferrals	83.466	108.190
Increase (decrease) of accruals and deferrals income	43.800	(134.957)
Other NWC decrease (increase)	796.278	407.460
Total variations of NWC	**2.019.188**	**(415.976)**
3) Cash flow after NWC variations		
Other adjustments		
Paid interests	(271.517)	(175.941)
(Paid income tax)	(331.984)	(10.658)
(Other provisions)	(200.703)	(59.220)
Total other adjustments	**(804.204)**	**(245.819)**
Cash flow from operating activities (A)	**3.564.662**	**(180.413)**

Financial Statement *(Cont'd)*

Description	2019	2018
B) Cash flow from financing activities		
(Investments) in tangible fixed assets	(88.164)	(34.074)
(Investments) in intangible fixed assets	(217.108)	(111.715)
(Investments) in financial assets	(148.894)	(111.891)
Disinvestments	-	
Cash flow from financing activities (B)	**(454.166)**	**(257.680)**
C) Cash flow from financing activities		
Increase (decrease) in payables due to other financial institutions		(120.000)
Increase (decrease) in payables due to banks	(981.856)	482.004
(Funds reimbursements)		
Cash flow from funding activities (C)	**(981.856)**	**362.004**
Increase (decrease) in cash funds (A+B+C)	**2.128.639**	**(76.090)**
Cash funds at the beginning of the financial year		
Liquid securities	199.750	-
Bank and postal deposits	737.275	988.795
Cash and cash equivalents	412.796	211.337
Total Liquid securities at the beginning of the financial year	**1.349.821**	**1.200.132**
Liquid securities at the end of the financial year		
Liquid securities	1.604.469	-
Bank and postal deposits	1.833.973	711.787
Cash and cash equivalents	35.017	412.255
Total Liquid securities at the end of the financial year	**3.478.459**	**1.124.042**
Generated liquidity (absorbed)	**2.128.639**	**(76.090)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT OF RIF LINE GROUP

Consolidation Notes

Dear Shareholders,

The consolidated financial statement, comprising the Balance sheet, Income statement, and the Consolidation Notes, has been drawn up in accordance with the current legislation criteria, considering the postulates referred to in art. 2423 of the civil code, duly integrated by the Italian Accounting Body.

The form and content of the financial statements

The consolidated financial statement for the year, completed on December 31st, 2019, was drawn up in accordance with the same evaluation criteria and accounting principles already applied for the preparation of the Group's financial statements.

The consolidated financial statement presented in this file has been drawn up without any legislative obligations and is made up exclusively of the accounting statements and with the preparation of the explanatory notes to the financial statements. The consolidated financial statement has been left out.

The financial statements are drawn up with the continuation of the business activity in mind. The evaluation criteria are in accordance with the provisions of art. 2426 of the Italian Civil Code as well as the accounting principles issued by the Italian Accounting Body; there is no exceptional case recorded that makes the use of the exceptions pursuant to art. 2423, paragraph 4 and art. 2423bis, paragraph 2 of the Civil Code necessary.

There were no items grouped in the balance sheet or in the income statement.

There are no assets and liabilities falling under more than one item in the balance sheet.

The items preceded by Arabic numerals that do not appear in the balance sheet or in the income statement have been left out if there was a lack of value recorded at the end of this year as well as the previous one. The items presented in the financial statement have been rounded off to euro.

The consolidation notes were created by adding all the items in each individual financial statement of the three companies that make the scope of this consolidation report: Rif Line International SRL, Rif Line Italy S.P.A., and CSI SRL All values resulting from transactions between these entities have not been taken into consideration.

These explanatory notes refer to the evaluation criteria adopted during the preparation of the consolidated pro-forma financial statements on December 31st, 2019.

The information regarding individual items within the balance sheet as well as the income statement is disclosed in the financial statement notes.

Consolidation criteria

Consolidation perimeter

The companies included in this consolidated financial statement report that can be found below.

Name	Investment Value	Share held by the group	Net Assets	Cancellation Differences
Rif Line Group S.P.A.		100,00%	1.381.889	
Rif Line Italy S.P.A.	*2.800.000*	100,00%	1.032.722	2.224.900
CSI SRL	*120.000*	*96,51%*	*234.859*	*-25.921.*

Consolidation data

The consolidation is conducted from accounting records referring to the acquisition date of Rif Line Italy S.p.A. by subsidiary Rif Line International S.P.A., an operation which also allowed the acquisition of the indirect subsidiary CSI SRL. The acquisition accounting effects are in place starting from 01/01/2018. For easier comparison of the financial years, the previous year comparison data include all transactions put in effect in 2018.

Elimination of intra-group balances and transactions

The consolidated financial statement includes the transactions with third parties, only from outside the group. As such, the amounts related to reciprocal transactions and balances from receivables and payables as well as from costs and revenues were eliminated. Every transaction was eliminated regardless.

Elimination of subsidiaries' equity investments and goodwill arising from acquisitions

Elimination of subsidiaries' equity investments created differences in depreciation. Positive differences in depreciation were registered as goodwill and regular goodwill. Negative differences were registered to the consolidation reserve.

The profits and losses resulting from transactions that were completed between the companies belonging to the group and which are related to the assets and liabilities of one of them at the release date of the consolidated report have not been eliminated. They are irrelevant to the true representation of the balance sheet report.

Evaluation criteria

Intangible Assets

The intangible fixed assets are recorded at a historical acquisition cost after verifying the expected future benefit of the company, considering their utility applicable to multiple years and the fact that these costs cannot be related to specific revenue from the supply of goods or services in the current financial year. Depreciation was conducted on all assets that started operating before the end of the financial year.

The depreciation charged to the income statement was calculated on a systematic and constant basis of the rates considered representative of the residual possibility of use of the assets

The difference between consolidations to goodwill has been systematically subject to amortization.

Tangible Fixed Assets

Tangible fixed assets are registered with the cost of purchase that includes the directly connected charges. They depreciate whenever the total value of amortization is higher than the higher amortization capacity that the management normally expects and the sales value of the same. Amortization has been done on all assets that came into operation by the end of the financial year.

The depreciation charged to the profit and loss account was calculated on a systematic and constant basis over their estimated useful lives. The maintenance and repair costs that are expected and recurring are registered to the profit and loss account while charges due to extraordinary events are linked to the relating assets.

Financial assets

The fixed financial assets elaborated within this consolidation report have been annulled by the corresponding net assets accounts of the subsidiaries (Rif Line Italy S.p.A. and CSI SRL).

The remaining fixed financial assets are registered with the purchase or subscription cost and are written off whenever the value is permanently lower.

Stocks

The evaluation is done based on the lower cost between purchase and the estimated value.

Payables and receivables

The payables and receivables within the accounting entries are canceled between Rif Line Italy and Rif Line International and between Rif Line Italy and CSI. In both cases, the accounting entries are trade related.

The receivables are registered at their probable realizable value. The payables are registered at book value. There was no retrospective recording of payables fulfilled using the amortization cost method, as indicated by the standard rules of reference within the Generally Accepted Accounting Principles (GAAP). The method of cost amortization has not been used for neither receivable or payable accounting entries of the year, as allowed by the OIC19 § 42 (Official Italian Accounting Board), since, considering the duration of such accounting entries, the interest rate applied, and the low level of attributable costs, the application of such method wouldn't have had significant effects.

Items in foreign currencies

The monetary assets and liabilities in foreign currency are registered at the current price level of the market registered at the end of the financial year, with attributing foreign exchange gains or losses in income statement. The differences in foreign exchange and the prospective share profit that can be assigned to the evaluation of unrealized foreign exchange items are put in reserve in a special Equity reserve that cannot be distributed until realization.

The non-monetary assets and liabilities in foreign currency are registered in the account of assets and liabilities using the current exchange rate of their purchase. The positive or negative exchange rate differences do not allow independent and separate recognition. However, the exchange value at the end of the year is considered when determining the realization value that can be deduced from market developments.

Liquid assets

The liquid assets are registered at book value.

Rif Line International is the trustee of a security portfolio amounting €800K owned by the subsidiary Rif Line Italy S.P.A.

The portfolio is managed by the subsidiary under the treasury management agreement signed by both companies in 2019.

Accruals and deferrals

These items are calculated according to the principle of accrual and cash accounting basis applying the principle of matching revenues and expenses during the financial year.

Employee severance indemnity

It is accrued on a seniority base of the employee at the end of the financial year, according to law and the contracts in place.

Costs and revenue

The costs and revenues related to commercial transactions have been excluded from the present financial statement report.

The costs and revenue are displayed in the financial statement report using the conservatism and appropriate accounting period principles. The income and revenues & the costs and contributions are registered to the returns, allowances, discounts, premiums, and taxes that are coming directly from services.

Taxes

The tax provision is calculated on the tax burden forecast for the year by applying the principles of the Italian Accounting Body OIC 25. The Italian regional production tax (IRAP) of the year, reduced after the legislation implementation issued in 2020 to provide support for the Covid-19 pandemic, has been fully registered in the financial statement report, as the tax reduction happened during the current financial year when the mentioned provisions were adopted.

STATUTORY FINANCIAL STATEMENTS OF
RIF LINE ITALY S.P.A.

Balance sheet

Assets

Item	Description	2019	2018
A)	**Subscribed capital, unpaid**		
B)	**Assets**		
I	*Intangible*		
1)	Start-up and expansion costs	108.209	130.818
2)	Development costs	131.740	164.566
3)	Industrial patent and intellectual property rights	-	-
4)	Concessions, licenses, trademarks and similar	-	-
5)	Goodwill	-	-
6)	Assets under construction and deposits	-	-
7)	Other	84.469	97.995
	Total Intangible fixed assets	324.418	393.379
II	*Tangible*		
1)	Land and buildings	2.132	2.748
2)	Plants and machinery	64.280	78.702
3)	Furniture, fixtures, and equipment	-	-
4)	Other assets	106.706	127.013
5)	Assets under construction and deposits	-	-
	Total Tangible fixed assets	173.118	208.463
III	*Financial*		
1)	Investments in		
a)	Subsidiaries	120.000	120.000
2)	Receivables		
a)	Toward others		
	• Within 12 months	50.000	-
	• Over 12 months	281.285	241.035

Balance sheet

Assets (cont'd)

Item	Description	2019	2018
3)	Other equities	75.630	154.793
4)	Treasury shares	-	-
	Total Financial fixed assets	526.915	515.828
	Total Fixed Assets	**1.024.450**	**1.117.670**
C	**Current Assets**		
I	*Stocks*		
1)	Raw materials and consumable	-	21.496
2)	Work-in-progress and semi-finished goods	-	-
3)	Custom work-in-progress goods	-	-
4)	Finished goods	-	-
5)	Accounts	-	-
II	*Receivables*		
1)	From trade		
	• Within 12 months	10.561.983	12.415.763
	• Over 12 months	-	-
2)	From subsidiaries		
	• Within 12 months	130.767	130.767
	• Over 12 months	-	-
3)	From associates		
	• Within 12 months	-	-
	• Over 12 months	-	-
4)	From parent companies		
	• Within 12 months	123.884	154.923
	• Over 12 months	-	-
5)	From companies subject to control of parent companies		
	• Within 12 months	-	-

Balance sheet

Assets (cont'd)

Item	Description	2019	2018
	• Over 12 months	-	-
5-bis)	Receivable for prepaid taxes		
	• Within 12 months	268.321	192.173
	• Over 12 months	-	-
5-ter)	Deferred taxes		
	• Within 12 months	-	-
	• Over 12 months	-	-
5-qtr)	From other accounts		
	• Within 12 months	11.932	104.560
	• Over 12 months	32.604	-
III	*Current non-fixed financial assets*		
1)	Investments in subsidiaries	-	-
2)	Investments in associates	-	-
3)	Investments in parent companies	-	-
4)	Other investments	-	-
5)	Treasury shares	-	-
6)	Other shares	587.946	-
IV)	*Liquid assets*		
1)	Bank deposits	1.769.787	711.787
2)	Securities	1.021.523	
3)	Cash and cash equivalents	3.247	412.255
	Total current assets	**14.511.994**	**14.143.724**
D)	Accruals and deferrals		
	Others	346.603	401.920
	Total Assets	**15.883.047**	**15.663.313**

Balance sheet

Liabilities

Item	Description	2019	2018
A)	**Net Assets**		
I	Capital	500.000	500.000
II	Premium share reserve	-	-
III	Revaluation reserve	-	-
IV	Legal reserve	44.105	38.428
V	Statutory reserve	144.538	36.676
VI	Other reserve		
VII	Cash flow hedging operations reserve	-	-
	• Rounding off provisions in Euro		(1)
VIII	Retained profits (losses) carryforward		
IX	Net profit for the year	337.848	113.540
X	Negative reserve for purchase of own shares		
	Total Net Assets	**1.026.491**	**688.643**
B)	**Provisions for contingencies and costs**		
1)	Provisions for pension plans and similar	30.651	8.696
2)	Provisions for taxes, even if deferred		
3)	Financial derivatives liabilities	-	-
4)	Other	-	-
	Total provisions for contingencies and costs	**30.651**	**8.696**
C)	**Reserve for employee severance indemnities**	**418.532**	**317.826**
D)	**Debt and other payables**		
1)	Bonds		
	• Within 12 months	-	-
	• Over 12 months	-	-

Balance sheet

Liabilities (cont'd)

Item	Description	2019	2018
2)	Convertible bonds		
	• Within 12 months	-	-
	• Over 12 months	-	-
3)	Shareholder loans		
	• Within 12 months	-	-
	• Over 12 months	-	-
4)	Debts payable to banks		
	• Within 12 months	3.246.845	4.574.145
	• Over 12 months		
5)	Debts payable to other financial institutions		
	• Within 12 months	-	-
	• Over 12 months	-	-
6)	Accounts		
	• Within 12 months	-	-
	• Over 12 months	-	-
7)	Debts payable to suppliers		
	• Within 12 months	4.466.484	5.020.436
	• Over 12 months		
8)	Bonded debt	-	-
	• Within 12 months	-	-
	• Over 12 months		
9)	Debts payable to subsidiaries		
	• Within 12 months	-	-
	• Over 12 months	-	-
10)	Debts payable to associates		
	• Within 12 months	-	-
	• Over 12 months	-	-

Balance sheet

Liabilities (cont'd)

Item	Description	2019	2018
11)	Debts payable to parent companies		
	• Within 12 months	-	-
	• Over 12 months		
11-bis)	Debts payable to affiliated companies		
	• Within 12 months	-	-
	• Over 12 months		
12)	Debts payable to tax authorities		
	• Within 12 months	302.599	155.657
	• Over 12 months	-	-
13)	Debts payable to social security institutions		
	• Within 12 months	105.842	79.729
	• Over 12 months		
14)	Other payable debts		
	• Within 12 months	5.996.785	4.561.854
	• Over 12 months	-	-
	Total debts	**14.118.555**	**14.391.820**
E)	**Accruals and deferrals**		
	• Other	288.818	256.327
	Total Liabilities	**15.883.047**	**15.663.313**

Income statement

Item	Description	2019	2018
A)	**Production value**		
1)	Revenue from sales and services	27.982.180	27.512.399
2)	Product inventory var. in progress, semi-finished, and finished	-	-
3)	Variation in contract work-in-progress	-	-
4)	Increases of non-current assets from in-house production	-	-
5)	Other revenue and income		
	• Other	433.549	284.534
	Total Production value	**28.415.729**	**27.796.933**
B)	**Production costs**		
6)	Raw and auxiliary materials, consumables, and supply	-	58.962
7)	Services	23.715.191	23.974.343
8)	Use of third-party assets	284.370	230.176
9)	For employees		
	f) Salaries and wages	1.828.290	1.858.445
	g) Social security	561.986	481.893
	h) Employee severance indemnity	120.410	127.999
	i) Pension plans and similar	39.807	43.357
	j) Other costs	67.273	81.158
		2.617.766	2.592.851
10)	Amortization and depreciation,		
	a) Amortization of intangible fixed assets	88.430	70.552
	b) Amortization of tangible fixed assets	47.213	36.172
	c) Other deprecation of fixed assets	-	-
	d) Depreciation of receivables of assets	181.090	2.920
		316.733	109.643
11)	Variation of raw and auxiliary materials, consumables, and supply	21.496	-

Income statement (cont'd)

Item	Description	2019	2018
12)	Reserves for contingencies	-	-
13)	Other reserves	-	-
14)	Other operating costs	654.152	421.462
	Total production costs	**27.609.709**	**27.387.438**
	Difference between value and cost of production (A-B)	**806.020**	**409.494**
C)	**Financial income and expenses**		
15)	Income from investments:		
	• from subsidiaries	-	-
	• from associates	-	-
	• from others	-	-
16)	Other financial income		
	a) from fixed assets receivables		
	- from subsidiaries	-	-
	- from associates	-	-
	- from parent companies	-	-
	- from others	386	67
	b) from securities within fixed assets	-	-
	c) from securities included under assets	-	3.080
	d) from other financial income		
	- from subsidiaries	-	-
	- from associates	-	-
	- from parent companies	-	-
	- from others	8.387	4.195

Income statement (cont'd)

Item	Description	2019	2018
17)	Interests and other financial expenses		
	• from subsidiaries		
	• from associates		
	• from parent companies		
	• from others	210.513	175.941
17 bis)	Profits (losses) on exchange rates	(35.781)	(36.497)
	Total interests and other financial expenses	**(237.521)**	**(205.096)**
D)	**Adjustments to financial assets values**		
18)	Revaluation		
	a) of investments	-	-
	b) of financial assets	-	-
	c) of securities included under assets	-	-
	d) of financial derivatives	-	-
19)	Depreciation		
	e) of investments	-	-
	f) of financial assets	-	-
	g) of securities included under assets	-	-
	h) of financial derivatives	-	-
	Total adjustments to financial assets values	-	-
	Results before taxes (A-B±C±D)	**568.499**	**204.399**
20)	Current, deferred, and prepaid income tax		
	• Current taxes	230.651	90.859
	• Deferred taxes (prepaid)		
21)	**Profit (loss) for the year**	**337.848**	**113.540**

Financial Statement

Description	2019	2018
(A) Cash flow from operating activities (indirect method)		
Profit (Loss) for the year	337.848	113.540
Income tax	230.651	90.859
Receivable (payable) Interest	210.513	175.941
1) EBIT	**779.012**	**380.340**
Adjustments for non-monetary elements without NWC offsets		
Increase in reserves	301.500	130.919
Amortization of assets	135.643	106.723
Other increase (decrease) adjustments for non-monetary elements	-1	-136.600
Adjustments for non-monetary elements that don't have NWC offsets	**437.142**	**101.042**
2) Cash flow before NWC variations		
NWC variations		
Decrease (Increase) of stocks	21.496	(2.030)
Decrease (Increase) of trade receivables	1.884.819	(968.782)
Increase (decrease) of accounts payable to suppliers	(553.952)	174.143
Decrease (Increase) of prepaid accruals and deferrals	55.317	108.190
Increase (decrease) of accruals and deferrals income	32.492	(134.957)
Other NWC decrease (increase)	1.444.920	407.460
Total variations of NWC	**2.885.092**	**(415.976)**
3) Cash flow after NWC variations		
Other adjustments		
Paid interests	(210.513)	(175.941)
(Paid income tax)	(83.709)	(10.658)
(Other provisions)	(178.841)	(59.220)
Total other adjustments	**(473.063)**	**(245.819)**
Cash flow from operating activities (A)	**3.628.182**	**(180.413)**

Financial Statement (Cont'd)

Description	2019	2018
B) Cash flow from financing activities		
(Investments) in tangible fixed assets	(11.867)	(34.074)
(Investments) in intangible fixed assets	(19.469)	(111.715)
(Investments) in financial assets	(11.086)	(111.891)
Disinvestments	-	
Cash flow from financing activities (B)	**(42.422)**	**(257.680)**
C) Cash flow from financing activities		
Increase (decrease) in payables due to other financial institutions	-	(120.000)
Increase (decrease) in payables due to banks	(1.327.300)	482.004
(Funds reimbursements)		
Cash flow from funding activities (C)	**(1.327.300)**	**362.004**
Increase (decrease) in cash funds (A+B+C)	**2.258.460**	**(76.090)**
Cash funds at the beginning of the financial year		
Liquid securities	711.787	988.795
Bank and postal deposits	412.255	211.337
Cash and cash equivalents	**1.124.042**	**1.200.132**
Total Liquid securities at the beginning of the financial year		
Liquid securities at the end of the financial year	1.609.469	-
Liquid securities	1.769.787	711.787
Bank and postal deposits	3.247	412.255
Cash and cash equivalents	**3.382.503**	**1.124.042**
Total Liquid securities at the end of the financial year	**2.258.461**	**(76.090)**

EXPLANATORY NOTES TO THE STATUTORY FINANCIAL STATEMENT OF RIF LINE ITALY S.P.A.

Explanatory notes to the financial statements

Dear Shareholders,

The consolidated financial statement, comprising the Balance sheet, the Income statement, the Financial Statements, and the Consolidation Notes to the financial statements, has been drawn up in accordance with the current legislation criteria, considering the postulates referred to in art. 2423 of the civil code, duly integrated by the Italian Accounting Body.

The form and content of the financial statements

The financial statement report completed on December 31st, 2019 has been drawn up with the same accounting principles in mind, the same accounting principles, in the same way as the previous year.

The financial statements are drawn up with the continuation of the business activity in mind. The evaluation criteria are in accordance with the provisions of art. 2426 of the Italian Civil Code as well as the accounting principles issued by the Italian Accounting Body; there is no exceptional case recorded that makes the use of the exceptions pursuant to art. 2423, paragraph 4 and art. 2423bis, paragraph 2 of the Civil Code necessary.

There were no items grouped in the balance sheet or in the profit and loss account.

There are no assets and liabilities falling under more than one item in the balance sheet.

The items preceded by Arabic numerals that do not appear in the balance sheet or in the profit and loss account have been left out if there was a lack of value recorded at the end of this year as well as the previous one. The items presented in the financial statement have been rounded off to euro.

This explanatory note is divided into:

part A – Accounting principles

part B – Information on Balance sheet

part C – Information on Income statement

part D – Other information

Part A – Accounting principles

The accounting principles are not different than those drawn up in previous years and can be divided into:

Intangible Fixed Assets

The intangible fixed assets are recorded at a historical acquisition cost after verifying the expected future benefit of the company, considering their utility applicable to multiple years and the fact that these costs cannot be related to specific revenue from the supply of goods or services in the current financial year. Depreciation was conducted on all assets that started operating before the end of the financial year.

The depreciation charged to the income statement is calculated on a systematic and constant basis of rates considered representative of the residual possibility of use of the assets.

Tangible Assets

Tangible fixed assets are registered with the cost of purchase that includes the directly connected charges and they are depreciated whenever the total value of amortization is higher than the higher amortization capacity that the management normally expects and the sales value of the same. Amortization has been done on all assets that came into operation by the end of the financial year.

The depreciation charged to the profit and loss account was calculated on a systematic and constant basis of rates considered representative of the residual possibility of use of the assets. The maintenance and repair costs that are expected and recurring are registered to the profit and loss account while charges due to extraordinary events are linked to the relating assets.

Financial assets

The financial assets are registered through the purchase or subscription costs and are written down where their value is sustainably lower. There are no investments evaluated using the assets and liabilities method found in part 4 of Art. 2426 of the Italian Civil Code.

Stocks

The evaluation is done by choosing the lower cost between purchase and the estimated value.

Payables and receivables

The receivables are registered at their probable realizable value. The payables are registered at book value. There was no retrospective recording of payables fulfilled using the amortization cost method, as indicated by the standard rules of reference within the Generally Accepted Accounting Principles (GAAP). The method of cost amortization has not been used for neither receivable or payable accounting entries of the year, as allowed by the OIC19 § 42 (Official Italian Accounting Board), since, considering the duration of such accounting entries, the interest rate applied, and the low level of attributable costs, the application of such method wouldn’t have had significant effects.

Items in foreign currencies

The monetary assets and liabilities in foreign currency are registered at the current price level of the market registered at the end of the financial year, with attributing foreign exchange gains or losses being to the profit or loss account. The differences in foreign exchange and the prospective share profit that can be assigned to the evaluation of unrealized foreign exchange items are put in reserve in a special equity reserve that cannot be distributed until realization.

The non-monetary assets and liabilities in foreign currency are registered in the account of assets and liabilities using the current exchange rate of their purchase. The positive or negative exchange rate differences do not allow independent and separate recognition. However, the exchange value at the end of the year is considered when determining the realization value that can be deduced from market developments.

Liquid assets

The liquid assets are registered at book value.

Accruals and deferrals

These items are calculated according to the principle of accrual and cash accounting basis applying the principle of matching revenues and expenses during the financial year.

Employee severance indemnity

It is accrued on a seniority base of the employee at the end of the financial year, according to law and the contracts in place.

Costs and revenue

The budget items are displayed in the financial statement report using the conservatism and appropriate accounting period principles. The income and revenues & the costs and contributions are registered to the returns, allowances, discounts, premiums, and taxes that are coming directly from services.

Taxes

The tax provision is calculated on the tax burden forecast for the year by applying the principles of the Italian Accounting Body OIC 25. The Italian regional production tax (IRAP) of the year, reduced after the legislation implementation issued in 2020 to provide support for the Covid-19 pandemic, has been fully registered in the financial statement report, as the tax reduction happened during the current financial year when the mentioned provisions were adopted.

Part B - Information on balance sheet

Item analysis

All values are in euro.

It's worth mentioning that the information required for 3-bis, 6, 6-ter, 8, 9, 11, 16-bis, 18,19, 20, 21, 22 e 22-ter of the article no. 2427 of the civil code and of the article no. 2427-bis of the civil code have been omitted as they are inexistent.

Assets

Intangible Fixed Assets

The net intangible fixed assets have a value of €324.418, as opposed to the amount registered in December 2018 of €393.379.

Values in €	**Start-up costs**	**Marketing, research, and development costs**	**Other**
Dec18 Cost	**162.671**	**318.087**	**169.673**
Dec18 Fund	(31.853)	(153.520)	(71.678)
Dec18 Net Book Value	**130.818**	**164.567**	**97.995**
Increase		23.590	-
Decrease	-	-	-
Reclassification	-	-	-
Dec19 Cost	**162.671**	**341.677**	**169.673**
Amortization	(22.609)	(56.416)	(13.525)
Dec19 Fund	(54.462)	(209.936)	(85.203)
Dec19 Net Book Value	**108.209**	**131.741**	**84.469**

The increase in marketing, research, and development costs is related to the implementation of the new management software, to website updates, and the Track and Trace software. Could software development be registered as research and development cost?

Such costs have been approved by the Board of Auditors.

The item "other fixed assets" includes the capitalized costs that are related to improvements on third-party assets, amortized over the life of the related contracts.

Tangible fixed assets

Tangible fixed assets add up to EUR 173.117 and represent the movements displayed in the table below:

Values in €	**Land and buildings**	**Equipment and machinery**	**Industrial and commercial equipment**	**Other goods**
Dec.18 Costs	***6.160***	***184.103***	**-**	**284.239**
Increase	-	.-	-	
Decrease	-	-	**-**	-
Dec.19 Costs	***6.160***	***184.103***	**-**	**284.239**
Increase				*31.885*
Decrease				*(24.139)*
Dec.18 Funds	***(3.413)***	***(105.402)***	**-**	***(157.226)***
Amortization	*(616)*	*(14.422)*	-	*(28.053)*
Dec.19 Funds	***(4.029)***	***(119.824)***	**-**	***(185.279)***
Dec19 Net Book Value	**2.131**	**64.280**	**-**	**106.706**

The tangible fixed assets within the “Other goods” column are related to the purchases done for the renovation of the electronic machinery stock.

Financial assets

Are comprised of:

Values in €	Investment in subsidiaries	Other securities	Assets under construction	Security deposits
Dec18 Cost	**120.000**	**105.348**	**-**	**241.035**
Increase	-	*10.281*	*50.000*	*250*
Decrease	-	-	-	-
Reclassification	-	-	-	-
Dec19 Costs	**120.000**	**115.629**	**50.000**	**241.285**

The "Investment in subsidiaries" item is related to the percentage of ownership of CSI SRL

The "Other securities" item includes investment funds and medium to long term securities. The increase of "Other securities" by € 10.281 is related to the integration of life insurance for the severance indemnity.

The "Assets under construction" item includes the purchase of 5% shares in the company Fidelio SRL

The "Security deposits" item is increased by the guarantee deposits for the rental of terminal Pomezia Santa Palomba.

Stocks

Valued at the lower of the estimated realizable value and the purchase cost, they include the stock of pallets owned by the warehouse in Santa Palomba.

Receivables

It's worth mentioning that, as far as we know, there are no receivables of positive collectability exceeding 5 years.

Trade receivables

The trade receivables add up to EUR 10.561.983 and are mainly related to Italian clients. We highlight that these items include both trade credits for services and advanced payments on customs duties paid in the name and on behalf of customers.

The item includes mainly:

• Commercial receivables	5.969.584
• Receivables from advanced payments for custom duties	4.592.399
Total	**10.561.983**

During 2019, the company paid advanced custom duties on behalf of customers amounting to € 37.217.831. The average time of collection in days are as follows:

• Commercial receivables	75 days (101 days in 2018)
• Receivables from advanced payments for custom duties	44 days (101 days in 2018)

As such, taking into consideration the overall turnover that includes advanced payments for customs duties amounting to € 65,633,560, the average time of collection was 58 days, a sharp decrease compared to the average of 68 days recorded during 2018.

Receivables from subsidiaries

These budget items are related to the interest free financing of EUR 32,988 granted to the subsidiary CSI SRL as well as to the advanced payments for trade duties as of December 31st, 2019 and trade receivables amounting to EUR 130,767.

Receivables from parent companies

These budget items add up to € 123.884 in accordance with the Article number 2424 of the Italian Civil Code, the account receivables indicate the receivables from the parent company Rif Line international S.p.A. which can also be included among trade receivables as these items are purely commercial.

Tax credits

They add up to € 268.321 and are related to: (i) an IRPA credit of € 41.122, (ii) the corporation tax and IRPA 2019 accounts amounting to €. 101.102, (iii) the PIT D.L 66 bonus amounting to € 11.492, (iv) VAT credit of € 99.301, (v) revenue stamp credits of €. 2.018, and (vi) other receivables amounting to € 13.286.

Credits from prepaid taxes

There are no credits from prepaid taxes.

Other receivables

The item C II 5, “Other receivables” is comprised of:

•	Miscellaneous receivables	7.432
•	Advanced payments to suppliers	4.500
•	Other receivables	32.604
Total		**44.536**

Other receivables amounting to €. 32.604 are comprised of €. 30.000 in Receivables/General for Severance indemnity for the Board of Directors and of € 2.604 coming from the employees’ mandatory health insurance.

Financial activities that are not fixed assets

These budget items add up to € 587.946 and are comprised of short-term liquidity securities and are managed by Rif Line International S.p.A. as agreed with the treasury management agreement signed by the two companies.

Liquid assets

These budget items add up to € 2.794.196 out of which € 1.769.787 are related to current bank accounts and €1.024.770 related to values, securities, and petty cash.

Accruals and deferrals

These budget items add up to € 346.603 and are comprised of the transportation costs related to contracts that haven’t been closed at the end of 2019, and of which related income will be accounted for in the 2020 balance sheet.

Variations of assets

Item	Description	Dec19	Dec18	Delta
B I	Intangible fixed assets	324.418	393.379	(68.961)
B II	Tangible fixed assets	173.117	208.463	(35.346)
B III	Financial assets	526.914	515.828	11.086
C I	Stocks	-	21.496	(21.496)
C II 1	Commercial receivables	10.561.983	12.415.763	(1.853.780)
C II 2	Receivables from subsidiaries	130.767	130.767	-
C II 4	Receivables from parent companies	123.884	154.923	(31.039)
C II 4 bis	Tax receivables	268.321	192.173	76.148
C II 5	Other accounts receivables	44.537	104.559	(60.022)
C III 6	Other securities	587.946	-	587.946
C IV 1	Bank and postal deposits	1.769.787	711.787	1.058.000
C IV 2	Securities	1.021.522	-	1.021.522
C IV 3	Cash and cash funds	3.247	412.255	(409.008)
D	Accruals and deferrals	346.603	401.920	(47.117)
	Total Assets	**15.883.046**	**15.663.313**	**227.933**

Liabilities

Net assets

The registered capital adds up to 500.000 and it's fully paid-up. At the shareholder's meeting for the balance sheet's approval of December 31st, 2018, it has been decided to put € 5.677 from the total accrued profit of € 113.540 under legal reserve and to put the difference under the reserve for extraordinary situations. We highlight the movements related to net assets items for the last 3 years below.

Year 2019	Capita l	Legal reserve	Statutory reserve	Profit(loss)for the year	Total
Dec 18 balance	**500.000**	**38.428**	**36.676**	**113.540**	**688.643**
Profits	-			337.848	337.848
Depreciation of receivables	-	-	-	-	-
Other variations	-	5.677	107.862	(113.540)	-
Dec 19 balance	**500.000**	**44.105**	**144.538**	**337.848**	**1.026.491**

Year 2018	Capital	Legal reserve	Profit(loss) for the year	Other reserves	Total
Dec 17 balance	**500.000**	**33.095**	**106.646**	**71.962**	**711.704**
Profits	-	-	113.540	-	113.540
Depreciation of receivables				(136.599)	(113.599)
Other variations	-	5.333	(106.646)	101.311	(2)
Dec 18 balance	**500.000**	**38.428**	**113.540**	**36.676**	**688.643**

Year 2017	Capital	Legal reserve	Profit(loss) for the year	Other reserves	Total
Jan 17 balance	**500.000**	**30.052**	**60.875**	**76.579**	**667.506**
Profits	-	-	106.646	-	106.646
Other variations	-	3.043	(60.875)	(4.617)	(62.449)
Dec 17 balance	**500.000**	**33.095**	**106.646**	**71.962**	**711.703**

Provisions for risks and costs

These budget items add up to € 30.651 and are related to the accruals for the pension funds of the shipping agents and Previlog.

Employee severance indemnity (ESI)

The ESI has the following variation:

• Initial balance	317.826
• Accruals for the year	120.410
• Payments to employees	(19.704)
• **Final balance**	**418.532**

The amounts are fully in accordance with the competent law and the contractual obligations.

Debts

It's worth mentioning that there is no debt within the liabilities' accounts of the balance sheet that has been carried forward for more than 5 years.

Debts to banks

These budget items add up to 3.246.845 and are mainly related to transfers within invoices.

Debts to suppliers

Debts to suppliers value is 4.466.484 and consist of:

• Debts to suppliers for Italy	2.010.722
• Debts to suppliers for the EU	36.601
• Debts to suppliers for Non-EU countries	2.419.161
Total	**4.466.484**

Tax debts

These budget items are comprised of:

• Employees income tax	63.928
• Freelance personal income tax	5.220
• Personal income tax accruals	1.470
• Corporate income tax	171.191
• Local production tax	59.460
• Other tax debts	1.330
Total	**302.599**

Tax deductions are made in Dec. 2019 and are paid the following month.

Debts for social security institutions

These budget items add up to € 105.842 and are mainly related to accounts payable toward the National Social Security Institute.

Other debts

These budget items are comprised of:

• Customs agency debts	5.956.532
• Miscellaneous debts	27.314
• Employee debts	12.939
Total	**5.996.785**

Accruals and deferred debts

These budget items add up to € 288.819 and are mainly related to accruals on insurance premiums, custom guarantees, and fourth teen accrual, holidays and leave days accumulated by the staff in 2019 to be used in 2020.

Variations in liability items

Item	Description	Dec19	Dec18	Delta
A	Net assets	1.026.491	688.643	337.848
B	Provisions for risks and obligations	30.650	8.696	21.954
C	Severance indemnity	418.532	317.826	100.706
D 3	Shareholder loans	-	-	-
D 4	Debts to banks	3.246.845	4.574.145	(1.327.300)
D 5	Commercial debts	4.466.484	5.020.436	(553.952)
D 12	Tax debts	302.599	155.657	146.942
D 13	Pension or social security contributions	105.842	79.729	26.113
D 14	Other debts	5.996.785	4.561.854	1.434.931
E	Accruals and deferrals	288.818	256.327	32.492
	Total Liabilities	**15.883.047**	**15.663.313**	**219.734**

Obligations

As of December 31st, 2019, the company has contracts related to guarantees placed by the Customs Agency for the security of customs duties amounting to € 10,000,000.

	Memorandum accounts	2019	2018
1)	Assumed risks	-	-
2)	Assumed obligations	10.000.000	10.000.000
3)	Other memorandum accounts	-	-

Information related to financial instruments derivating pursuant to art. 2427-bis of the Civil Code

There are no signed hedging agreements.

Part C - Information on the income statement

The analytical presentation of the positive and negative income items presented within the income statement allows the following comments to be limited to the main items only, as explained within the balance sheet.

Performance turnover

The sales turnover add up to € 27.982.180, from net balances, rebates, and premiums, and are subdivided by geographical areas as below:

• Italy	26.652.605
• Non-EU countries	1.329.575
• **Total**	**27.982.180**

Other revenue

These budget items add up to € 433.549 and are related to net discounts and rebates coming mainly from: (i) End of year bonuses for production premiums received from suppliers (€28.132), (ii) Chargeback costs of € 149.848, and (iii) other miscellaneous revenue of € 255.569.

Services costs

These budget items add up to € 23.715.191 and are divided into:

• Transport services	22.570.102
• Consultancy services	500.056
• Insurance costs	16.489
• Fees and utilities	75.210
• Other service costs	553.334
Total	**23.715.191**

Costs for leased assets

These budget items add up to € 284.370 and are comprised of property leases amounting to € 112.964, (ii) of car lease fees amounting to € 97.626, and (iii) other fees amounting to € 73.780.

Staff costs

These budget items add up to € 2.617.767, higher than in the previous year, due to hiring of new business and development employees.

Amortization and depreciation

The amortization and *depreciation* add up to € 316.733, higher than in the previous year, due to the *depreciation* of current assets receivables that became effect during the current year.

Other operating expenses

The costs are broken down as follows:

• Travel	80.607
• *Virtual revenue stamp*	*10.402*
• *Bank fees*	*46.496*
• *Insurance fees*	*247.647*
• *Representation costs*	*35.014*
• *Other management costs*	*233.986*
• **Total**	**654.152**

Financial income and expenses

The financial income is mainly represented by income from securities on current assets.

Financial costs are related to interest on bank deposits.

Profit and loss from foreign exchange

The information on profit and loss from foreign exchange are reported as follows:

• costs from foreign exchange difference	35.781
• profits from foreign exchange difference	3.268
Total	**32.513**

Part D - Other information

Prepaid and deferred taxes

The company has not allocated Prepaid and deferred taxes for 2019.

Reconciliation between the standard and the effective rate

ITEPA	Dec19
Accounting result	568.499
Non-deductible costs	244.205
Non-deductible costs from outside the accounting system	(99.409)
Aid to economic growth	
ITEPA profit	**713.295**
ITEPA rate	24%
ITEPA for the year	**171.191**

Regional Business Tax	Dec19
Value of accounted production	3.604.877
Non-deductible costs	39.807
Non-deductible costs from outside the accounting system	(49.729)
Employee deductions	(2.320.509)
Regional tax on productive activites - tax base	1.274.446
- *Of which Lazio*	978.620
• *Of which Lombardia*	213.979
• *Of which Puglia*	81.947
Regional tax on productive activites for the year	**59.460**

Average number of employees per category

The average number of employees during the year has been 49 per company divided as follows:

- Executives 2
- Management 5
- Employees 32
- Interns 0
- Blue-collar worker 10

Compensation to executives and statutory auditors appointed by the Audit

In 2019 the following emoluments were paid to:

The Board of Directors: 246.506

The Statutory auditors: 20.563

Transactions with related parties

Besides aforementioned in report above regarding our business relations with the Group companies and with CSI srl., there are no other significant transactions to report.

Privacy policy

On September 19th, 2018, the Legislative Decree no. 101 of 10 August 2018 came into effect. It adjusts the Civil Code about the personal data protection (Legislative Decree no. 196 of 30 June 2003) after the provisions of the EU Regulation 2016/679.

As such, we have assigned a specialized company to get our company in line with the standards to the new legislation.

Information on off-balance agreements with related parties

With reference to Article 2427 of the Italian Civil Code, there are no management events after the end of the financial year that have affected the items included in the balance sheet, income statement and financial statement report.

Number and value of shared issues

The capital is divided into 500 shares with a unit value of 1,000 euro.

STATUTORY FINANCIAL STATEMENTS OF RIF LINE INTERNATIONAL S.P.A.

Rif Line INCREASING MOVEMENT

Balance sheet

Assets

Item	Description	2019	2018
A)	**Subscribed capital, unpaid**		
B)	**Fixed Assets**		
I	*Intangible*		
1)	Start-up and expansion costs	10.069	14.385
2)	Development costs		
3)	Industrial patent and intellectual property rights		
4)	Concessions, licenses, trademarks and similar	11.863	9.631
5)	Goodwill		
6)	Assets under construction and deposits		-
7)	Other		
	Total Intangible fixed assets	21.932	24.016
II	*Tangible*		
1)	Land and buildings		
2)	Plants and machinery		
3)	Furniture, fixtures, and equipment		
4)	Other assets		
5)	Assets under construction and deposits	-	-
	Total Tangible fixed assets	-	-
III	*Financial*		
1)	Investments in		
a)	Subsidiaries	2.937.808	2.800.000
2)	Receivables		
a)	Other accounts		
	Within 12 months		
	Over 12 months		

Balance sheet

Assets (cont'd)

Item	Description	2019	2018
3)	Other equities		
4)	Treasury shares	-	-
	Total Financial fixed assets	2.937.808	2.800.000
	Total Fixed Assets	**2.959.740**	**2.824.016**
C	**Current Assets**		
I	*Stocks*		
1)	Raw materials and consumable		
2)	Work-in-progress and semi-finished goods		
3)	Custom work-in-progress goods		
4)	Finished goods		
5)	Accounts		
II	*Receivables*		
1)	From trade		
	- Within 12 months	77.809	24.098
	- Over 12 months		
2)	From subsidiaries		
	- Within 12 months	200.000	30.000
	- Over 12 months		-
3)	From associates		
	- Within 12 months		-
	- Over 12 months		-
4)	From parent companies		
	- Within 12 months		-
	- Over 12 months		-
4-bis)	Receivables for prepaid taxes		
	- Within 12 months	226.268	1.323
	- Over 12 months		

Balance sheet

Assets (cont'd)

Item	Description	2019	2018
5)	From other accounts		
	- Within 12 months		6.655
-	- Over 12 months		
III 1)	*Current financial assets that are not fixed assets* Investments in subsidiaries	-	
2)	Investments in associates		
3)	Investments in parent companies		
4)	Other investments		
5)	Treasury shares		
6)	Other shares		199.750
IV) 1)	*Liquid assets* Bank deposits	- 6.405	9.012
2)	Checks		
3)	Cash and cash equivalents		
	Total current assets	**510.483**	**270.838**
D)	Accruals and deferrals		
	- Discount on loans		-
	- Other	10.323	9.620
	Total Assets	**3.480.545**	**3.104.474**

Balance sheet

Liabilities

Item	Description	2019	2018
A)	Net Assets		
I	Capital	700.000	200.000
II	Premium share reserve		
III	Revaluation reserve		
IV	Legal reserve	27.681	
V	Statutory reserve	25.934	
VI	Reserve for purchase of own shares		
VII	Other reserves		
	- Cash Flow Hedging Reserve		
	- Rounding off reserve in Euro		
VIII	Retained profits (losses) carryforward		
IX	Net profit for the year	628.275	553.614
	Total Net Assets	**1.381.889**	**753.614**
B)	**Provisions for contingencies and costs**		
1)	Provisions for pension plans and similar		
2)	Provisions for taxes, even if deferred		
3)	Other		
	Total provisions for contingencies and costs		**-**
C)	**Employee severance indemnity**		
D)	**Debt and other payables**		
1)	Bonds		
	- Within 12 months		-
	- Over 12 months		-

Balance sheet

Liabilities (cont'd)

Item	Description	2019	2018
2)	Convertible bonds		
	Within 12 months		-
	Over 12 months		-
3)	Shareholder loans		
	Within 12 months		-
	Over 12 months		
4)	Debts payable to banks		
	Within 12 months	351.703	238.190
	Over 12 months	1.152.707	1.098.075
5)	Debts payable to other financial institutions		
	Within 12 months		
	Over 12 months		
6)	Accounts		
	Within 12 months		
	Over 12 months		
7)	Debts payable to suppliers		
	Within 12 months	20.417	12.800
	Over 12 months		
8)	Bonded debt		-
	Within 12 months		-
	Over 12 months		
9)	Debts payable to subsidiaries		
	Within 12 months	123.884	**154.923**
	Over 12 months		-
10)	Debts payable to associates		
	Within 12 months		-
	Over 12 months		-

Balance sheet

Liabilities (cont'd)

Item	Description	2019	2018
11)	Debts payable to parent companies		
	Within 12 months		-
	Over 12 months		**-**
12)	Debts payable to affiliated companies		
	Within 12 months	249.945	245.796
	Over 12 months		
13)	Debts payable to tax authorities		
	Within 12 months		
	Over 12 months		
14)	Debts payable to social security institutions		
	Within 12 months	-	1.050
	Over 12 months	200.000	600.000
	Other payable debts	**2.098.656**	**2.350.834**
	Within 12 months		
E)	Over 12 months		
	Total debts		
			25
	Accruals and deferrals		
	Other	**3.480.545**	**3.104.474**

Income statement

Item	Description	2019	2018
A)	**Production value**		
1)	Revenue from sales and services	925.436	787.318
2)	Product inventory var. in progress, semi-finished, and finished		
3)	Variation in contract work-in-progress		
4)	Increases of non-current assets from in-house production		
5)	Other revenue and income		
	- Other	9.389	
	Total Production value	**934.825**	**787.318**
B)	**Production costs**		
6)	Raw and auxiliary materials, consumables, and supply		
7)	Services	10.264	4.941
8)	Use of third-party assets		
9)	For employees		
	a) Salaries and wages		
	b) Social security		
	c) Employee severance indemnity		
	d) Pension plans and similar		
	e) Other costs		
		-	-
10)	Amortization and depreciation		
	a) Amortization of intangible fixed assets	5.500	507
	b) Amortization of tangible fixed assets		
	c) Other depreciation of fixed assets		
	d) Current assets write-downs		
		5.500	507
11)	Variation of raw and auxiliary materials, consumables, and supply		

Income statement (cont'd)

Item	Description	2019	2018
12)	Reserves for contingencies		
13)	Other reserves		
14)	Other operating costs	5.598	452
	Total production costs	**21.362**	**5.900**
	Difference between value and cost of production (A-B)	**913.463**	**781.417**
C)	**Financial income and expenses**		
15)	Income from investments:		
	from subsidiaries		-
	from associates		-
	from others	-	-
16)	Other financial income		
	a) from fixed assets receivables		
	- from subsidiaries		-
	- from associates		-
	- from parent companies		-
	- from others		0
	b) from securities within fixed assets		
	c) from securities included under assets		
	d) from other financial income		
	- from subsidiaries		
	- from associates		
	- from parent companies		
	- from others		

Income statement (cont'd)

Item	Description	2019	2018
17)	Interests and other financial expenses		
	from subsidiaries		
	from associates		
	from parent companies		
	from others	(45.780)	(23.087)
17 bis)	Profits (losses) on exchange rates	10.581	19.436
	Total interests and other financial expenses	**- 35.199**	**- 3.650**
D)	**Adjustments to financial assets values**		
18)	Revaluation		
	a) of investments		-
	b) of financial assets		-
	c) of securities included under assets		-
19)	d) of financial derivatives		
	Depreciation		-
	e) of investments		-
	f) of financial assets		-
	g) of securities included under assets		-
	h) of financial derivatives		
	Total adjustments to financial assets values	**878.264**	**777.767**
20)			
	Results before taxes (A-B±C±D)	249.989	224.152
	Current, deferred, and prepaid income tax		
	Current taxes		
21)	Deferred taxes (prepaid)	**628.275**	**553.615**

Financial Statement

Description	2019	2018
(A) Cash flow from operating activities (indirect method)		
Profit (Loss) for the year	628.275	553.615
Income tax	249.989	224.152
Receivable (payable) Interest	45.780	23.087
1) EBIT	**924.044**	**800.854**
Adjustments for non-monetary elements without NWC offsets		
Increase in reserves	-	-
Amortization of assets	5.500	507
Other increase (decrease) adjustments for non-monetary elements		
Adjustments for non-monetary elements that don't have NWC offsets	**5.500**	**507**
2) Cash flow before NWC variations		
NWC variations		
Decrease (Increase) of stocks	-	-
Decrease (Increase) of trade receivables	(223.711)	(54.098)
Increase (decrease) of accounts payable to suppliers	(23.421)	167.723
Decrease (Increase) of prepaid accruals and deferrals	(646.891)	622.694
Increase (decrease) of accruals and deferrals income	(703)	(9.620)
Other NWC decrease (increase)	(25)	25
Total variations of NWC	(218.290)	(7.978)
3) Cash flow after NWC variations	**(1.113.041)**	**718.746**
Other adjustments		
Paid interests		
(Paid income tax)	(45.780)	(23.087)
(Other provisions)		
Total other adjustments		
Cash flow from operating activities (A)	**(45.780)**	**(23.087)**
(A) Cash flow from operating activities (indirect method)	**(229.277)**	**1.497.020**

Financial Statement (Cont'd)

Description	2019	2018
B) Cash flow from financing activities		
(Investments) in tangible fixed assets	-	-
(Investments) in intangible fixed assets	(3.417)	(24.523)
(Investments) in financial assets	(137.808)	(2.800.000)
Disinvestments		
Cash flow from financing activities (B)	**(141.225)**	**(2.824.523)**
C) Cash flow from financing activities		
Increase (decrease) in payables due to other financial institutions	-	200.000
Increase (decrease) in payables due to banks	168.144	1.336.266
(Funds reimbursements)	-	-
Cash flow from funding activities (C)	**168.144**	**1.536.266**
Increase (decrease) in cash funds (A+B+C)	**(202.358)**	**208.762**
Cash funds at the beginning of the financial year		
Bank and postal deposits	199.750	-
Cash and cash equivalents	9.012	-
Total Liquid securities at the beginning of the financial year	**208.762**	**-**
Liquid securities at the end of the financial year		
Bank and postal deposits	6.405	208.762
Cash and cash equivalents		
Total Liquid securities at the end of the financial year	**6.405**	**208.762**
Generated liquidity (absorbed)	**(202.357)**	**208.762**

EXPLANATORY NOTES TO THE STATUTORY FINANCIAL STATEMENT OF RIF LINE INTERNATIONAL SPA

Explanatory notes to the financial statements

Deal Shareholders,

The consolidated financial statement, comprising the Statement of Assets and Liabilities, the Profit and Loss Account, the Financial Statements, and the Consolidation Notes to the financial statements, has been drawn up in accordance with the current legislation criteria, considering the postulates referred to in art. 2423 of the civil code, duly integrated by the Italian Accounting Body.

The form and content of the financial statements

The financial statement report completed on December 31st, 2019 has been drawn up with the same accounting principles in mind, the same accountants, in the same way as the previous year.

The financial statements are drawn up with the continuation of the business activity in mind. The evaluation criteria are in accordance with the provisions of art. 2426 of the Italian Civil Code as well as the accounting principles issued by the Italian Accounting Body; there is no exceptional case recorded that makes the use of the exceptions pursuant to art. 2423, paragraph 4 and art. 2423bis, paragraph 2 of the Civil Code necessary.

There were no items grouped in the balance sheet or in the profit and loss account.

There are no assets and liabilities falling under more than one item in the balance sheet.

The items preceded by Arabic numerals that do not appear in the balance sheet or in the income statement have been left out if there was a lack of value recorded at the end of this year as well as the previous one. The items presented in the financial statement have been rounded off to euro.

This explanatory note is divided into:

part A - Accounting principles

part B - Information on balance sheet

part C - Information on income statement

part D - Other information

Part A - Accounting principles

The accounting principles can be divided into:

Intangible Fixed Assets

The intangible fixed assets are recorded at a historical acquisition cost after verifying the expected future benefit of the company, considering their utility applicable to multiple years and the fact that these costs cannot be related to specific revenue from the supply of goods or financial year. This entry is approved with the board of auditors. Depreciation was conducted on all assets that started operating before the end of the financial year.

The depreciation charged to the profit and loss account was calculated on a systematic and constant basis of rates considered representative of the residual possibility of use of the assets.

Tangible fixed assets

Tangible fixed assets are registered with the cost of purchase that includes the directly connected charges and they are depreciated whenever the total value of amortization is higher than the higher amortization capacity that the management normally expects and the sales value of the same. Amortization has been done on all assets that came into operation by the end of the financial year.

The depreciation charged to the profit and loss account was calculated on a systematic and constant basis of rates considered representative of the residual possibility of use of the assets. The maintenance and repair costs that are expected and recurring are registered to the profit and loss account while charges due to extraordinary events are linked to the relating assets.

Financial assets

The financial assets are registered through the purchase or subscription costs and are depreciated where their value is sustainably lower. There are no investments evaluated using the assets and liabilities method found in part 4 of Art. 2426 of the Italian Civil Code.

Stocks

The evaluation is done by choosing the lower cost between purchase and the estimated value.

Debts and receivables

The receivables are registered at their probable realization value. The payables are registered at book value. The method of cost amortization has not been used for neither receivables or debts entries of the year, as allowed by the OIC19 § 42 (Official Italian Accounting Board), since, considering the duration of such accounting entries, the interest rate applied, and the low level of attributable costs, the application of such method wouldn’t have had significant effects.

Items in foreign currencies

The monetary assets and liabilities in foreign currency are registered at the current price level of the market registered at the end of the financial year, with attributing foreign exchange gains or losses to the changes of income statement. The differences in foreign exchange and the prospective share profit that can be assigned to the evaluation of unrealized foreign exchange items are put in reserve in a special Fixed assets reserve that cannot be distributed until realization.

The non-monetary assets and liabilities in foreign currency are registered in the balance sheet using the current exchange rate of their purchase. The positive or negative exchange rate differences do not allow independent and separate recognition. However, the exchange value at the end of the year is taken into consideration when determining the realization value that can be deduced from market developments (for non-monetary foreign exchange accounting entries registered in the fixed assets) or when long-lasting drops in value are registered.

Coverage of foreign exchange rates

The company covers the foreign exchange risks related to the US dollar. The hedging takes place through the establishment of financial instruments that provide the right to exchange a certain foreign currency amount with a prefixed applied tax and within a period determined beforehand. These can’t be longer than 3 months and all the contracts have to be closed on December 31st.

Liquid assets

The liquid assets are registered at book value.

Accruals and deferrals

These budget items are calculated according to the principle of accrual and cash accounting basis applying the principle of matching revenues and expenses during the year they were earned and incurred.

Employee severance indemnity

These budget item is accrued on a seniority base of the employee at the end of the financial year, according to competent law and the contracts in place.

Costs and revenue

These budget items are displayed in the financial statement report using the caution and appropriate accounting period principles. The income and revenues & the costs and contributions are registered to the returns, allowances, discounts, premiums, and taxes that are coming directly from services.

Taxes

The tax provision is calculated on the tax burden forecast for the year by applying the principles of the Italian Accounting Body OIC 25

Part B - Information on balance sheet

Item analysis

All values are in euro.

It’s worth mentioning that the information required for 3-bis, 6, 6-ter, 8, 9, 11, 16-bis, 18,19, 20, 21, 22 e 22-ter of the article no. 2427 of the civil code and of the article no. 2427-bis of the civil code have been omitted if they don`t existent.

Assets

Intangible Fixed Assets

The net intangible fixed assets have a value of € 21.933.

Values in €	**Start-up costs**	**Brands**	**Total**
Jan19 Costs	14.385	10.138	24.523
Jan19 Funds	-	-	-
***Jan19* Net Book Value**	**-**	**-**	**-**
Increase	-	3.417	3.417
Decrease	-	-	-
Reclassification	-	-	-
Dec19 Costs	**14.385**	**13.555**	**27.940**
Amortization	(4.315)	(1.185)	(5.500)
Dec19 Funds	(4.315)	(1.692)	(6007)
Dec19 Net Book Value	**10.070**	**11.863**	**21.933**

The increase related to brands has happened due to the capitalization of trademark registration of Rif Line in Japan and Italy.

Financial assets

These budget items are comprised of:

Values in €	Investments in subsidiaries	Other sources	Total
Jan19 Costs	*2.800.000*	**-**	**-**
Increase	*137.808*	-	*137.808*
Decrease	-	-	-
Reclassification	-	-	-
Dec19 Costs	**2.937.808**	**-**	**2.937.808**

These budget items include the investments in Rif Line Italy S.P.A.

The increase is related to share purchase in:

- Rif Line China: €. 133.244;
- Rif Line Worldwide Logistics Bangladesh: €. 1.354;
- Rif Line Lojistik SRL – TURKEY: €.3.210.

Receivables

It's worth mentioning that, as far as we know, there are no receivables of positive collectability after the 5 years have passed.

The receivables are broken down into:

- clients from Italy 77.809
- Subsidiaries 200.000
- Receivables for prepaid taxes 226.268

Total **504.077**

Liquid assets

These budget items add up to € 6.405 and are related to current bank accounts.

Liabilities

Net Assets

The registered capital adds up to 700.000 and it's fully paid-up. We highlight below the movements related to net assets items.

Year 2019	Capital	Legal Reserve	Profit(loss) for the year	Other reserves	Total
Share assets	**200.000**	**-**	**-**	**-**	**200.000**
Profits		-	628.275	-	**628.275**
Other variations	500.000	27.681	-	25.934	**553.615**
Dec 19 balance	**700.000**	**27.681**	**628.275**	**25.934**	**1.381.890**

Employee severance indemnity (ESI)

The company doesn't have employees, therefore doesn't accrue any (ESI) funds.

Debts

The debts are:

	Bank debts	Trade debts	Debts to subsidiaries	Tax debts	Other debts	Total
Within 12 months	351.703	20.417	123.884	249.945		**745.949**
Over 12 months	1.152.707	-	-		200.000	**1.352.707**
Dec19 Balance	**1.504.410**	**20.417**	**123.884**	**249.945**	**200.000**	**2.098.656**

Obligations

As of December 31st, 2019, the company doesn’t have any given/received guarantees on behalf of third parties.

Information related to financial derivatives pursuant to art. 2427-bis of the Civil Code

There are no signed hedging agreements.

Part C - Information on the income statement

The analytical presentation of the positive and negative income items presented within the income statement allows the following comments to be limited to the main items only, as explained within the balance sheet.

Performance turnover

The sales turnover adds up to € 925.436 and is subdivided as below:

• Revenue from subsidiaries	461.650
• Supplier premiums	463.786
Total	**925.436**

The revenue from subsidiaries is related to the contract of management and coordination with all the companies of the Group.

The supplier premiums are related to the contracts of acquisition of services signed on behalf of the companies of the Group.

Production costs

These budget items add up to € 21.362 and are mainly related to administrative services costs.

Financial income and expenses

These budget items are represented by banks' payable interests and income from foreign exchange gains during the year.

Part D - Other information

Prepaid tax/deferred receivables

The company has not allocated Prepaid or deferred taxes for the year.

Compensation to executives and statutory auditors appointed by the Audit

In 2019, no emoluments for executives have been registered.

Transactions with related parties

Besides the aforementioned in the report above regarding the business relations with the company Rif Line Italy Spa and CSI SRL, there are no other significant transactions to report.

Privacy policy

On September 19th, 2018, the Legislative Decree no. 101 of 10 August 2018 came into effect. It adjusts the Civil Code about the personal data protection (Legislative Decree no. 196 of 30 June 2003) after the provisions of the EU Regulation 2016/679.

Therefore, a specialized company was engaged to get the company in line with the standards to the new legislation.

Information on off-balance agreements with related parties

During the year, there hasn't been made any off-balance agreement resulting from the balance sheet.

Information on subsequent events

After the end of the year, there are no transactions that affected the balance sheet, income statement and financial statements in any way: reference to Article 2427 of the Italian Civil Code.

STATUTORY FINANCIAL STATEMENTS OF
CSI SRL

Balance sheet

Assets

Item	Description	2019	2018
A)	**Subscribed capital, unpaid**		
B)	**Fixed Assets**		
I	*Intangible*		
1)	Start-up and expansion costs	370.229	200.923
2)	Development costs	8.725	14.967
3)	Industrial patent and intellectual property rights	-	-
4)	Concessions, licenses, trademarks and similar	12.000	12.000
5)	Goodwill	75.808	89.435
6)	Assets under construction and deposits	-	-
7)	Other	-	-
	Total Intangible fixed assets	466.762	317.325
II	*Tangible*		
1)	Land and buildings		
2)	Plants and machinery	15.928	17.913
3)	Furniture, fixtures, and equipment	-	-
4)	Other assets	146.605	89.242
5)	Assets under construction and deposits	-	-
	Total Tangible fixed assets	162.533	107.155
III	*Financial*		
1)	Investments in		
a)	Subsidiaries	-	-
2)	Receivables	-	-
a)	Other accounts		
	• Within 12 months	-	-
	• Over 12 months	-	-

Balance sheet
Assets (cont'd)

Item	Description	2019	2018
3)	Other equities	-	-
4)	Treasury shares	-	-
	Total Financial fixed assets	-	-
	Total Fixed Assets	**629.296**	**424.479**
C	**Current Assets**		
I	*Stocks*		
1)	Raw materials and consumable	7.814	31.162
2)	Work-in-progress and semi-finished goods	-	-
3)	Custom work-in-progress goods	-	-
4)	Finished goods	-	-
5)	Accounts	-	-
II	*Receivables*		
1)	From trade		
	• Within 12 months	661.856	425.673
	• Over 12 months	-	-
2)	From subsidiaries		
	• Within 12 months	-	-
	• Over 12 months	-	-
3)	From associates		
	• Within 12 months	-	-
	• Over 12 months	-	-
4)	From parent companies		
	• Within 12 months	-	-
	• Over 12 months	-	-
5)	From affiliate companies		
	• Within 12 months	-	-

Balance sheet

Assets (cont'd)

Item	Description	2019	2018
	• Over 12 months	-	-
5-bis)	Receivables for prepaid taxes		
	• Within 12 months	38.551	263
	• Over 12 months		
5-ter)	Deferred taxes		
	• Within 12 months	466	466
	• Over 12 months		
5-qtr)	From other accounts		
	• Within 12 months	1.737	207.298
	• Over 12 months	70.000	-
III	*Current financial assets that are not fixed assets*		
1)	Investments in subsidiaries	-	-
2)	Investments in associates	-	-
3)	Investments in parent companies	-	-
4)	Other investments	-	-
5)	Treasury shares	-	-
6)	Other accounts	-	-
IV)	*Liquid assets*		
1)	Bank deposits	57.782	16.476
3)	Cash and cash equivalents	31.770	541
	Total current assets	**869.976**	**681.879**
D)	Accruals and deferrals		
	Other	18.109	46.960
	Total Assets	**1.517.381**	**1.153.319**

Balance sheet

Liabilities

Item	Description	2019	2018
A)	Net Assets		
I	Capital	20.000	20.000
II	Premium share reserve	-	-
III	Revaluation reserve	-	-
IV	Legal reserve	2.735	2.735
V	Statutory reserve	135.256	135.256
VI	Reserve for purchase of own shares	-	-
VII	Other reserves		
	• Rounding off reserve in Euro		-
VIII	Retained profits (losses) carryforward	14.286	(12.070)
IX	Net profit for the year	62.583	26.356
X	Negative reserve for purchase of own shares	-	-
	Total Net Assets	**234.860**	**172.277**
B)	**Provisions for contingencies and costs**		
1)	Provisions for pension plans and similar	3.647	10.669
2)	Provisions for taxes, even if deferred	-	-
3)	Financial derivatives liabilities	-	-
4)	Other	-	-
	Total provisions for contingencies and costs	**3.467**	**10.669**
C)	**Employee severance indemnity**	**107.495**	**96.506**
D)	**Debt and other payables**		
1)	Bonds		
	• Within 12 months	-	-
	• Over 12 months	-	-

Balance sheet

Liabilities (cont'd)

Item	Description	2019	2018
2)	Convertible bonds		
	• Within 12 months	-	-
	• Over 12 months	-	-
3)	Shareholder loans		
	• Within 12 months	-	-
	• Over 12 months	-	-
4)	Debts payable to banks		
	• Within 12 months	470.130	292.830
	• Over 12 months		
5)	Debts payable to other financial institutions		
	• Within 12 months	-	-
	• Over 12 months	-	-
6)	Accounts		
	• Within 12 months	-	-
	• Over 12 months	-	-
7)	Debts payable to suppliers		
	• Within 12 months	597.490	394.241
	• Over 12 months	-	-
8)	Bonded debt		
	• Within 12 months	-	-
	• Over 12 months	-	-
9)	Debts payable to subsidiaries		
	• Within 12 months	-	-
	• Over 12 months	-	-
10)	Debts payable to associates		
	• Within 12 months	-	-
	• Over 12 months	-	-

Balance sheet
Liabilities (cont'd)

Item	Description	2019	2018
11)	Debts to parent companies		
	• Within 12 months	-	130.767
	• Over 12 months	-	-
11-bis)	Debts to affiliated companies		
	• Within 12 months	-	-
	• Over 12 months	-	-
12)	Debts to tax authorities		
	• Within 12 months	32.928	545
	• Over 12 months	-	-
13)	Debts to social security institutions		
	• Within 12 months	24.444	20.250
	• Over 12 months	-	-
14)	Other debts		
	• Within 12 months	-	-
	• Over 12 months	-	-
	Total debt	**1.124.992**	**838.633**
E)	**Accruals and deferrals**		
	• Other	46.568	35.235
	Total Liabilities	**1.517.381**	**1.153.319**

Income statement

Item	Description	2019	2018
A)	**Production value**		
1)	Revenue from sales and services	2.613.709	1.842.970
2)	Product inventory var. in progress, semi-finished, and finished	-	-
3)	Variation in contract work-in-progress	-	-
4)	Increases of non-current assets from in-house production	-	-
5)	Other revenue and income	-	-
	• Other	53.998	20.155
	Total Production value	**2.667.707**	**1.863.125**
B)	**Production costs**		
6)	Raw and auxiliary materials, consumables, and supply	63.091	6.030
7)	Services	1.403.776	891.688
8)	Use of third-party assets	324.218	259.687
9)	For employees		
	a) Salaries and wages	466.748	435.774
	b) Social security	128.269	113.007
	c) Employee severance indemnity	25.649	24.214
	d) Pension plans and similar	-	-
	e) Other costs	180	
		620.846	572.995
10)	Amortization and depreciation		
	a) Amortization of intangible fixed assets	49.103	34.125
	b) Amortization of tangible fixed assets	16.602	9.942
	c) Other depreciation of fixed assets		
	d) Current depreciation of assets		
		65.705	44.067
11)	Variation of raw and auxiliary materials, consumables, and supply	23.348	(6.662)

Income statement (cont'd)

Item	Description	2019	2018
12)	Provision for contingencies	-	-
13)	Other provisions	-	-
14)	Other operating costs	58.900	36.724
	Total production costs	**2.559.884**	**1.804.530**
	Difference between value and cost of production (A-B)	**107.822**	**58.595**
C)	**Financial income and expenses**		
15)	Income from investments:		
	• from subsidiaries	-	-
	• from associates	-	-
	• from others	-	-
16)	Other financial income		
	a) from non-current receivables		
	- from subsidiaries	-	-
	- from associates	-	-
	- from parent companies	-	-
	- from others	4.803	2.611
	b) from securities within non-current assets	-	-
	c) from securities included under assets	-	-
	d) from other financial income		
	- from subsidiaries	-	-
	- from associates	-	-
	- from parent companies	-	-
	- from others	-	-

Income statement (cont'd)

Item	Description	2019	2018
17)	Interests and other financial expenses		
	• from subsidiaries	-	-
	• from associates	-	-
	• from parent companies	-	-
	• from others	(15.224)	(19.836)
17 bis)	Profits (losses) on exchange rates	-	-
	Total interests and other financial expenses	**(10.421)**	**(17.225)**
D)	**Adjustments to financial assets values**		
18)	Revaluation		
	a) of investments	-	-
	b) of financial assets	-	-
	c) of securities included under assets	-	-
	d) of financial derivatives	-	-
19)	Depreciation		
	e) of investments	-	-
	f) of financial assets	-	-
	g) of securities included under assets	-	-
	h) of financial derivatives	-	-
	Total adjustments to financial assets values	-	-
	Results before taxes (A-B±C±D)	**97.400**	**41.370**
20)	Current, deferred, and prepaid income tax		
	• Current taxes	34.817	15.014
	• Deferred taxes (prepaid)		
21)	**Profit (loss) for the year**	**62.583**	**26.356**

Financial Statement

Description	2019	2018
(A) Cash flow from operating activities (indirect method)		
Profit (Loss) for the year	62.583	26.356
Income tax	34.817	15.014
Receivable (payable) Interest	15.224	19.836
1) EBIT	**112.624**	**61.206**
Adjustments for non-monetary elements without NWC offsets		
Increase in provisions	3.788	16.034
Amortization of assets	65.705	44.067
Other increase (decrease) adjustments for non-monetary elements	-	-
Adjustments for non-monetary elements that don't have NWC offsets	**69.493**	**60.101**
2) Cash flow before NWC variations		
NWC variations		
Decrease (Increase) of stocks	23.348	(6.662)
Decrease (Increase) of trade receivables	(236.183)	283.024
Increase (decrease) of accounts payable to suppliers	203.249	(168.466)
Decrease (Increase) of prepaid accruals and deferrals	28.851	(38.408)
Increase (decrease) of accruals and deferrals income	11.334	(10.579)
Other NWC decrease (increase)	(28.382)	(233.107)
Total variations of NWC	**2.217**	**(174.198)**
3) Cash flow after NWC variations		
Other adjustments		
Paid interests	(15.224)	(19.836)
(Paid income tax)	(3.354)	(3.354)
(Other provisions)	-	-
Total other adjustments	**(18.578)**	**(23.190)**
Cash flow from operating activities (A)	**165.756**	**(76.082)**

Financial Statement (Cont'd)

Description	2019	2018
B) Cash flow from financing activities		
(Investments) in tangible fixed assets	(55.379)	(71.973)
(Investments) in intangible fixed assets	(215.142)	(115.444)
(Investments) in financial assets		
Disinvestments	-	‘
Cash flow from financing activities (B)	**(270.521)**	**(187.417)**
C) Cash flow from financing activities		
Increase (decrease) in payables due to other financial institutions		100.000
Increase (decrease) in payables due to banks	177.300	91.426
(Funds reimbursements)	-	-
Cash flow from funding activities (C)	**177.300**	**191.426**
Increase (decrease) in cash funds (A+B+C)	**72.535**	**(72.073)**
Liquid securities		
Bank and postal deposits	16.476	80.958
Cash and cash equivalents	541	8.131
Total Liquid securities at the beginning of the financial year	**17.017**	**89.089**
Liquid securities at the end of the financial year		
Bank and postal deposits	57.782	16.746
Cash and cash equivalents	31.770	541
Total Liquid securities at the end of the financial year	**89.552**	**17.017**
Generated liquidity (absorbed)	**72.535**	**(72.073)**

EXPLANATORY NOTES TO THE STATUTORY FINANCIAL STATEMENT OF CSI SRL

Explanatory notes to the financial statements

Dear Shareholders,

The consolidated financial statement that presented for Yours approval, comprising the Balance sheet, the Income statement, the Financial Statements, and the Consolidation Notes to the financial statements, has been drawn up in accordance with the current legislation criteria, considering the postulates referred to in art. 2423 of the civil code, duly integrated by the Italian Accounting Body.

The form and content of the financial statements

The consolidated financial statement for the year, completed on December 31st, 2019, was drawn up in accordance with the same accounting principles already applied for the preparation of the Group’s financial statements.

The financial statements are drawn up with the continuation of the business activity in mind. The accounting principles are in accordance with the provisions of art. 2426 of the Italian Civil Code as well as the accounting principles issued by the Italian Accounting Body; there is no exceptional case recorded that makes the use of the exceptions pursuant to art. 2423, paragraph 4 and art. 2423bis, paragraph 2 of the Civil Code necessary.

There were no items grouped in the balance sheet or in the profit and loss account.

There are no assets and liabilities falling under more than one item in the balance sheet.

The items preceded by Arabic numerals that do not appear in the balance sheet or in the profit and loss account have been left out if there was a lack of value recorded at the end of this year as well as the previous one. The items presented in the financial statement have been rounded off to euro.

This explanatory note is divided into:

part A - Accounting principles

part B - Information on balance sheet

part C - Information on income statement

part D - Other information

Part A - Accounting principles

The accounting principles are not different than those drawn up in previous years and can be divided into:

Intangible Assets

The intangible assets are recorded at a historical acquisition cost after verifying the expected future benefit of the company, considering their utility applicable to multiple years and the fact that these costs cannot be related to specific revenue from the supply of goods or services in the current financial year. The intangible fixed assets comprising advertising costs have been reclassified as start-up and goodwill costs when permitted by the applicable and appropriate accounting standards. Otherwise, they have been accounted as profit or loss for the full residual value. Depreciation was conducted on all assets that were operational before the end of the financial year.

The depreciation charged to the income statement was calculated on a systematic and constant basis of rates considered representative of the residual possibility of use of the assets.

Tangible Assets

Tangible fixed assets are registered with the cost of purchase that includes the directly connected charges. They are depreciated whenever the total value of amortization is higher than the higher amortization capacity that the management normally expects and the sales value of the same. Amortization has been done on all assets that came into operation by the end of the financial year.

The depreciation charged to the profit and loss account was calculated on a systematic and constant basis of rates considered representative of the residual possibility of use of the assets. The maintenance and repair costs that are expected and recurring are registered to the income statement while charges due to extraordinary events are linked to the relating assets.

Financial assets

The financial assets are registered through the purchase or subscription costs and deprecated where their value is sustainably lower. There are no investments evaluated using the assets and liabilities method found in part 4 of Art. 2426 of the Italian Civil Code.

Stocks

The evaluation is done by choosing the lower cost between purchase and the estimated value.

Debts and receivables

The receivables are registered at their probable realizable value. The debts are registered at book value. There was no retrospective recording of debts fulfilled using the amortization cost method, as indicated by the standard rules of reference within the Generally Accepted Accounting Principles (GAAP). The method of cost amortization has not been used for neither receivable or debts entries of the year, as allowed by the OIC19 § 42 (Official Italian Accounting Board), since, considering the duration of such accounting entries, the interest rate applied, and the low level of attributable costs, the application of such method wouldn’t have had significant effects.

Items in foreign currencies

The monetary assets and liabilities in foreign currency are registered at the current price level of the market registered at the end of the financial year, with attributing foreign exchange gains or losses being to the income statement. The differences in foreign exchange and the prospective share profit that can be assigned to the evaluation of unrealized foreign exchange items are put in reserve in a special Fixed assets reserve that cannot be distributed until realization.

The non-monetary assets and liabilities in foreign currency are registered in the balance sheet using the current exchange rate of their purchase. The positive or negative exchange rate differences do not allow independent and separate recognition. However, the exchange value at the end of the year is taken into consideration when determining the realization value that can be deduced from market developments (for non-monetary foreign exchange accounting entries registered in the assets account) or when long term losses in value are registered.

Liquid assets

The liquid assets are registered at book value.

Accruals and deferrals

These budget items are calculated according to the principle of accrual and cash accounting basis applying the principle of matching revenues and expenses during the year they were earned and incurred.

Employee severance indemnity

This budget item is accrued on a seniority base of the employee at the end of the financial year, according to law and the contracts in place.

Costs and revenue

These budget items are displayed in the financial statement report using the caution and appropriate accounting period principles. The income and revenues & the costs and contributions are registered to the returns, allowances, discounts, premiums, and taxes that are coming directly from services.

Taxes

The tax provision is calculated on the tax burden forecast for the year by applying the principles of the Italian Accounting Body OIC 25. The Italian regional production tax (IRAP) of the year, reduced after the legislation implementation issued in 2020 to provide support for the Covid-19 pandemic, has been fully registered in the financial statement report, as the tax reduction happened during the current financial year when the mentioned provisions were adopted.

Part B - Information on balance sheet

Item analysis

All values are in euro.

It's worth mentioning that the information required for 3-bis, 6, 6-ter, 8, 9, 11, 16-bis, 18,19, 20, 21, 22 e 22-ter of the article no. 2427 of the civil code and of the article no. 2427-bis of the civil code have been omitted if they don't exist.

Assets

Fixed Assets

Within the following tables, we are reporting the movements of tangible and intangible fixed assets, in accordance with art. 2427 number 2 of the c.c.

For every asset, we are exhibiting the following:

- The situation at the beginning of the year (cost, revaluation, amortization, depreciation)
- The variations that occurred during the year (increase in acquisition costs, reclassification, decrease in disinvestments, revaluations, amortizations, depreciation, other variations)
- The situation at the end of the year (cost, revaluation, amortization, depreciation)

Values in €	Intangible fixed assets	Tangible fixed assets	Total Fixed Assets
Dec18 Cost	408.823	133.941	542.764
Dec18 Funds	(91.499)	(26.786)	(118.285)
***Dec18* Net Book Value**	**317.325**	**107.155**	**424.479**
Increase	198.538	71.981	270.519
Decrease	-	-	-
Reclassification	-	-	-
Dec19 Costs	**607.363**	**205.922**	**813.285**
Amortization	(49.102)	(16.602)	(65.704)
Dec19 Funds	(140.601)	(43.388)	(183.989)
Dec19 Net Book Value	**466.762**	**162.534**	**629.296**

The increase in intangible fixed assets is due to the improvement costs of third-party assets.

The increase in tangible fixed assets is related to the purchase of new electronic machinery amounting to € 24.019, the purchase of furniture and fixtures amounting to € 12.280, the purchase of shelving systems for the warehouses amounting to 31.582, and the renovation costs of our vehicles amounting to € 4.100.

As done in the previous year, the depreciation and amortization were assessed in relation to the residual use of the asset.

The amortization coefficients remained unchanged.

Stocks

The evaluation is done by choosing the lower cost between purchase cost and the estimated value and it includes the stock of the pallets in the warehouse of Santa Palomba.

Receivables

It's worth mentioning that, as far as we know, there are no receivables of positive collectability after the 5 years have passed.

	Trade receivables	Receivables for taxes	Prepaid taxes	Other receivables	Total Receivables
Value at beginning of year	**425.673**	**263**	**466**	**207.298**	**633.700**
Increase for the year	(425.673)	(263)		(207.298)	(633.234)
Decrease for the year	661.856	38.785		71.503	772.144
Value at end of year	**661.856**	**38.785**	**466**	**71.503**	**772.610**

The average amount of days for collections in 2019 has been 73 days as opposed to 67 days in 2018.

Liquid assets

These budget items add up to € 89.552, increase compared to € 17.017 from the previous year.

Deferred and accrued income

These budget items add up to € 18.109 and are comprised of transportation costs from contracts that haven't been closed in 2019 and for which the revenue will be added to the accounting books in 2020.

Variations of assets

Item	Description	Dec19	Dec18	Delta
B I	Intangible fixed assets	466.762	317.325	149.437
B II	Tangible fixed assets	162.534	107.155	55.379
B III	Financial assets	-	-	-
C I	Stocks	7.814	31.162	(23.348)
C II 1	Commercial receivables	661.856	425.673	236.183
C II 2	Receivables from subsidiaries	-	-	-
C II 4 bis	Receivables from parent companies	39.252	729	38.523
C II 5	Tax receivables	71.503	207.298	(135.795)
C III 6	Other receivables	-	-	-
C IV	Liquid assets	89.552	17.017	72.535
D	Accruals and deferrals	18.109	46.960	(28.851)
	Total Assets	**1.517.381**	**1.153.319**	**364.063**

Liabilities

Net Assets

The balance sheet items are redacted at their book value in accordance with the accounting policy of the Official Italian Accounting Board no. 28.

Year 2019	Capital	Legal reserve	Profits(loss) for the year	Other reserves	Total
Dec 18 balance	**20.000**	**2.735**	**14.286**	**135.256**	**172.276**
Profits	-	-	62.583	-	62.583
Waver	-	-	-	-	-
Other variations	-	-	-	-	-
Dec 19 balance	**20.000**	**2.735**	**76.869**	**135.256**	**234.859**

Provisions for risks and obligations

These budget items add up to 3.467 and are related to the pension funds of the shipping agents and Previlog.

Employee severance indemnity (ESI)

The ESI has the following variations:

- Initial balance 96.506
- Accrual for the year 25.649
- Payments to employees (14.660)
- **Final balance 107.495**

The amounts are following the relevant law and the contractual obligations fully.

Debts

It's worth mentioning that there is no debt within the liabilities' accounts of the balance sheet that has been carried forward for more than 5 years.

	Bank debts	Commercial debts	Tax debts	Debts to social security institutions	debts to parent companies
Dec 18 balance	**292.830**	**394.241**	**545**	**20.250**	**130.767**
Increase	470.130	597.490	32.928	24.444	
Decrease	(292.830)	(394.241)	(545)	(20.250)	(130.767)
Dec 19 balance	**470.130**	**597.490**	**32.928**	**24.444**	**-**

Variations in liability items

Item	Description	Dec19	Dec18	Delta
A	Net assets	234.860	172.276	62.584
B	Provisions for risks and obligations	3.467	10.669	(7.202)
C	Severance indemnity	107.495	96.506	10.989
D 4	Bank debts	470.130	292.830	177.300
D 5	Commercial debts	597.490	394.241	203.249
D11	debts to parent companies	-	130.767	(130.767)
D 12	Tax debts	32.928	545	32.383
D 13	Debts for pension or social security contributions	24.444	20.250	4.194
D 14	Other debts	-	-	-
E	Accruals and deferrals	46.568	35.235	11.333
	Total Liabilities	**1.517.382**	**1.153.319**	**364.063**

Obligations on memorandum and contingency accounts

On Dec 31st, 2019 there were no obligations or guarantees given/received in favor of third parties.

Part C - Information on the income statement

The analytical presentation of the positive and negative income items presented within the income statement allows the following comments to be limited to the main items only, as explained within the balance sheet.

Performance turnover

The sales turnover adds up to € 2.667.707, from net balances, rebates, and premiums, and are subdivided as below:

• Clients	1.582.758
• Parent companies	1.030.951
• Other revenue	53.998
Total	**2.667.707**

It's worth mentioning that the transactions with associated companies are being conducted under normal market conditions.

Production costs

The costs for raw materials, subsidiaries, consumables, and commodities add up to EUR 63.091 and are mainly related to the purchase of stationery and office equipment.

Services costs

These budget items add up to € 1.403.776 and are divided into:

• Transport services	341.679
• Porterage services	711.185
• Logistics	71.605
• Administration fees	48.000
• Consultancy services	53.845
• Surveillance	32.906
• Waste disposal	17.220
• Maintenance	8.825
• Utilities	34.323
• Other service costs	84.188
Total	**1.403.776**

Costs for leased assets of third parties

These budget items add up to € 324.218 and are comprised of property leases related to the terminal and storage of Pomezia.

Staff costs

These budget items add up to € 620.846, a little higher than in the previous year (€ 572.995).

Amortization and depreciation

The amortization adds up to € 65.705, higher than in the previous year (€. 21.638 in 2018), mainly due to new investments in the terminals and storage facilities that happened during the financial year.

Other operating expenses

The costs are broken down as follows:

• Fuel and lubricants	24.842
• Bank fees and insurance	15.762
• Other management costs	18.297
Total	**58.901**

Financial income and expenses

The financial income is represented by accrued income interests on extended customer payment terms.

Financial charges relate to interest on bank deposits.

Part D - Other information

Prepaid tax/deferred receivables

The company has not allocated prepaid or deferred taxes receivables for the year.

Average number of employees per category

The average number of employees during the year has been 15 per company as follows:

• Executives	1
• Management	2
• Employees	10
• Blue-collar workers	2

Compensation to executives

In 2019 the following emoluments were paid:

Chief executive: 48.000

Transactions with related parties

Besides what we have already reported above regarding our business relations with the company Rif Line Italy Spa, there are no other significant transactions to report.

Privacy policy

On September 19th, 2018, the Legislative Decree no. 101 of 10 August 2018 came into effect. It adjusts the Civil Code about the personal data protection (Legislative Decree no. 196 of 30 June 2003) after the provisions of the EU Regulation 2016/679.

Having that in mind, a specialized company was engaged to get the company in line with the standards to the new legislation.

Information on off-balance agreements with related parties

During the year, there hasn't been made any off-balance agreement resulting from the account of assets and liabilities.

Information on subsequent events

After the end of the year, there are no transactions that affected the balance sheet, income statement and financial statement in any way: reference to Article 2427 of the Italian Civil Code.

REPORTS OF THE SUPERVISORY BODIES

BOARD OF AUDITORS’ REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF RIF LINE GROUP S.P.A.

RIF LINE GROUP SPA
Headquarters in Fiumicino (RM), Street Andrea Mantegna no. 4
Fully Paid Registered Capital 700.000,00 EUR
Registered to CCIAA of ROME
Tax code and Registration number 14708451001
VAT number: 14708451001 – REA no: 1540073

BOARD OF AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Rif Une Group S.p.A. with headquarters in Fiumicino (RM), Street Andrea Mantegna. n. 4, registered in the Register of Companies with the registration number 14708451001 and fiscal code 14708451001.

Assessments

The audit of the consolidated financial statements of the RIF Line Group (the Group) was conducted and confirms that it is comprised of the financial position of the group on December 31st, 2019, of the income statement, and the financial statement of the period assessed that ends on that date as well as the notes to the financial statements which also include a summary of the most significant accounting policies applied.
According to Board opinion, the consolidated financial statements report provides a true and fair representation of the Group's financial position as of December 31st, 2019, of the income statement, and the cash flows for the year in accordance with the rules of the Legislative Decree no. 127/1991 integrated within the Accounting Principles issued by the Italian Accounting Body.

Assessment Elements

The audit was conducted in accordance with the International Auditing Standards (ISA Italy). The responsibilities of Auditor board are established under these principles are further described in the Auditor's Responsibilities section of the consolidated financial statements of this report.

The Board of Auditors is independent from Rif Line Group S.p.A. (the Company) in accordance with the rules and principles on ethics and independence applicable by law to the financial statements audit.

The Board believes to have acquired sufficient and appropriate evidence on which to base our judgment.

Responsibility of the directors and auditors

The directors are responsible for composing the consolidated financial statements' report that provides a true and fair representation of the companies' books in accordance with the accounting standards predefined by law. Doing so, they make sure there are no errors due to fraud or non-intentional behavior or events within the balance sheet.
The directors are responsible for evaluating the Group's ability to continue operating as an entity, for making sure the company continues its operations smoothly, and for providing appropriate information on the matter, while preparing the consolidated financial statements.

During the preparation of the financial statements report, the directors will make sure that the company continues its operations unless they have concluded that the parent company meets the conditions for liquidation or discontinuance of business activity or have no realistic alternatives to such choices.
The Board of Auditors has the responsibility of supervising the preparation of the Group's financial statements, as indicated by law.

Auditor's responsibility for revising the consolidated financial statements
The Auditor`s objectives are to gain reasonable certainty that the consolidated financial statements do not contain significant errors due to fraud or unintentional behavior or events, and to issue an audit report that includes our assessment. Reasonable certainty means a high level of security which, however, doesn't provide assurance that an audit carried out in accordance with International Auditing Standards (ISA Italy) is able to always identify significant errors, if any. The errors can come from fraud or unintentional behavior or events and they should be considered as significant if they, individually or as a whole, especially when they can influence the economic decisions of the users of this financial statement report.
As part of this audit completed under the International Auditing Standards (ISA Italy), we have pursued a professional assessment and we maintained the necessary professional skepticism throughout the audit. Moreover, the Auditor`s Board has:

- identified and evaluated the risk of errors related to the consolidated balance sheet that have happened due to fraud or unintentional behavior or events
- having these risks in mind, defined and developed the necessary revision procedures
- found sufficient and appropriate evidence on which to base our assessment. The risk of not detecting a significant error due to fraud is higher than the risk of not detecting a significant error resulting from unintentional behavior or events, since fraud may involve the existence of collusion, falsifications, intentional omissions, misleading representations, or forced internal control
- acquired an understanding of relevant internal control to define appropriate audit procedures and not to express an opinion on the effectiveness of the Group's internal control
- assessed the validity of the accounting policies and estimates made by the administrators, including the related information
- reached a conclusion on the validity of the directors' decision regarding business continuity and, based on the evidence acquired, reached a conclusion on whether there is significant uncertainty about events or circumstances that may give rise to significant doubts about the Group's ability to continue operating as a functioning entity.

The conclusions are based on the evidence acquired at the date of this report. However, subsequent events or circumstances may result in the Group ceasing to operate as a functioning entity.

- The Auditor`s Board assessed the presentation, structure, and content of the consolidated balance sheet, including all disclosures and whether the consolidated financial statements represent the fair and correct transactions and events.
- The Auditor`s Board has the sole responsible bodies for assessing the consolidated balance sheet.

The Auditor`s Board has communicated to the appropriate level of government bodies identified as required by the ISA Italy, among other aspects, the scope and timing of the audit and the significant uncovered results, including any significant deficiencies in internal control identified during the revision.

The Auditor`s Board also provided a statement to those in charge of governance activities that we have complied with the rules and principles for ethics and independence applicable by law, and we have communicated to them any situation that may influence our independence and, where applicable, the related measures to prevent it.

Consistency assessment of the management report on the consolidated financial statements pursuant to art.14 c.2 let. e) D. Lgs. 39/2010

The administrators are responsible for the preparation and the consistency of the annual report, including the relevant consolidated financial statements and its compliance with the law.
The Auditor`s Board has conducted the procedures indicated in the auditing revision principle (ISA Italy) no.720B in order to express an opinion on the consistency of the management report with the consolidated financial statements as of 31/12/2019, drafted in accordance with the law.
With reference to the declaration pursuant to art. 14, paragraph 2, letter e), of D. Lgs. 39/2010, released based on the knowledge and understanding of the group and the information acquired during revision, The Auditor`s Board has nothing to report.

Milan, May 25th, 2020
The Board of Auditors
Dr. TORTI ALBINO ALBERTO (President)

Dr. ANNA MARIA LEOTTA (Standing auditor)
Dr. NICCHIO CARLO ALBERTO (Standing auditor)

BOARD OF AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS OF RIF LINE ITALY S.P.A.

RIF LINE ITALY SPA
Headquarters in Fiumicino (RM), Street Andrea Mantegna no. 4
Fully Paid Registered Capital 500.000,00 EUR
Registered to CCIAA of ROME
Tax code and Registration number 08149751003
VAT number: 08149751003 – REA no: 1077617

BOARD OF AUDITORS' REPORT ON THE LEGAL REVISION OF THE CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Rif Line Group S.p.A. with headquarters in Fiumicino (RM), Street Andrea Mantegna. n. 4, registered in the Register of Companies with the registration number 08149751003 and fiscal code 08149751003.

Introduction

For the financial year ended on 31/12/2019, the Board of Auditors performed both the functions mentioned within art. 2403 and art. 2409-bis of the Italian Civil Code.
This report contains under section A) the "Audit report pursuant to art. 14 of the legislative decree of January 27, 2010 no. 39" and under section B) the "Report pursuant to art. 2429, paragraph 2, of the Civil Code".

A) Audit report pursuant to art.14 D. Lgs. no. 39/2010

LEGAL AUDIT REPORT ON THE COMPANY'S FINANCIAL STATEMENTS

Assessment

We conducted the legal audit of the consolidated financial statements of the RIF Line International S.p.A. closed on December 31st, 2019, and it's comprised of the income statement, Balance sheet, the financial statements as well as the notes to the financial statements.
According to the Board`s opinion, the consolidated financial statements report provides a true and fair representation of the Group's balance sheet on December 31st, 2019, of the income statement, and the cash flows for the year in accordance with the rules of the Accounting Principles issued by the Italian Accounting Body.

Assessment Elements
The Auditor`s Board has conducted the audit in accordance with the International Auditing Standards (ISA Italy) pursuant to art. 11 of D. Lgs. no. 39/2010.
The Auditor`s Board is independent from Rif Line Italy S.p.A. (the Company) in accordance with the rules and principles on ethics and independence applicable by law to the financial statements' audit. The Auditor`s Board has acquired sufficient and appropriate evidence on which to base our judgment.

Responsibility of the directors and auditors
The directors are responsible for composing the consolidated financial statements report that provide a true and fair representation of the companies' books in accordance with the accounting standards predefined by law. Doing so, they make sure there are no errors due to fraud or non-intentional behavior or events within the balance sheet.
The directors are responsible for evaluating the Group's ability to continue operating as an entity, for making sure the company continues its operations smoothly, and for providing appropriate information on the matter, during preparation of the consolidated financial statements.
The Board of Auditors has the responsibility of supervising the preparation of the Group's financial statements, as indicated by law.

Auditor's responsibility for revising the consolidated financial statements
The Auditor`s Board objectives are to gain reasonable certainty that the consolidated financial statements do not contain significant errors due to fraud or unintentional behavior or events, and to issue an audit report that includes our assessment. Reasonable certainty means a high level of security which, however, doesn't provide assurance that an audit carried out in accordance with International Auditing Standards (ISA Italy) is able to always identify significant errors, if any. The errors can come from fraud or unintentional behavior or events. They should be considered as significant as one can decide, individually or as a whole, especially when those can influence the economic decisions of the users of this financial statement report.

As part of this audit completed under the International Auditing Standards (ISA Italy), the Board has pursued a professional assessment and we maintained the necessary professional skepticism throughout the audit. Moreover, the Auditor`s Board:

- identified and evaluated the risk of errors related to the consolidated balance sheet that have happened due to fraud or unintentional behavior or events. Having these risks in mind, we have defined and developed the necessary revision procedures. We have found sufficient and appropriate evidence on which to base our assessment. The risk of not detecting a significant error due to fraud is higher than the risk of not detecting a significant error resulting from unintentional behavior or events, since fraud may involve the existence of collusion, falsifications, intentional omissions, misleading representations, or forced internal control.
- acquired an understanding of relevant internal control to define appropriate audit procedures and not to express an opinion on the effectiveness of the Group's internal control
- assessed the validity of the accounting policies and estimates made by the administrators, including the related information,
- reached a conclusion on the validity of the directors' decision regarding business continuity, based on the evidence acquired
- assessed the presentation, structure, and content of the consolidated balance sheet, including all disclosures and whether the consolidated financial statements represent the fair and correct transactions and events
- as required by the ISA Italy, has communicated to all administrators the scope and timing of the audit and the significant uncovered results, including any significant deficiencies in internal control identified during the revision.

REPORT ON OTHER LEGAL DISPOSITIONS AND REGULATIONS

Consistency assessment of the management report on the consolidated financial statements pursuant to art.14 c.2 let. e) D. Lgs. 39/2010

The administrators are responsible for the preparation and the consistency of the annual report, including the relevant consolidated financial statements and its compliance with the law.
The Auditor`s Board has conducted the procedures indicated in the auditing revision principle (ISA Italy) no.720B in order to express an opinion on the consistency of the management report with the consolidated financial statements drafted in accordance with the law.
With reference to the declaration pursuant to art. 14, paragraph 2, letter e), of D. Lgs. 39/2010, released based on the knowledge and understanding of the group and the information acquired during revision, we have nothing to report.
The Auditor`s Board acknowledges that the Directors have reported the first effects of the "COVID-19" emergency on the business activity, certifying, moreover, that the company, even in that specific period, has paid invoices and other debts regularly by the end of the financial year and are included in this report. They have also provided the necessary information on the slowdown in activity as well as the precautionary measures taken, as required by recent legislation.

B) Audit report pursuant to art. 2429 c. 2 C. C.

During the financial year closed on 31/12/2019, our activity has followed the provisions of the law as well as the rules of conduct of the Board of Auditors issued by the National Council of Accountants and Accounting Experts.

Supervisory activities pursuant to art. 2403 ss. C.C.
The Auditor`s Board has supervised the use of law and its principles regarding a correct administration of the company.
The Auditor`s Board attended the Shareholders' and the Board of Directors’ Meetings, to which invited and held in compliance with the laws and regulations governing their operation. Taking into consideration the information available to us, the Auditor`s Board hasn’t detected any violation of the law or the Articles of Statute as well as any reckless operations or in potential conflict of interest, or likely to compromise the integrity of the company’s assets.

The Auditor`s Board has obtained information from the Directors on the general performance of the Company and its foreseeable evolution as well as on the size or characteristics of the most important operations conducted by the Company, having no special comments to report.
As far as our competence is concerned, we have acquired knowledge and we have collected information from the people responsible for:

- the organizational structure of the company
- the administration and accounting system, examining the company’s documents and
- the reliability of truthful representation of the management-related issues

In this regard, the Auditor`s Board doesn't have any particular observations to make.
No complaints have been received from the shareholders, pursuant to Art. 2408 C. C.
No complaints have been submitted to the Board of Auditors, pursuant to art. 2409 c. 7 C.C.
There was no need for interventions due to omissions of the Directors, pursuant to art. 2406 C.C.
No legal opinions were issued by the Board of Auditors during the year.
During supervisory work as described above, no significant facts have been identified which would have required mentioning in this report.

Observations regarding the financial statements

The financial statement report for the year ended on 31/12/2019 and was approved by the Board of Directors, which then forwarded it to the Board of Auditors according to the law.
This is comprised of the Balance sheet, the Income statement, the Cash Flow Statement, and the Explanatory Notes to the Financial Statements.
The Board of Directors also prepared the management report, pursuant to art. 2428 C.C.
These documents were submitted to the Board of Auditors in due time to be filed in the Company's Headquarters and were accompanied by this report.
The balance sheet draft was examined, and its results can be summarized as follows:

ASSETS	2018	2019
Intangible net assets	393.379	324.418
Tangible net assets	208.463	173.118
Financial assets	515.828	526.915
Stocks	21.496	//
////Receivables	12.998.185	11.129.490
Financial activity that is not part of:		
Fixed assets	//	587.946
Liquid assets	1.124.042	2.794.557
Accruals and deferrals	401.920	346.603
Total	15.663.313	15.883.047
LIABILITIES		
Net assets	688.643	1.026.491
Risks and expenses fund	8.696	30.651
Reserve for Severance Indemnity	317.826	418.532
Debts	14.391.821	14.118.555
Accrued and deferrals liabilities	256.327	288.818
Total	15.663.313	15.883.047

INCOME STATEMENT

Production value (A)	27.796.933	28.415.729
Production costs (B)	- 27.387.438	- 27.609.709
Difference in value between costs and production (A-B)	409.494	806.020
Financial income (expense)	- 205.096	- 237.521
Results before tax	204.399	568.499
Current tax	- 90.859	- 230.651
Net profit for the year	113.540	337.848

FINANCIAL STATEMENTS

		2018	2019
	EBIT	380.340	779.012
	NON-CASH ADJUSTMENTS WITHOUT NWC COMPENSATIONS	101.042	437.142
	TOTAL NWC VARIATIONS	(415.976)	(2.885.092)
	TOTAL OTHER ADJUSTMENTS	(245.819)	(473.063)
A	OPERATING ACTIVITIES CASH FLOW	(180.413)	3.628.182
B	INVESTING ACTIVITIES CASH FLOW	(257.680)	(42.422)
C	FINANCING ACTIVITIES CASH FLOW	(362. 004)	(1.327.300)
A + B + C	INCREASE (DECREASE) OF FINANCIAL ASSETS	(76.090)	2.258.460
	FINANCIAL ASSETS AT BEGINNING OF YEAR	1.200.132	1.124.042
	FINANCIAL ASSETS AT END OF YEAR	1.124.042	3.382.503
	GENERATED (ABSORBED) LIQUIDITY	(76.090)	2.258.461

Transactions with related parties

The business relations with the Companies of the Group, pursuant to Article 2427, paragraph 1, 22bis of the Italian Civil Code, are concluded under normal market conditions, as confirmed by the Board of Directors.

Law no. 124 of 04.08.2017

The company hasn’t received any contributions under the aforementioned Law.

With regards to the financial statements for the year which ended on 31.12.2019, we report as follows:

The Auditor`s Board has paid the necessary attention to the drafted report, to its general compliance with the law (its formation and structure), and there are no observations to make which would need to otherwise be highlighted in this report.

The assets and liabilities evaluation criteria were thoroughly checked. They were found compliant with the provisions of art. 2426 C.C. as amended by the D. Lgs. 139/2015, also considering the derogations provided for by the art. 12 of the related decree.

To the best of our knowledge, the Board of Directors didn’t invoke exceptions to the legal provisions pursuant to the art. 2423, c. 4 C.C.

As highlighted by this financial statement report and by its summary above, the net income observed by the Board of Directors for the year ended December 31st, 2019 is positive by 337,848 Euro.

The results (the audit’s) regarding the financial statements are contained in Section A) of this report.

Comments and proposals for the budget’s approval

Considering the results of our audit, the Auditor`s Board proposes the approval of the financial statements for the year ended 31.12.2019, as drafted by the Board of Directors, agreeing with the proposal formulated in the Explanatory Notes.

To thank you for the trust granted, and as our office position has expired, we invite you to renew the nominations and positions.

Milan, May 25th, 2020
The Board of Auditors
Dr. TORTI ALBINO ALBERTO (President)

Dr. ANNA MARIA LEOTTA (Standing auditor)
Dr. NICCHIO CARLO ALBERTO (Standing auditor)

BOARD OF AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS OF RIF LINE INTERNATIONAL S.P.A.

RIF LINE INTERNATIONAL S.P.A.
Headquarters in Fiumicino (RM), Street Andrea Mantegna no. 4
Fully Paid Registered Capital 700.000,00 EUR
Registered to CCIAA of ROME
Tax code and Registration number 14708451001
VAT number: 14708451001 – REA no: 1540073

BOARD OF AUDITORS' REPORT ON THE LEGAL REVISION OF THE CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Rif Line International S.p.A. with headquarters in Fiumicino (RM), Street Andrea Mantegna. n. 4, registered in the Register of Companies with the registration number 14708451001and fiscal code 14708451001.

Introduction

For the financial year ended on 31/12/2019, the Board of Auditors, nominated in 10/09/2019, performed both the functions mentioned within art. 2403 and art. 2409-bis of the Italian Civil Code.
This report contains under section A) the "Audit report pursuant to art. 14 of the legislative decree of January 27, 2010 no. 39" and under section B) the "Report pursuant to art. 2429, paragraph 2, of the Civil Code".

A) Audit report pursuant to art.14 D. Lgs. no. 39/2010

LEGAL AUDIT REPORT ON THE COMPANY'S FINANCIAL STATEMENTS

Assessment

The Auditor`s Board conducted the audit of the consolidated financial statements of the RIF Line International SPA ended December 31st, 2019, and it's comprised of the income statement, balance sheet, the financial statements as well as the notes to the financial statements.
In the Auditor`s Board opinion, the consolidated financial statements report provides a true and fair representation of the Group's financial position as of December 31st, 2019, of the income statements, and the cash flows for the year in accordance with the rules of the Accounting Principles issued by the Italian Accounting Body.

Assessment Elements
The Auditor`s Board has conducted the audit in accordance with the International Auditing Standards (ISA Italy) pursuant to art. 11 of D. Lgs. no. 39/2010.
The Auditor`s Board is independent from Rif Line Italy S.p.A. (the Company) in accordance with the rules and principles on ethics and independence applicable by law to the financial statements' audit.
The Auditor`s Board we has acquired sufficient and appropriate evidence on which to base our judgment.

Responsibility of the directors and auditors

The directors are responsible for composing the consolidated financial statements report that provide a true and fair representation of the companies' books in accordance with the accounting standards predefined by law. Doing so, they make sure there are no errors due to fraud or non-intentional behavior or events within the balance sheet.

The directors are responsible for evaluating the Group's ability to continue operating as an entity, for making sure the company continues its operations smoothly, and for providing appropriate information on the matter, during preparation of the consolidated financial statements.

The Board of Auditors has the responsibility of supervising the preparation of the Group's financial statements, as indicated by law.

Auditor's responsibility for revising the consolidated financial statements

The Auditor`s Board objectives are to gain reasonable certainty that the consolidated financial statements do not contain significant errors due to fraud or unintentional behavior or events, and to issue an audit report that includes our assessment. Reasonable certainty means a high level of security which, however, doesn't provide assurance that an audit carried out in accordance with International Auditing Standards (ISA Italy) is able to always identify significant errors, if any. The errors can come from fraud or unintentional behavior or events. They should be considered as significant as one can decide, individually or as a whole, especially when those can influence the economic decisions of the users of this financial statement report.

As part of this audit completed under the International Auditing Standards (ISA Italy), the Auditor`s Board has pursued a professional assessment and we maintained the necessary professional skepticism throughout the audit. Moreover, the Auditor`s Board:

- identified and evaluated the risk of errors related to the consolidated balance sheet that have happened due to fraud or unintentional behavior or events. Having these risks in mind, the Board has defined and developed the necessary revision procedures. The Auditor`s Board has found sufficient and appropriate evidence on which to base our assessment. The risk of not detecting a significant error due to fraud is higher than the risk of not detecting a significant error resulting from unintentional behavior or events, since fraud may involve the existence of collusion, falsifications, intentional omissions, misleading representations, or forced internal control.
- acquired an understanding of relevant internal control to define appropriate audit procedures and not to express an opinion on the effectiveness of the Group's internal control
- assessed the validity of the accounting policies and estimates made by the administrators, including the related information,
- reached a conclusion on the validity of the directors' decision regarding business continuity, based on the evidence acquired
- assessed the presentation, structure, and content of the consolidated balance sheet, including all disclosures and whether the consolidated financial statements represent the fair and correct transactions and events
- as required by the ISA Italy, the Auditor`s Board has communicated to all administrators the scope and timing of the audit and the significant uncovered results, including any significant deficiencies in internal control identified during the revision.

REPORT ON OTHER LEGAL DISPOSITIONS AND REGULATIONS

Consistency assessment of the management report on the consolidated financial statements pursuant to art.14 c.2 let. e) D. Lgs. 39/2010

The administrators are responsible for the preparation and the consistency of the annual report, including the relevant consolidated financial statements and its compliance with the law.
The Auditor`s Board has conducted the procedures indicated in the auditing revision principle (ISA Italy) no.720B in order to express an opinion on the consistency of the management report with the consolidated financial statements drafted in accordance with the law.
With reference to the declaration pursuant to art. 14, paragraph 2, letter e), of D. Lgs. 39/2010, released based on the knowledge and understanding of the group and the information acquired during revision, The Auditor`s Board has nothing to report.
The Auditor`s Board acknowledges that the Directors have reported the first effects of the "COVID-19" emergency on the business activity, certifying, moreover, that the company, even in that specific period, has paid invoices and other debts regularly by the end of the financial year and are included in this report. They have also provided the necessary information on the slowdown in activity as well as the precautionary measures taken, as required by recent legislation.

B) Audit report pursuant to art. 2429 c. 2 C. C.

During the financial year closed on 31/12/2019, our activity has followed the provisions of the law as well as the rules of conduct of the Board of Auditors issued by the National Council of Accountants and Accounting Experts.

Supervisory activities pursuant to art. 2403 ss. C.C.
The Auditor`s Board has supervised the use of law and its principles regarding a correct administration of the company.
The Auditor`s Board attended the Shareholders' and the Board of Directors' Meetings, to which invited, and held in compliance with the laws and regulations governing their operation. Taking into consideration the information available to us, the Auditor`s Board hasn't detected any violation of the law or the Articles of Statute as well as any reckless operations or in potential conflict of interest, or likely to compromise the integrity of the company's assets.
The Auditor`s Board has obtained information from the Directors on the general performance of the Company and its foreseeable evolution as well as on the size or characteristics of the most important operations conducted by the Company, having no special comments to report.
As far as our competence is concerned, The Auditor`s Board has acquired knowledge and collected information from the people responsible for:

- the organizational structure of the company
- the administration and accounting system, examining the company's documents and
- the reliability of truthful representation of the management-related issues

In this regard, the Auditor`s Board doesn't have any particular observations to make.
No complaints have been received from the shareholders, pursuant to Art. 2408 C. C.

No complaints have been submitted to the Board of Auditors, pursuant to art. 2409 c. 7 C.C. There was no need for interventions due to omissions of the Directors, pursuant to art. 2406 C.C.

No legal opinions were issued by the Board of Auditors during the year.
During supervisory work as described above, no significant facts have been identified which would have required mentioning in this report.

Observations regarding the financial statements
The financial statement report for the year ended on 31/12/2019 and was approved by the Board of Directors, which then forwarded it to the Board of Auditors according to the law.
This is comprised of the Balance sheet, the Income statement, the Cash Flow Statement, and the Explanatory Notes to the Financial Statements.
The Board of Directors also prepared the management report, pursuant to art. 2428 C.C.
These documents were delivered to the Board of Auditors in due time to be filed in the Company's Headquarters and were accompanied by this report.
The balance sheet draft was examined, and its results can be summarized as follows:

ASSETS	2018	2019
Intangible net assets	24.016	21.932
Financial assets	2.800.000	2.937.808
Receivables	261.826	504.077
Liquid assets	9.012	6.405
Accruals and deferrals	9.620	10.323
Total	3.104.474	3.480.545
LIABILITIES		
Net assets	753.615	1.381.889
Debts	2.350.834	2.098.656
Accrued and deferrals debts	25	//
Total	3.104.474	3.480.545

INCOME STATEMENT		
Production value (A)	787.317	934.825
Production costs (B)	- 5.900	- 21.362
Difference in value between costs and production (A-B)	781.417	913.463
Financial income (expense)	- 3.650	- 35.199
Results before tax	777.767	878.264
Current tax	- 224.152	- 249.989
Net profit for the year	553.615	628.275

FINANCIAL STATEMENTS

		2018	2019
	EBIT	800.854	924.044
	NON-CASH ADJUSTMENTS WITHOUT NWC COMPENSATIONS	507	5.500
	TOTAL NWC VARIATIONS	718.746	(1.113.041)
	TOTAL OTHER ADJUSTMENTS	(23.087)	(45.780)
A	OPERATING ACTIVITIES CASH FLOW OPERATIVA	1.497.020	(229.277)
B	INVESTING ACTIVITIES CASH FLOW	(2.824.523)	(141.225)
C	FINANCING ACTIVITIES CASH FLOW DI FINANZIAMENTO	1.536.266	168.144
A + B + C	INCREASE (DECREASE) OF LIQUID ASSETS	208.762	(202.358)
	LIQUID ASSETS AT BEGINNING OF YEAR	//	(208.762)
	LIQUID ASSETS AT END OF YEAR	208.762	6.405
	GENERATED (ABSORBED) LIQUIDITY	208.762	(202.357)

Transactions with related parties

The business relations with the Companies of the Group, pursuant to Article 2427, paragraph 1 22bis of the Italian Civil Code, are concluded under normal market conditions, as confirmed by the Board of Directors.

Law no. 124 of 04.08.2017

The company hasn't received any contributions under the aforementioned Act.

With regards to the financial statements for the year which ended on 31.12.2019, we report as follows:

The Auditor`s Board has paid the necessary attention to the drafted report, to its general compliance with the law (its formation and structure), and has no observations to make which would need to otherwise be highlighted in this report.

The assets and liabilities evaluation criteria were thoroughly checked. They were found compliant with the provisions of art. 2426 C.C. as amended by the D. Lgs. 139/2015, also considering the derogations provided for by the art. 12 of the related decree.

To the best of our knowledge, the Board of Directors didn’t invoke exceptions to the legal provisions pursuant to the art. 2423, c. 4 C.C.

As highlighted by this financial statement report and by its summary above, the net income observed by the Board of Directors for the year ended December 31st, 2019 is positive by 628.275 Euro.

The Auditor`s Board results (the audit’s) regarding the financial statements are contained in Section A) of this report.

Comments and proposals for the budget’s approval

Considering the results of our audit, The Auditor`s Board proposes the approval of the financial statements for the year ended 31.12.2019, as drafted by the Board of Directors, agreeing with the proposal formulated in the Explanatory Notes.

Milan, May 25th, 2020
The Board of Auditors
Dr. TORTI ALBINO ALBERTO (President)

Dr. ANNA MARIA LEOTTA (Standing auditor)
Dr. NICCHIO CARLO ALBERTO (Standing auditor)

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REPORT
2019

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