CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018

SUMMARY

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CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2018

COMPOSITION OF THE BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS AND INDEPENDENT AUDITORS

Board of Directors

Chairman
Vincenzo Onorato

Vice Chairman and Managing Director
Achille Onorato

Vice Chairman
Alessandro Onorato

Board Members
Beniamino Carnevale
Giuseppe Savarese
Eliana Marino
Serena Giovidelli

Board of Statutory Auditors:

Chairman
Raffaele D'Alessio[1]

Statutory Auditors
Luigi Giancaspero
Flavia Rotondo
Simone Allodi[2]
Lorenzo Riposati[2]

Independent Auditors:

EY S.p.A.

[1] Appointed on April 27, 2018
[2] Substitute auditors

DIRECTORS' REPORT ON OPERATIONS

Dear Shareholder,

We are submitting the consolidated financial statements of the Moby Group showing the financial information as of December 31, 2018 and the economic and cash-flow information for the period January 1 – December 31, 2018; the comparative data of the financial information refer to December 31, 2017 while that of the economic and cash-flow information refer to the period January 1 – December 31, 2017.

The Group operates in the passengers and freight maritime transportation between mainland Italy and France and major and minor islands: Sardinia, Corsica, Sicily, Tuscan Archipelago, Tremiti Islands and Malta. Moreover it operates in the sector of harbour, open water and rescue tugboats and manages the Olbia port operations. The Group also operates at the ports of Livorno and Catania, where it embarks and disembarks commercial vehicles and provides freight and passenger ticketing services. Finally, the Group began operating in the Baltic sea, carrying passengers between the ports of Saint Petersburg, Stockholm, Helsinki and Tallinn.

Revenues for the period amount to Euro 584,335 thousand compared to Euro 586,164 thousand in 2017, the negative operating income amounts to Euro 21,071 thousand compared to an operating profit of Euro 68,414 thousand in 2017, the EBITDA stood at Euro 43,974 thousand compared to Euro 131,804 thousand in 2017.
The net result for the year 2018 is a loss equal to Euro 62,683 thousand.

The decrease in revenues for Euro 1,829 thousand is mainly due to a reduction in the 'Tugboats' operating segment and to a lower extent in the 'Ferries' operating segment. In any case the 'Ferries' area recorded a positive performance in terms of turnover in the freight segment.
The decrease in EBITDA for Euro 87,830 thousand is due to the increase in the consumption for raw materials and services, driven by the cost of fuel and rental fees of the vessels, and the reduction of the other operating income, following the gains achieved during 2017 from the sale of the owned vessels.
For an in-depth analysis of the income component, reference is made to the "Performance analysis".

On April 15, 2019 in relation to the results achieved, the Parent Company's Directors approved a 2019 – 2021 Business Plan, of which 2019 represents the budget.

Significant events in the 2018 period are shown below:

- in January, the Parent Company signed a preliminary agreement with the company F.lli Onorato Armatori S.r.l. to lease two newly built RoRo vessels, paying an advance on rental fees for Euro 3,500 thousand. The two vessels were delivered in October 2018 and March 2019 and re-leased to the subsidiary CIN;
- in February, the Parent Company acquired 20% of the share of the subsidiary Catania Port Service S.r.l. from third parties, paying Euro 30 thousand;
- in March, the Antitrust Authority (AGCM) imposed a fine on the Parent Company and the subsidiary CIN whereby the two companies are required to pay jointly and severally an administrative penalty of Euro 29,203 thousand, following inspections made by the above-mentioned Authority in April 2016 in connection with presumed behaviours representative of abuse of a dominant position on the freight transportation market on routes connecting Sardinia. The preliminary examination of the fine confirmed the existence of factual and legal reasons which justify the appeal before the Administrative Judge, requesting the annulment of the fine, and its temporary stay of execution pending the hearing on the merits. The Lazio TAR approved the appeal of the companies by suspending the enforcement of the AGCM fine in the part relating to the payment of the penalty, and set the related hearing for May 2019, subjecting it to the provision of a deposit, subsequently filed before the court, granting a suspension for almost one year. The Parent Company, supported by its legal advisors, is waiting for a decision by the TAR and prudently allocated a provision equalling Euro 4,000 thousand;
- in April, Moby's Board of Directors approved the procedures aimed at the preparation and approval of the related project for reverse merger in accordance with article 2501 bis of the Italian Civil Code,

between the Parent Company and the subsidiary CIN. In accordance with the regulatory framework, the transaction subject to the approval of the creditors' and the favourable opinion of such experts pursuant to articles 2503 and 2501 bis of the Italian Civil Code. The merger was approved by the Shareholders' Meetings of the two companies on October 17, 2018. In December, the commissioners of Tirrenia di Navigazione S.p.A. in Amministrazione Straordinaria submitted an objection to the merger. The first hearing is set for May 14, 2019;

- in May, the Group launched the new Naples – Catania route, strengthening its presence in the Sicilian market and the connections with its Catania hub;
- In July 2018, the Temporary Consortium also set by the Parent Company and its subsidiaries LTM and Sinergest, took part in the privatisation tender of 66% of the company Porto di Livorno 2000 S.r.l., was definitively awarded the tender notice for a total amount of Euro 10,741 thousand. The company is engaged in the management of Livorno port's terminal. Having the competent authorities defined and completed the necessary formalities, in March 2019 the companies participating in the Temporary Consortium set up the company Livorno Terminal S.r.l., which the equity investment in Porto di Livorno 2000 will flow into, as a consequence of paying the amount agreed, expected in the beginning of May 2019;
- in July, the Parent Company signed an agreement for the purchase of 51% of the newly established Unione Servizi Portuali S.r.l. (USP) for Euro 650 thousand, paying an advance of Euro 130 thousand as a down payment. In September, the company Unimare (Unione Agenti Marittimi S.r.l.) transferred to USP the business unit relating to the embarkation, disembarkation and storage activities in the port of Olbia. At the reporting date of these financial statements, the transaction had not been completed yet and it is foreseeable that it will be by the end of 2019;
- in August, the concession for the management of the 'Isola Bianca' terminal in the port of Olbia ended. The Group operates via a temporary concession until June 30, 2019 and is continuing with the activities aiming at its renewal, which is subject to a call for tender;
- in September, the Parent Company signed a contract to build a new tugboat for Euro 7,290 thousand, paying an initial advance of Euro 1,458 thousand;
- in November, the Parent Company announced the new Piombino – Bastia route for the 2019 season;
- in November, the Parent Company signed a preliminary agreement with the company F.lli Onorato Armatori S.r.l. to lease two RoPax vessels being built, paying an advance on fees for Euro 4,662 thousand. The delivery of the two units is scheduled during 2021 and 2022;
- in December, the subsidiary CIN introduced new connections: Genoa – Naples and Livorno - Naples;
- in December, the Parent Company announced the closure of the Nice – Bastia route, scheduling the last departure at the beginning of January 2019.

That being stated, the numerical information and comments hereafter are aimed to provide for a vision of the Group economic and financial situation, as well as the significant events that influenced the net result.

The analysis of risks and uncertainties is presented in the dedicated paragraph.

It has to be highlighted that the operations carried out by the Moby Group have been divided into the following operating Strategic Business Units (SBUs):
Moby Ferries Strategic Business Unit
CIN Ferries Strategic Business Unit;
Tugboats Strategic Business Unit;
Port Management Strategic Business Unit[3] (formerly Maritime Station);
Baltic Strategic Business Unit.

[3] It includes the results achieved by the Maritime Station Port division of Olbia and the results achieved by the subsidiaries Renzo Conti, Agemar, LTM and CPS.

Definitions

Below is a list of the definitions of the main terms used.

EBITDA

EBITDA is the operating profit before amortisation, depreciation, provisions and write-downs. Thus, EBITDA is a measure used by Management to monitor and evaluate the Group's operating performance. EBITDA is not identified as an accounting measure under the scope of IFRS, and therefore should be considered as an alternative measure for the evaluation of the Group's Operating Profit. Since the composition of EBITDA is not regulated by the reference accounting principles, the determination criterion applied by the Group may not be standardised with other companies and therefore is not comparable.

Recurring EBITDA

Recurring EBITDA is the operating profit before amortisation, depreciation, provisions and write-downs from which operating income and expenses are deducted and which, although inherent to the activity, has a non-recurring nature and has significantly influenced the results. Thus, Recurring EBITDA is a measure used by Group Management to monitor and evaluate the Group's operating performance. Recurring EBITDA is not identified as an accounting measure under the scope of IFRS and therefore should be considered as an alternative measure for the evaluation of the Group's Operating Profit. Since the composition of Recurring EBITDA is not regulated by the reference accounting principles, the determination criterion applied by the Group may not be standardised with other companies and therefore is not comparable.

In consideration of the increase and significance of the Group's acquisition and sale of vessels, in line with the fleet management strategies, the Board of Directors of the Parent Company presents, in the following 'Directors' Report on Operations, the income and expenses deriving from the aforementioned activities as 'Recurring'.

Contribution margin

The Contribution margin is the operating profit before amortisation, depreciation, provisions and write-downs and before fixed overheads not allocated to the operating segments. Thus, the Contribution margin is a measure used by Management to monitor and evaluate the Group's operating performance. The Contribution margin is not identified as an accounting measure under the scope of IFRS, and therefore should be considered as an alternative measure for the evaluation of the Group's Operating Profit. Since the composition of the Contribution margin is not regulated by the reference accounting principles, the determination criterion applied by the Group may not be standardised with other companies and therefore is not comparable.

Fixed overheads

Fixed overheads are operating costs not allocated to the operating segments. Specifically, they are the costs of personnel in the administrative structure and corporate functions, office rental costs and service costs.

Net operating working capital

Net operating working capital is calculated as the difference between current assets and current liabilities, excluding other current assets and liabilities and excluding current financial assets and liabilities. Net operating working capital is not identified as an accounting measure under the scope of IFRS. The determination criterion applied by the Group may not be standardised with other groups and, therefore, the balance obtained by the Group may not be comparable.

Net working capital

Net working capital is calculated by adding the various receivables and payables to the net operating working capital, plus the other current assets and liabilities, including derivative financial instruments managed in hedge accounting relating to current assets and liabilities (including, by way of example, hedging derivatives for exchange rates for trade payables and for fuel). Net working capital is not identified as an accounting measure under the scope of IFRS. The determination criterion applied by the Group may not be standardised with other groups and, therefore, the balance obtained by the Group may not be comparable.

Net invested capital
Net invested capital is calculated as net working capital and fixed assets and other long-term assets net of long-term liabilities. Net invested capital is not identified as an accounting measure under the scope of IFRS. The determination criterion applied by the Group may not be standardised with other groups and, therefore, the balance obtained by the Group may not be comparable.

Net financial debt
Net financial debt is calculated as the algebraic sum of cash and cash equivalents, current financial assets including stocks available for sale, current and non-current long-term financial liabilities and the fair value of hedging financial instruments with reference to financial payables. This figure does not include liabilities related to assets held for sale. Net financial debt is not identified as an accounting measure under the scope of IFRS. The determination criterion applied by the Group may not be standardised with other groups and, therefore, the balance obtained by the Group may not be comparable.

Performance analysis for the year ended December 31, 2018

The main income data for the year ended December 31, 2018, compared with the year ended December 31, 2017, are shown in the table below:

(€ thousands)			Year ended December 31,	
	2018	% of revenue	2017[4]	% of revenue
Recurring revenue	**584,335**	**100.0%**	**586,164**	**100.0%**
Consumption of raw materials and services	(411,248)	(70.4%)	(357,900)	(61.1%)
Personnel costs	(132,101)	(22.6%)	(128,635)	(21.9%)
Other operating income (expenses)	6,493	1.1%	31,929	5.4%
Provisions and write-downs of current assets	(2,721)	(0.5%)	(2,104)	(0.4%)
Amortization, depreciation and write-downs of fixed assets	(62,324)	(10.7%)	(61,286)	(10.5%)
Total recurring operating costs	**(601,901)**	**(103.0%)**	**(517,996)**	**(88.4%)**
Recurring operating profit	**(17,567)**	**(3.0%)**	**68,168**	**11.6%**
Financial income	607	0.1%	1,448	0.2%
Financial expenses	(37,364)	(6.4%)	(43,022)	(7.3%)
Result of investments valued at FV	215	0.0%	-	0.0%
Recurring pre-tax profit	**(54,109)**	**(9.3%)**	**26,594**	**4.5%**
Non-recurring pre-tax profit	(4,003)	(0.7%)	246	0.0%
Income taxes	(4,571)	(0.8%)	(3,893)	(0.7%)
Profit (loss)	**(62,683)**	**(10.7%)**	**22,947**	**3.9%**

Non-recurring income for the year 2018 includes:

- consultancy and insurance costs totalling Euro 1,706 thousand incurred by the Parent Company and the subsidiary CIN, regarding the fine received from the AGCM, mentioned above;
- consultancy costs totalling Euro 768 thousand, incurred following the preparation of the project for reverse merger by the Parent Company and the subsidiary CIN in compliance with article 2501 *bis* of the Italian Civil Code;
- the gain of Euro 32 thousand realised by the subsidiary LTM following the sale of 6 port vehicles;
- the loss of Euro 45 thousand suffered by the subsidiary CPS following the sale of 5 port vehicles;
- the waiver fee of Euro 500 thousand paid by the Parent Company, following the amendment of the Senior Facilities Loan Agreement taking place on April 2018;
- consultancy costs of Euro 1,016 thousand incurred by the subsidiary CIN, concerning the assignment of the consideration deriving from the agreement for the year 2019, as described in greater detail under paragraph '*Consideration on the financial structure and risks connected to financial indebtedness*'.

Non-recurring income for the year 2017 includes[5]:

- the gain of Euro 8 thousand realised by the subsidiary Toremar following the sale of an engine;
- the gain of Euro 238 thousand realised by the subsidiary LTM following the sale of 5 port vehicles.

The main variables useful to analyse the Group financial situation are represented by the revenues performance, mainly divided between passengers and freight streams, and by the raw material and services trend, including the cost for fuels, which represents the most significant item in terms of incidence on the revenue.
Refer to paragraph "Recurring revenues" and "Recurring operating costs" for an accurate analysis of the results carried out by the Group in the period.

[4] On December 31, 2017, they were restated following the conclusion of the analysis of the Business Combinations which led to the allocation of goodwill as reported in Note 1.4 Business combinations

[5] As indicated in the paragraph 'Definitions', the Management considers the acquisition and sale of vessels as a recurring activity, as a consequence it is classified as recurring in the financial year 2017, the group attained capital gains on the sale of vessels for a total of Euro 21,500 thousand, as better described in the paragraph 'Other recurring operating income (costs)'.

Below is a restatement of the economic data that shows the performance of the EBITDA operating profitability indicator:

(€ thousands)			Year ended December 31,	
	2018	% of revenue	2017	% of revenue
Recurring operating profit	**(17,567)**	**(3.0%)**	**68,168**	**11.6%**
Non-recurring item	(3,504)	(0.6%)	246	0.0%
Operating profit/loss	**(21,071)**	**(3.6%)**	**68,414**	**11.7%**
+ Provisions and write-downs of current assets	2,721	0.5%	2,104	0.4%
+Amortization, depreciation and write-downs of fixed assets	62,324	10.7%	61,286	10.5%
EBITDA	**43,974**	**7.5%**	**131,804**	**22.5%**
- Non-recurring EBITDA	(3,504)	(0.6%)	246	0.0%
Recurring EBITDA	**47,478**	**8.1%**	**131,558**	**22.4%**

EBITDA and Contribution margin by SBU

The following table shows the Contribution margin by Group SBU with reference to the period ended December 31, 2018:

(€ thousands)	Year ended December 31,	
	2018	2017
Moby Ferries EBITDA	32,476	44,962
CIN Ferries EBITDA	(938)	72,517
Tugboats Contribution EBITDA	6,792	10,742
Port management EBITDA	7,841	6,303
Baltic EBITDA	(2,197)	(2,720)
Total EBITDA	**43,974**	**131,804**
- Non recurring	(3,504)	246
Total recurring EBITDA	**47,478**	**131,558**

With reference to the trends related to EBITDA performance, reference should be made to the information provided by paragraphs 'Recurring revenue' and 'Recurring operating costs'.

<u>Recurring revenues</u>

The following table provides for a detailed breakdown of the Group Revenues by operating segment for the period ended December 31, 2018 compared with the period ended December 31, 2017.

Recurring Revenues					Year ended December 31, 2018 compared
(€ thousands)	2018	% of revenue	2017	% of revenue	with 2017
Ferries	551,343	94.4%	552,221	94.2%	(878)
Tugboats	19,320	3.3%	21,041	3.6%	(1,721)
Port management	11,789	2.0%	11,440	2.0%	348
Other – *Co.Tu.Nav.*	1,883	0.3%	1,462	0.2%	421
Total Revenues	**584,335**	**100.0%**	**586,164**	**100.0%**	**(1,829)**

Ferries

The table below shows the breakdown of the revenue deriving from the Ferries operating segment for the shipping connections service:

Ferries Revenues					**Year ended December 31,**
(€ thousands)	**2018**	**% of revenue**	**2017**	**% of revenue**	**2018 compared with 2017**
Sardinia	288,946	49.4%	298,857	51.0%	(9,911)
Tuscan Archipelago	49,261	8.4%	49,876	8.5%	(615)
Sicily	76,483	13.1%	66,674	11.4%	9,809
Corsica	24,962	4.3%	24,021	4.1%	941
Tremiti Islands	1,570	0.3%	1,492	0.3%	78
Baltic	16,562	2.8%	14,673	2.5%	1,889
Subsidies	86,392	14.8%	86,209	14.7%	183
Other (*)	7,168	1.2%	10,419	1.8%	(3,252)
Total Ferries Revenue	**551,343**	**94.4%**	**552,221**	**94.2%**	**(878)**

(*) *includes rentals and revenue of the Subsidiary MLE and AMB*

The table below shows the breakdown of the revenue deriving from the Ferries SBU for the service offered:

Ferries Revenues					**Year ended December 31,**
(€ thousands)	**2018**	**% of revenue**	**2017**	**% of revenue**	**2018 compared with 2017**
Revenues from passengers and vehicle transport	282,453	48.3%	285,774	48.8%	(3,321)
Revenues from freight transport	149,152	25.5%	145,704	24.9%	3,448
Revenues from on-board services	26,487	4.5%	24,349	4.2%	2,138
Revenues from chartering	6,859	1.2%	10,185	1.7%	(3,326)
Revenue from subsidies	86,392	14.8%	86,209	14.7%	183
Total Ferries Revenue	**551,343**	**94.4%**	**552,221**	**94.2%**	**(878)**

The overall performance of the Group's revenues for the Ferries SBU recorded a slight reduction equal to 0.2% (Euro 878 thousand).

Analysing by the service offered, an increase is shown for the freight segment of 2.4% (Euro 3,448 thousand), which is attributable, at overall geographic level, to the increase in the linear metres carried, especially with reference to the lines covered by the subsidiary CIN. With reference to the passenger segment, a reduction is recorded in 'Revenues from passenger and vehicle transport' of 1.2% (Euro 3,321 thousand) as a consequence, at overall level, of the reduction in tickets sold, given stable sales unit prices. In addition, still referring to the passenger segment, an excellent performance is recorded in 'Revenues from on-board services', with an overall increase of 8.8% (Euro 2,138 thousand), mainly attributable to the cruising business in the 'Baltic' sea, the lines to and from 'Corsica' and 'Sardinia'.

Analysing by service maritime transportation, it reveals a 'Sardinia' result that is down 3.3% (Euro 9,911 thousand) and is attributable to decline in the passenger segment, analysed previously, and a fall in the freight segment, as a consequence of a reduction in the linear metres carried.
The 'Sicily' result, up 14.7% (Euro 9,809 thousand), is attributable to a positive performance of the freight segment and the passenger segment, as a consequence the increase in sales volumes and despite a decline of the applied tariffs, also by virtue of the introduction of the new Naples – Catania line, in operation since May.
The 'Tuscan Archipelago' result, down 1.2% (Euro 615 thousand), is attributable to a slight decline in sales volumes, both for the passenger and freight segments.
The 'Corsica' result, up 3.9% (Euro 941 thousand), is mainly due to the rise in tickets sold in the passenger segment and the increase in revenues from on-board services.
The 'Baltic' result, up 12.9% (Euro 1,889 thousand), is due to the passenger segment, considering the excellent performance of the 'Revenues from on-board services'.

"Subsidies" refer to:

- the public subsidy accrued for the period received by the subsidiary Toremar pursuant to the "Service Contract" with the Tuscan Region as a continuity guarantee of the public maritime transportation to and from the Tuscan Archipelago for Euro 13,706 thousand;
- the consideration deriving from the subsidy paid to the subsidiary CIN by the Italian State to carry out the public interest maritime transportation with major and minor islands, that is Sardinia, Sicily, and Tremiti Islands for Euro 72,686 thousand.

The other revenues not allocated to any geographical area refer mainly to the amount generated by leasing vessels, which showed a decrease of 31.2% (Euro 3,252), following a different use of the fleet and greater charters made compared to the 2017 comparative data with reference to the leases of "Moby Dada" and "Dimonios".

Tugboats

The following table shows the breakdown of the Revenue from the Tugboats *SBU* for the period ended December 31, 2018:

Tugboats Revenues (€ thousands)	**2018**	**% of revenue**	**2017**	**% of revenue**	**Year ended December 31, 2018 compared with 2017**
Port services	19,222	3.3%	20,800	3.5%	(1,578)
Towing at sea, salvage and anti-pollution services	98	0.0%	241	0.0%	(143)
Total Tugboats Revenues	**19,320**	**3.3%**	**21,041**	**3.6%**	**(1,721)**

Revenues from Tugboats segment are ascribable to the operations carried out by the Parent Company and the subsidiary San Cataldo fleets in the main Sardinian ports and in the Barletta port respectively. The performance in 2018 reflects the reduction of traffic at Cagliari port in Sardinia.

Port Management

The revenues deriving from the 'Port Management' include revenues generated:
- by the subsidiary Sinergest in the management of the Olbia Isola Bianca cruise terminal and connections to the Sardinian port's passenger traffic, for Euro 9,720 thousand (Euro 9,469 thousand in 2017);
- by port operations at Dock no. 1 of Livorno, managed by the subsidiary LTM, for Euro 1,200 thousand (Euro 1,102 thousand in 2017);
- by the commissions deriving from the agency operations of the subsidiaries Renzo Conti, for Euro 870 thousand (Euro 869 thousand in 2017).

<u>Recurring operating costs</u>

Consumption of raw materials and recurring services

A breakdown of the item 'Consumption of aw materials and recurring services' for the period ended December 31, 2018 compared with the period ended December 31, 2017 is provided below:

Consumption of raw materials and recurring services (€ thousands)	**2018**	**% of revenue**	**2017**	**% of revenue**	**Year ended December 31, 2018 compared with 2017**
Fuel	(171,953)	(29.4%)	(141,097)	(24.1%)	**(30,856)**
Materials and spare parts	(11,287)	(1.9%)	(10,800)	(1.8%)	**(487)**
Service costs	(227,983)	(39.0%)	(206,277)	(35.2%)	**(21,706)**
Change in inventories	(26)	0.0%	274	0.0%)	**(300)**
Total consumption of raw materials and services	**(411,249)**	**(70.4%)**	**(357,900)**	**(61.1%)**	**(53,349)**

The cost for 'Consumption of raw materials and recurring services' includes for Euro 171,953 thousand the expenses for fuels and diesel, which amounted to Euro 141,097 thousand in the comparative 2017 period. The ferries segment generates approximately 96% of the costs related to 'Fuel', compared to 'Revenue' the

incidence shows an increase from 24.1% in 2017 to 29.4% in 2018. The trend in the cost of 'Fuel' is increasing, following a rise in the price of the underlying raw material.
The current macroeconomic scenario, characterised by an unpredictable trend for prices, has led the Group to structure risk management strategies designed to mitigate any changes in the raw material price by entering into hedging derivative contracts. The hedging concerned a three-year strategy from 2016 to 2018. Additional contracts were signed in December 2018 for the 2019 requirement for a negligible amount.
The costs incurred for the purchase of 'Materials and spare parts' used for fleet maintenance remain substantially in line with the year ended December 31, 2017. It is recalled that the interventions carried out are aimed at maintaining and improving the quality standards of the vessels.

The breakdown of "Recurring service costs" is detailed below:

Service costs (€ thousands)	**2018**	**% of revenue**	**2017**	**% of revenue**	**Year ended December 31, 2018 compared with 2017**
Port costs	(77,635)	(13.3%)	(70,911)	(12.1%)	(6,724)
Rentals and operating leases	(55,703)	(9.5%)	(44,280)	(7.6%)	(11,423)
General expenses	(23,333)	(4.0%)	(20,663)	(3.5%)	(2,670)
Agency fees	(20,671)	(3.5%)	(20,644)	(3.5%)	(27)
Maintenance	(14,063)	(2.4%)	(15,213)	(2.6%)	1,150
Fleet insurance	(10,225)	(1.7%)	(10,943)	(1.9%)	718
Advertising	(12,770)	(2.2%)	(10,223)	(1.7%)	(2,547)
Corporate bodies	(7,417)	(1.3%)	(6,855)	(1.2%)	(562)
Ancillary maritime costs	(4,523)	(0.8%)	(4,822)	(0.8%)	299
Bank charges	(1,643)	(0.3%)	(1,723)	(0.3%)	80
Total service costs	**(227,983)**	**(39.0%)**	**(206,277)**	**(35.2%)**	**(21,706)**

The first five cost items account for over 80% of the total service costs. The most important are 'Port costs', originated by the ferries sailing and operating activity. The main items of expenditure which highlight the greatest differences compared to the 2017 comparative period are:

- 'Rentals and operating leases' are up consequently to: *i)* the lease by the subsidiary CIN of 4 new vessels to cover 2018 operations, replacing 3 chartered vessels for all of 2017, and the use, for all of 2018, of 2 vessels used only partially in 2017, resulting in higher rental fees totalling Euro 10,500 thousand; *ii)* the charter in October to the Parent Company of the "Alf Pollak" vessel, leased by the company F.lli Onorato Armatori S.r.l. and used by the subsidiary CIN. Since December 2018, the vessel has been leased to third parties for 12 months;
- 'Port Costs', up as a result of the higher volumes recorded in the 'freight' segment also following the introduction of the new route of the subsidiary CIN. On a residual basis, please note that the increase in costs deriving from the performance of the port activities for the ports of Livorno and Catania, as a consequence of the greater volumes managed;
- 'General expenses', up following the administrative fees incurred to support the various financial and strategic operations made in the period;
- 'Advertising', up following a different advertising strategy compared to 2017, aimed at increasing the media presence of the Group's initiatives, especially for the summer;
- 'Maintenance', down following the streamlining of the technical area and the purchases made in 2018.

Recurring personnel costs

The table below shows the breakdown of recurring personnel costs for the period ended December 31, 2018 compared with the period ended December 31, 2017:

Recurring personnel costs					Year ended December 31,
(€ thousands)	2018	% of revenue	2017	% of revenue	2018 compared with 2017
Wages and salaries	(128,135)	(21.9%)	(128,428)	(21.9%)	293
Social security contributions	(11,553)	(2.0%)	(8,916)	(1.5%)	(2,637)
IRPEF tax relief pursuant to Law no. 326/2003	13,275	2.3%	14,312	2.4%	(1,037)
Severance indemnities	(5,688)	(1.0%)	(5,603)	(1.0%)	(85)
Total personnel costs	**(132,101)**	**(22.6%)**	**(128,635)**	**(21.9%)**	**(3,466)**

The individual income tax relief pursuant to Law 326/2003 refers to the individual income tax deductions that the companies Moby and CIN, in view of the reliefs granted to sector operators that work with vessels entered in the international register, apply for maritime personnel and are not obliged to pass on to the State.

Personnel costs are mainly generated by the Ferries segment, which accounts for 81% of the total, with a contribution of the Tugboats segment equal to 7%, the Port Management segment equal to 6%, general structure equal to 5% and Baltic Sea equal to 1%.

The increase compared to 2017 mainly derives from the rise in the personnel of the subsidiary CPS, to cover the greater traffic managed at the port of Catania, and the higher costs of the subsidiary CIN, for a greater use of seafarers.

Other recurring operating income (costs)

The table below shows a detailed breakdown of Other recurring operating income (costs) for the period ended December 31, 2018 compared with the financial year ending on December 31, 2017:

Other recurring operating income (costs)					Year ended December 31,
(€ thousands)	2018	% of revenue	2017	% of revenue	2018 compared with 2017
Capital gains/(losses)	-	-	21,312	3.6%	(21,312)
Other operating income (costs)	6,493	1.1%	10,617	1.8%	(4,124)
Other operating income (costs)	**6,493**	**1.1%**	**31,929**	**5.4%**	**(25,436)**

'Other recurring operating income (costs)' mainly comprise insurance compensation of Euro 5,008 thousand (Euro 8,052 thousand in 2017), following the maintenance costs incurred for damages and recognised under 'Consumption of raw materials and services'.

In 2017, 'Capital gains/(losses)' comprise:

- the gains achieved by the subsidiary CIN following the sale of the "Dimonios" and "Puglia" vessels of Euro 9,868 thousand, including sales cost of Euro 1,326 thousand, and Euro 11,452 thousand, including sales costs of Euro 302 thousand, respectively;
- the gain achieved by the Parent Company a result of the sale of the "Baby" vessel for Euro 205 thousand, including Euro 10 thousand of sales costs.
- the loss incurred by the Parent Company as a result of the sale of the "Love" vessel for Euro 25 thousand, including Euro 22 thousand of sales costs.

Analysis of the statement of financial position as of December 31, 2018

The following paragraph provides the information related to the main Group consolidated financial indicators for the periods ended as of December 31, 2018 and 2017.

The reclassified table of Sources and Applications for the consolidated statement of financial position as of December 31, 2018 and 2017 is provided below:

(€ thousands)		December 31,
	2018	2017
APPLICATIONS		
Net working capital	(28,904)	(71,018)
Fixed assets and other long-term assets	738,356	739,563
Long-term liabilities	(21,100)	(20,080)
Net invested capital	**688,353**	**648,466**
SOURCES		
Net financial debt	(590,077)	(496,397)
Net equity	(98,276)	(152,069)
Sources of financing	**(688,353)**	**(648,466)**

Net working capital

A detailed breakdown of 'Net working capital' as of December 31, 2018 and 2017 is set out below:

(€ thousands)		December 31,
	2018	2017
Trade receivables	66,904	60,951
Inventories	15,449	15,773
Trade payables	(110,272)	(129,846)
Net operating Working Capital	**(27,919)**	**(53,122)**
Miscellaneous receivables and payables and other current assets/(liabilities) and (Current tax liabilities)	(985)	(17,896)
Net working capital	**(28,904)**	**(71,018)**

'Net working capital' as at December 31, 2018 shows a negative balance of Euro 28,904 thousand, a change of Euro 42,114 thousand compared to December 31, 2017. The trend is influenced by the reduction of both the negative balance of the 'Miscellaneous receivables and payables and other current assets/(liabilities)' and 'Trade payables', and the increase in 'Trade receivables'.

The change in the balance of 'Miscellaneous receivables and payables and other current assets/(liabilities)' is mainly due to the increase in 'Miscellaneous receivables and other current assets' following *i)* the payments made during the year for services and supplies to be concluded in 2019 for Euro 1,079 thousand, among which Euro 750 thousand paid by the subsidiary CIN as an advance on the purchase of specific systems that reduce pollutant emissions (scrubbers) to be installed on the new "Maria Grazia Onorato" vessel, delivered to the subsidiary in March 2019; *ii)* the payment of the first instalment for the purchase of a new tugboat for Euro 1,458 thousand; *iii)* the advances paid to the chairman of the Board of Directors of the Parent Company with reference to the fee for 2019 and part of 2020, equal to Euro 4,990 thousand; *iv)* the Advance hire payment made in January 2018 and in October 2018 for a total of Euro 5,697 thousand to the company F.lli Onorato Armatori S.r.l. relating to the 8 year lease of the vessels "Alf Pollak" and "Maria Grazia Onorato"; *iii)* the Advance hire payment made in December 2018 for a total of Euro 4,662 thousand to the company F.lli Onorato Armatori S.r.l. relating to the long-term lease of two vessels under construction, whose delivery is scheduled during 2021 and 2022.

The change in 'Trade payables' is a consequence of a greater payment of trade payables due to the fewer commercial strategies adopted on non-financial exposure compared to 2017.

The change in 'Trade receivables' is mainly due to the performance of the turnover generated by the freight segment.

Fixed assets and other long-term assets

The table below details the breakdown of the fixed assets and other long-term assets as of December 31, 2018 and 2017:

(€ thousands)	2018	December 31, 2017
Other intangible assets	28,376	31,945
Goodwill	42,834	42,834
Property, plant equipment	36,177	33,539
Fleet	622,211	623,690
Equity investments	4,006	1,724
Deferred tax assets	4,752	5,831
Fixed assets and other long-term assets	**738,356**	**739,563**

The following table shows the breakdown of the Fleet by operating segment:

(€ thousands)	2018	December 31, 2017
Ferries	615,717	616,216
Tugboats	6,494	7,474
Total Fleet	**622,211**	**623,690**

During the period the operating activities of fleet management have brought investments for Euro 52,919 thousand, of which mainly: Euro 15,076 thousand are ascribable to cyclical maintenance, Euro 5,214 thousand for the renovation of the passenger common areas, Euro 18,956 thousand for structural maintenance on mechanical parts, engines and compliance to the SOLAS regulations, Euro 2,758 thousand for silicone treatment purposes, Euro 2,175 thousand for structural upgrades to safety equipment and energy saving and Euro 1,442 thousand for the investing activity in the tugboats fleet.
In addition, the following extraordinary transactions were completed:

- refitting operations completed on the "Oglasa" for Euro 1,632 thousand;
- initial refitting operations completed on the "Alf Pollak" for Euro 5,391 thousand.

Moreover, amortizations, depreciations and write-downs of the recurring results are presented below:

(€ thousands)				Year ended December 31,	
	2018	% of Revenue	2017	% of Revenue	2018 compared with 2017
Amortisation of and impairment losses on intangible assets	(4,809)	(0.8%)	(4,720)	(0.8%)	(89)
Depreciation of property, plant and equipment	(3,117)	(0.5%)	(2,861)	(0.5%)	(256)
Depreciation of the fleet	(54,398)	(9.3%)	(53,705)	(9.2%)	(693)
Total depreciation and amortization	**(62,324)**	**(10.7%)**	**(61,286)**	**(10.5%)**	**(1,038)**

Long-term liabilities

The detailed breakdown of the long-term liabilities as of December 31, 2018 and 2017 is shown below:

(€ thousands)	2018	December 31, 2017
Provisions for employee benefits	(3,819)	(4,033)
Provisions for risks and expenses	(8,264)	(6,797)
Deferred tax liabilities	(9,017)	(9,250)
Long-term liabilities	**(21,100)**	**(20,080)**

With reference to Provisions, the main movements are summarised below:

- the provision for Euro 4,000 thousand by the Parent Company, following inspections made by the Antitrust Authority (AGCM) in April 2016 in connection with presumed behaviours representative of abuse of dominant position on the freight transportation market on routes connecting Sardinia;
- the release of Euro 1,966 thousand by the subsidiary CIN, for failure to use the provisions hedging the corporate structure restructuring plan and the provision hedging the notice of assessment following the restatement of the direct and indirect taxes for the tax year 2012.

Net financial debt

A detailed breakdown of net financial indebtedness as of December 31, 2018 and 2017 is set out below:

(€ thousands)		December 31,
	2018	2017
Use of credit lines and other short-term financial liabilities	(134,127)	(60,849)
Current portion of medium-and long term financing	(171,787)	(69,160)
IRS fair value on financing-current share	-	(11)
Current portion of financing vs Tirrenia in A.S.	(115,000)	(55,000)
Current financial indebtedness	**(420,914)**	**(185,020)**
Medium-/long-term financing	(283,524)	(423,251)
Non-current portion of financing vs Tirrenia in A.S.	(65,000)	(125,000)
Non-current financial indebtedness	**(348,524)**	**(548,251)**
Total gross financial indebtedness	**(769,438)**	**(733,271)**
Other non-current financial assets	3,141	3,110
Other current financial assets	4,097	161
Cash and cash equivalents	172,123	233,602
Net financial debt	**(590,077)**	**(496,398)**

During 2018 'Net financial debt' shows a total negative change of Euro 93,679 thousand. For a complete picture of cash flows and the events referring to the Senior Facilities Agreement, see the paragraph '*Consideration on the financial structure and risks connected to the financial indebtedness*'; the significant changes for the period 2018 are shown below:

- the Parent Company met the second deadline of the Term line paying Euro 40,000 thousand in February 2018;
- the subsidiary CIN made an assignment with-recourse of the consideration deriving from the agreement for 2019 recognising a short-term loan equal to Euro 69,778 thousand;
- the subsidiary CPS signed 6 financial leases relating to the use of port vehicles totalling Euro 836 thousand.

As mentioned above, the "net financial indebtedness" of the Group as at December 31, 2017 included the fair value of the hedging derivative instruments referred to financial liabilities, in this case specifically represented by Interest Rate Swap contracts. The "adjusted net financial indebtedness", purified of the fair value of these contracts, which is included in the "net financial indebtedness", at the end of each period did not generate any cash inflow or outflow, is described below:

(€ thousands)		December 31,
	2018	2017
Net financial debt	(590,077)	(496,398)
IRS fair value on borrowings	-	11
Adjusted net financial indebtedness	**(590,077)**	**(496,387)**

The breakdown of the item 'Recurring financial income/expenses for the period ended December 31, 2018 compared with the period ended December 31, 2017 is detailed below:

Recurring financial income and expenses (€ thousands)	2018	% of Revenue	2017	% of Revenue	Year ended December 31, 2018 compared with 2017
Interest expense	(36,036)	(6.2%)	(41,399)	(7.1%)	5,363
Expenses from derivative instruments	(787)	(0.1%)	(1,464)	(0.2%)	677
Foreign exchange losses	(541)	(0.1%)	(159)	(0.0%)	(382)
Financial expenses	**(37,364)**	**(6.4%)**	**(43,022)**	**(7.3%)**	**5,658**
Interest income	399	0.1%	425	0.1%	(26)
Income from derivative instruments	-	0.0%	4	0.0%	(4)
Income from equity investments	-	0.0%	444	0.1%	(444)
Foreign exchange gains	208	0.0%	575	0.1%	(367)
Financial income	**607**	**0.1%**	**1,448**	**0.2%**	**(841)**
Total financial income and expenses	**(36,757)**	**(6.3%)**	**(41,574)**	**(7.1%)**	**4,817**

'Recurring financial expenses' are down compared to the previous year due to:

- lower 'Interest expenses' following the missed release with financial expense of the discount rate of the payable to Tirrenia in A.S. for Euro 5,608 thousand occurred in 2017;
- lower 'Expenses from derivative instruments' following the lower expenses deriving from the ineffectiveness recorded in 2018 for the Swap derivative contracts.

With reference to the trend of the financial expenses from the Group's financial structure, included in the item 'Interest expenses', a:

- reduction of Euro 1,160 thousand is recorded (relevant portion of interest Euro 733 thousand and portion of amortised cost Euro 427 thousand) in the interest for the Senior Facilities Agreement, consequently to a lower remaining principal;
- an increase equal to Euro 1,254 thousand in interest, net of the reduction in commissions for not used, incurred for the revolving credit line, due to the higher interest rate incurred on the use.

With reference to the 'Recurring financial income', the change is attributable to the 'Income from equity investments' following the accounting of IFRS 9 from January 1, 2018.

In 2018 'Result of investments valued at FV' according to IFRS 9 equal to Euro 215 thousand was recorded.

Related parties transactions

The Group has maintained relationships with related parties during the period. Transactions with related parties are carried out under normal market conditions and are part of the Company's ordinary operating activities.

The tables below provide details of the financial and capital transactions with related parties for the year 2018 for more details, please see the information provided by the 'Explanatory notes to the Financial Statements, 6.29 Relations with Correlated Parties'.

(€ thousands)			Year ended December 31, 2018
	Consumption of raw materials and services	Personnel costs	Financial income
Board of Directors	(3,962)	(1,979)	20
Suppliers	(4,618)	-	-
Total	**(8,580)**	**(1,979)**	**20**

(€ thousands)						December 31, 2018
	Current financial assets	Trade receivables	Other receivables and other current assets	Trade payables	Other payables and other current liabilities	Provisions for employee benefits
Board of Directors	1,048	11	4,990	100	172	94
Suppliers	-	1,109	10,250	636	-	-
Total	**1,048**	**1,120**	**15,240**	**736**	**172**	**94**

Transactions with subsidiaries are shown in the following detail:

(€ thousands)	Year ended December 31, 2018		December 31, 2018		
Transactions carried out by the group with subsidiaries	Consumption of raw materials and services	Capitalised costs	Current financial assets	Trade receivables	Trade payables
Saradecals srl	(109)	285	25	2	40
Terminal Traghetti Napoli srl	(2,302)	-	-	77	874
Total	**(2,411)**	**285**	**25**	**79**	**914**

On July 1 2016, the Parent Company granted a Euro 1,000 thousand loan to the Chairman of its Board of Directors, which bears interest at 2%. The receivable, which falls due in 2018, was postponed to April 30, 2021.
'Other receivables and other current assets' comprise the receivable from the chairman of the Parent Company's Board of Directors disbursed during the period for Euro 4,990 thousand and relating to the advance on the fees for 2019 and part of 2020. At December 31, 2017, an advance was paid on the fee for the year 2018, equal to Euro 1,000 thousand.
In addition, please note that in 2016 leasing contracts were signed relating to the use of three cars available to the directors and the Chairman, for a residual amount to be paid as at December 31, 2018 equal to Euro 156 thousand.

Transactions with F.lli Onorato Armatori S.r.l.

F.lli Onorato Armatori S.r.l. was established in September 2017 and is equally shared by the directors of the Parent Company, Achille Onorato and Alessandro Onorato.
Transactions with the Group are shown below.

With reference to the newly built RoRo vessels "Alf Pollak" and "Maria Grazia Onorato", completed and delivered in October 2018 and March 2019 respectively:

- in January 2018, following the private agreement which committed the Parent Company to hire two vessels, the latter paid Euro 3,500 thousand, as an advance hire payment for the two vessels;
- in October 2018, the Parent Company paid Euro 2,197 thousand, as a second advance hire at the same time as the delivery of "Alf Pollak" and signed a Bareboat Charter for 8 years. The overall financial commitment for the entire chartering period, net of the amount already paid, is equal to

Euro 45,726 thousand, of which Euro 1,259 thousand paid between October and December 2018. In additional Euro 309 thousand were paid as a bunker initial outstanding amount;

- in March 2019, the Parent Company paid Euro 2,429 thousand, as a second advance hire at the same time as the delivery of "Maria Grazia Onorato" and signed a Bareboat Charter for 8 years. The overall financial commitment for the entire chartering period, net of the amount already paid, is equal to Euro 45,494 thousand. In additional Euro 283 thousand were paid as a bunker initial outstanding amount.

The vessels were then leased by the Parent Company to the subsidiary CIN at a charter equal to the amount invoiced by Società F.lli Onorato Armatori S.r.l. to the Parent Company.

With reference to two newly built Ro Pax vessels so-called "New Ships" with delivery scheduled in 2021 and 2022:

- in December 2017 and during 2018, the Parent Company assigned by way of payment to the company F.lli Onorato Armatori S.r.l. technical documents and drawings relating the design of two Ro Pax vessels for a total Euro 1,108 thousand;
- the company F.lli Onorato Armatori S.r.l. subsequently signed two contracts concerning two new Ro Pax vessels, and a sales agreement and simultaneous charter of the "New Vessels" with a foreign financier;
- in November 2018, F.lli Onorato Armatori S.r.l. and the Parent Company signed a private agreement with reciprocal commitment in their capacity as 'Charterer' and 'Sub Charterer', respectively to grant and bareboat charter the new "New Vessels", being obliged to define and sign a Bareboat Sub Charter Agreement for each of the two "New Vessels" according to the terms and methods established by the 'Charterer' at a charter price set at market conditions; furthermore, the Parent Company committed to pay Euro 5,367 thousand as an advance hire; the payment took place for Euro 4,662 thousand in December 2018 and the residual amount was paid in January 2019;
- in January 2019, the Parent Company following an additional private agreement with F.lli Onorato Armatori S.r.l., was obliged to pay additional charters equalling: *i)* Euro 20,154 thousand in 2019; *ii)* Euro 30,232 thousand in 2020; and *iii)* Euro 5,039 thousand in 2021, at the same time as the delivery set for the first vessel.

Because of their technical characteristics, capacity, tonnage and environmental impact, the "New Vessels" will mean a significant improvement for the Parent Company's fleet.

With reference to both operations defined above, the Parent Company's Board of Directors resolved, on October 17, 2018 and April 15, 2019, respectively, to approve the commitments undertaken with F.lli Onorato Armatori S.r.l. and, assisted by leading law firms, checked that the above-mentioned transactions met the Senior Facilities Agreement and Senior Secured Notes loan agreements.

Risks and uncertainties

The main risks and uncertainties to which the Group is exposed, as well as the policies relate to the financial risk management, are discussed below.
The Group Management is responsible for the management of the business and financial risks by acting in line with the corporate risk management policies.
The Board of Directors is informed of the management policies of each of the risks described below.

Consideration on the financial structure and risks connected to the financial indebtedness
Net cash flow absorbed during the period and resulting from the cash flow statement of the consolidated financial statements for 2018 amounts to Euro 57,480 thousand, compared with a positive net cash flow generated in 2017 equal to Euro 71,683 thousand.
This flow originated mainly:

- from a net cash flow generated from operating activities for Euro 3,502 thousand, down compared to 2017 for Euro 98,319 thousand; this reduction is mainly due to: *i)* a drop of Euro 87,830 thousand of the Ebitda mainly attributable to the increase in the costs relating to the fuel and the absence benefit relating to the gains recorded during 2017 following the sales of the vessels "Puglia" and "Dimonios"; *ii)* a negative change in the 'Net operating working capital' (CCON), due to an increase in the 'Other receivables and other assets' (following the payments made for services and supplies to be concluded in 2019, advances for charters and down payment for the use and future acquisition of new vessels, as better described in the paragraph 'Net working capital'), a reduction in 'Trade payables', attributable to a lower use of commercial strategies on non-financial exposure and an increase in the 'Trade receivables', affected by the performance of the sales of the freight segment;
  The reduction described previously is partially offset by the 'Other Changes' that mainly contain the income from the sale of vessels by the Group in 2017, as analysed in the paragraph 'Other recurring operating income (costs)', reversed by the net cash flow generated from operating activities in order to be included in the cash flow generated by investments;
- from a net cash flow absorbed by investing activities for Euro 60,462 thousand, a worsening compared to the 2017 period of Euro 13,591 thousand; the flow is mainly influenced by the trends of investments / divestments on the fleet. During 2018 the Group did not benefit from the sale of vessels as it did during 2017, and this meant lower net financial flows of Euro 28,164 thousand (considering the net of the purchase and sale transaction that concerned the vessel "Dimonios"). Investments in the fleet decreased for Euro 4,319 thousand instead, mainly due to the flows of 2017 due to the refitting and purchase of the vessel "Rio Marina Bella".
  Also down are the investments in tangible assets and the flows deriving from the acquisitions of subsidiaries;
- from a net cash flow absorbed by financial activities for Euro 520 thousand, worsening compared to 2017 for Euro 17,253 thousand mainly due to paying the second instalment of the Senior Facilities Agreement for Euro 40,000 thousand, compared to the payment of the first instalment taking place in 2017 equal to Euro 10,000 thousand, partially offset by the change in short-term financial liabilities which benefited in 2018 from the loan generated by the subsidiary CIN following the assignment with-recourse of the consideration deriving from the agreement for 2019 of Euro 69,778 thousand. On December 31, 2017 it benefited from the change deriving from the full use of the revolving credit line for Euro 57,820 thousand.

The performance of the cash flows compared with the 2017 cash flows is shown in summary form below.

(€ thousands)	Year ended December 31,		
	2018	2017	*2018 compared with 2017*
Net result from the period	*(62,683)*	*22,947*	*(85,631)*
Income taxes	*4,571*	*3,893*	*678*
Balance of net financial management (Financial expenses / income)	*37,042*	*41,574*	*(4,532)*
Provisions, write-downs of current assets, Amortisation and write-downs of fixed assets	*65,045*	*63,390*	*1,655*
EBITDA	**43,974**	**131,804**	***(87,830)***
CCON changes	(26,588)	(14,582)	*(12,006)*
Changes in Miscellaneous receivables and payables and other current assets/(liabilities)	(10,292)	12,590	*(22,882)*
Other Changes*	(3,592)	(27,992)	*24,399*
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**3,502**	**101,821**	***(98,319)***
Investment in tangible assets - fleet	(52,919)	(99,390)	*46,471*
Investment in tangible assets - property, plant and equipment and intangible assets	(7,920)	(12,187)	*4,268*
Sale of fleet	-	68,655	*(68,655)*
Proceeds from sale of property, plant and equipment	318	711	*(393)*
Proceeds from other financial assets	99	415	*(316)*
Acquisition of subsidiaries, net of cash acquired	-	(5,013)	*5,013*
Acquisition of equity investments	(40)	(102)	*62*
Collection of third party contribution	-	40	*(40)*
NET CASH FLOW GENERATED/(ABSORBED) IN INVESTING ACTIVITIES (B)	**(60,462)**	**(46,871)**	***(13,591)***
Free cash flow (C) = (A + B)	***(56,960)***	***54,950***	***(111,910)***
Medium to long-term loans and borrowings disbursed, net of the costs incurred	836	4,298	*(3,461)*
Repayment from medium to long-term loans and borrowings	(40,871)	(11,693)	*(29,178)*
Net change in current financial liabilities	72,751	56,031	*16,720*
Dividends paid	(491)	(673)	*182*
Payment of interest and other financial charges and collection of interest income	(32,745)	(31,230)	*(1,516)*
NET CASH FLOW GENERATED/(ABSORBED) BY THE FINANCIAL ACTIVITIES (C)	**(520)**	**16,733**	***(17,253)***
Net change in cash and cash equivalents (C+D)	**(57,480)**	**71,683**	***(129,163)***

The Senior Facilities Agreement and the Senior Secured Notes entered into by the Parent Company in February 2016, bind the Group to some management choices, like non-recurring investments/disinvestments, the grant of guarantees in favour of third parties, dividend distribution and extraordinary transactions.
Moreover, the Senior Facilities Agreement provides for the compliance with the following financial covenants: *i*) ratio between net financial position and EBITDA calculated on the last twelve months on a bi-annual basis; *ii*) ratio between residual secured financial liabilities and fair value of the connected mortgaged ferries, on an annual basis at the end of the reporting period.

In early 2018, the Parent Company sent to the credit institutions (banking pool) a request to partially amend the loan agreement, which also impacts financial covenants. The banking pool subsequently approved the Parent Company's request, updating the Consolidated Leverage Ratio (net financial position to EBITDA, calculated over the last 12 months of the reporting date), in respect of December 31, 2017, June 30, 2018 and December 31, 2018 reporting dates. The amendment of the loan agreement also referred, inter alia, to margins updating to calculate the variable interest rate, increasing the range to 4.75%, as well as in the event of sale of fleet units for amounts above the contractually-agreed parameters, the mandatory repayment of 80% of the proceeds which are already allocated to the mandatory early repayment, without any possibility to reinvested or used to purchase vessels.
The Group calculated the financial covenants as at June 30, 2018 by checking their compliance.
During December the pool agreed, among other, on raising the limits set for the use of the assignment of receivables with and without recourse.
As described to "Note 1.2 Accounting standards – Going concern assumption", the contraction of the operating result occurred in 2018 led to non compliance with the financial covenants at December 31, 2018. The pool subsequently agreed on eliminating the Consolidated Leverage Ratio for the date of recognition at December 31, 2018, amending the Ratio on the dates of recognition at June 30, 2019, December 31, 2019 and for the subsequent dates of recognition, until the Term maturity. In addition, for the dates of recognition at June 30, 2019 and December 31, 2019, the pool enabled the Group to include in the calculation of the Consolidated Leverage Ratio the economic and financial effects deriving from the disposal of fixed assets completed by October 31, 2019 and January 31, 2020, respectively.
Following the failure to comply with the financial covenants in compliance with IAS 1, the Group reclassified the Senior Facilities Agreement entirely as current liabilities. Following the amendment mentioned above, the debt continues to be repayable as envisaged in the original loan agreement.

In February 2019, the Parent Company paid the third instalment of the Senior Facilities Agreement for Euro 50,000 thousand.

The payment of the debt in respect of Tirrenia di Navigazione S.p.A. in Amministrazione Straordinaria, relating to the portion referred to as 'Deferred price' for Euro 180,000 thousand in total (with the repayment originally required in three instalments falling due on April 30, 2016, 2019 and 2021) has been suspended, as detailed in 'Note 2.15 Provisions for risks and charges and potential liabilities', until a final decision is adopted in the investigation proceedings initiated in 2011 by the European Commission, with regard to State aid. On May 11, 2016, the subsidiary received a payment reminder from Tirrenia di Navigazione S.p.A. in Amministrazione Straordinaria, with regard to the instalment falling due on April 30, 2016; the subsidiary informed the counterparty of the suspension in the payment of the 'Deferred price', pursuant to Art. 5.02 (C) of the Sales Contract. On August 3, 2016, the subsidiary received yet another reminder from Tirrenia di Navigazione S.p.A. in A.S. and responded by confirming its position. On September 21, 2018, Tirrenia di Navigazione S.p.A. in A.S. sued the subsidiary CIN before the Court of Rome requesting to: *i)* declare the invalidity, nullity and illegitimacy of article 5.02 (C), where, inter alia, set the suspension of the payment of the 'Deferred price' as well as the possible reduction or cancellation following an adverse decision by the European Commission; *ii)* subject to preservation order on assets until the sum of Euro 55,000 thousand (equal to the instalment due on April 30, 2016 of the 'Deferred price'); *iii)* oblige the company to provide a suitable guarantee. The company appeared before the court contesting the entire claim in its entirety and requesting the rejection of the Tirrenia appeal. The company, supported by leading third-party law firms, considers the risk of losing to be unlikely. However, it deems that, any acceptance of the requests submitted by the commissioners would lead to cut off significant financial resources available for the Group's operating activities, also in consideration of the second instalment of the 'Deferred price', expiring on April 30, 2019 for Euro 60,000 thousand.
The subsidiary replied by confirming its position. Following the probable negative ruling of the European Commission shared by its legal advisors, as defined under the paragraph *Risks associated with the regulatory regime*, given the uncertainty of the amount to be claimed by the Italian Government, the timing and the payment terms agreed, the directors maintained the instalment plan set out in the contract covering the business unit acquisition.

The contractual terms laid down by the various loan agreements are met at the date of these financial statements.

With respect to the financial structure, in the second half of 2018, the Group implemented, in to a lower extent compared to previous years, business strategies on non-financial exposure in order to reduce the total amount of net working capital and completed the factoring transactions without recourse and with recourse of the consideration deriving from the agreement between the Italian State and the subsidiary CIN for 2019. These actions had a positive effect on the cash flows of the period.

For the reasons set out above, the Group manages the liquidity risk by preparing and implementing operating plans in order to minimize the negative trend effects on financial cash flows. Moreover, in order to mitigate the counterparty risk, the Group operates with a significant number of financing bodies (banks and investors), thereby minimising the concentration risk. The financial position, subject to annual budget, is monitored on a periodic basis through forecast and final evaluations. In preparing the 2019 Budget, the Directors included, among others, significant transactions aimed at the rationalization of the invested capital, such as the sale of units currently part of the fleet that are no longer considered strategic for the growth of the Group, which will benefit the financial structure of the Group and drive positive impacts on the Group's gross operating performance throughout the period covered by the Business Plan, also ensuring compliance with financial covenants.
Reference is made to the information in the "Notes to the consolidated financial statements" regarding the "Going concern" assumption.

Risks resulting from dependency on approval of port plans and the issue of licences
With reference to the Ferries Strategic Business Unit, the Group agrees on the methods for executing the docking, berthing, mooring, use of quays and port exits with the competent port management authorities on an annual basis, with the exception of some ports where these activities receive multi-year authorisation. The competent authorities have the right to make any changes or deviate from the requests coming from the shipping companies.
With reference to the Tugboats Strategic Business Unit, the Group operates in the reference ports according to exclusive licences issued by the Ministry of Transport or the competent Harbourmaster's Offices. These licences are granted between 2022 and 2030 and concern the ports of Arbatax, Cagliari, Oristano, Olbia, Porto Torres, Sarroch, Portovesme, Portoscuso, S. Antioco and Rada of the Golfo di Palmas, on account of which the risk of dependency on these licences appears limited. Licences granted for periods of more than four years can, however, be revoked for reasons of public interest. The licence to operate at Barletta port, used by the subsidiary San Cataldo, expired in 2013, and the company has started the ministerial procedure to obtain new authorisations, and is in the meantime operating under a temporary licence.
Lastly, the Group manages, through the subsidiaries:

- Sinergest, the "Isola Bianca" cruise terminal at the port of Olbia (SS), under an exclusive licence that expired in August 2018. The company obtained a temporary concession until June 30, 2019 and is carrying out all the activities required for the related renewal, which is subject to the awarding of a public tender;
- LTM operates quay no. 1 in the port of Livorno, managing Ro-Ro and Ro/Ro-Pax traffic along the so-called "Motorway of the Sea". It operates on the basis of specific concessions that will be expiring on December 31, 2019. The Group is doing whatever is necessary for the relevant renewal, which is subject to being awarded in a public tender.

In July 2018, the Temporary Consortium also set by the Parent Company and its subsidiaries LTM and Sinergest, took part in the privatisation tender of 66% of the company Porto di Livorno 2000 S.r.l., was definitively awarded the tender notice for a total amount of Euro 10,741 thousand. The company is engaged in the management of Livorno port's terminal. Having the competent authorities defined and completed the necessary formalities, in March 2019 the companies participating in the Temporary Consortium set up the company Livorno Terminal S.r.l., which the equity investment in Porto di Livorno 2000 will flow into, as a consequence of paying the amount agreed, expected in the beginning of May 2019.

If the licences held by the Group should be revoked, not renewed or renewed under different conditions from the current conditions, or if the competent authorities do not have port plans that are adequate for the operating requirements of the Group, these circumstances could have a negative impact on the activities and the operating results and financial position of the Moby Group.
The Group constantly evaluates and monitors the development of the risks in question, which however are considered insignificant in relation to the diversification of activities at the various ports.

Risks associated with fluctuations in the cost of fuel and oil products
The price of fuel is calculated on a daily basis under the scope of the Platts London international fuel prices, and is linked to the price of oil, expressed in US dollars, and international market dynamics, as well as the fluctuation of the €/$ exchange rate. Fuel purchases as a percentage of the Group's recurring revenue for the years ended December 31, 2018 was approximately 29%, up compared to the previous years.
The oil market, whose performance in recent years has been particularly volatile, is affected by various factors beyond the Group's control, such as, by way of example, the global dynamics of supply and demand; the competitiveness of alternative forms of energy; the development of oil extraction techniques and the efficiency of refining processes; economic and political conditions, both globally and regionally; the onset of international and local conflicts; and the management at international level of problems relating to environmental matters, which could affect the supply and price of oil and/or oil products. Any unexpected changes in the price of oil and oil products could have a negative impact on the activities and on the operating results and financial position of the Group.
In addition, as well as the risk of the volatility of prices, purchases of fuels and lubricants are also subject to the risk resulting from €/$ exchange rate fluctuations, as prices are expressed in US dollars.
The Group has therefore developed and applied a risk management strategy, defined in a policy approved by the Parent Company's Board of Directors, in order to mitigate raw materials price risk by taking out derivative financial contracts to cover specific future purchasing needs, determined on the basis of 12-36 month projections for fuel supply requirements regarded as highly likely. In 2015 and 2016, the Group

signed swap and call contracts with various counterparties on purchases of fuel oil and diesel made during the year. This hedges had an accounting effect for the years up to 2018.
In December 2018, the Parent Company signed 3 new hedging contracts for part (less than 6%) of the fuel requirement for 2019.

Risks associated with the competitiveness of the market in which the Group operates
As from 1999, the liberalisation of the shipping market in Italy reduced the entry barriers to this market, thus increasing competition for the shipping companies in terms of prices, route frequencies and destinations. This has become a particularly significant aspect in recent years during which there was a reduction in freight and passengers volumes as a whole on the Sardinian reference market, both with respect to tourism and industrial activities, with greater competitiveness on price leveraging by airline companies. The Group responded to the competition risk in this situation by implementing operating plans strictly in line with market requests, both with respect to the numbers of offers and quality standards. Moreover, the commercial strategy includes the goals of gaining customer loyalty, as well as increasing the number of customers. The sector is continuously monitored and, where possible, growth strategies are evaluated, including for external growtRisks associated with the regulatory regime
The Group operates in a sector subject to specific international, EU and national regulations which influence its operations. Possible changes to applicable regulations could require the Group to adopt safety standards, even in the environmental sector, that are stricter or affect its operations. Moreover, vessels are subject to a high number of checks and inspections by, inter alia, insurance companies, P&I clubs and classification bodies, the latter being necessary to attain and keep the class status, which is essential for the use of the vessel. In the case of stricter criteria for the issue of the certificates required for maritime navigation, the Group could be required to make additional investments.
Moreover, Moby Group and other companies in the shipping sector which use vessels registered with the international register benefit from a number of tax and contributory concessions relating to these vessels and the personnel who works on board. A change to existing legislation involving vessels registered with the international register could deprive the Group of the positive economic and financial effects of the regulations currently in force.

Following the European Community's approval of the regulations to reduce the limits on the sulphur content in fuel oils, which as from January 1, 2020 will go from 3.5% to 0.5%, for passenger ships from 1.5% to 0.5% and with SECA areas imposing a sulphur limit of 0.1% already since 2015, in order to reduce the atmospheric pollution produced by vessels, the Group is examining the different options that should be undertaken to comply with this regulation. Currently, the different scenarios being analysed in respect of ship owners mainly refer to: *i)* the possibility of investing in specific systems that reduce pollutant emissions, and allow for current fuel to be used with substantial continuity in the costs incurred to purchase fuels, and *ii)* using fuels with sulphur levels at the permitted levels, at a higher purchase price, but that would not involve significant investments to be made in the fleet.

Furthermore, the activities carried out are under the supervision of the Italian Antitrust Authority (the "AGCM"). With regard to the activities conducted by this Authority in relation to the Group, please note the following:

- on May 27, 2015 the Italian Antitrust Authority (AGCM) started a non-compliance proceeding with reference to the Parent Company, to verify whether the Company violated certain imposed conditions to the Toremar S.p.A. acquisition. At the moment, the Authority has carried out various auditions with the involved parties in the proceeding and both Moby and the counterparties have deposited the defensive memorandum. On May 5, 2016 the Authority notified to Moby the judgement according to which the subsidiary is compliant with the required measures; the company was found not to have complied with a number of formal obligations and, hence, a minimum pecuniary fine of Euro 374 thousand was applied against the same. Moby has challenged the order issued by the Italian Antitrust Authority before the Lazio Regional Administrative Court; the Company is current waiting to know the date of the hearing on the merits before the Lazio Regional Administrative Court. The directors, supported by third-party legal advisors, consider the risk of losing as possible and, for this reason, decided not to make any provision in the financial statements as of December 31, 2018;
- on April 12, 2016 the Parent Company and the subsidiary CIN underwent an inspection by the Italian Antitrust Authority in connection with the alleged abuse of dominant position on the freight

shipping market and Sardinia. During the preliminary investigation, the Authority has repeatedly heard from the Parties and has submitted several information requests that have been processed on time. On March 23, 2018, the Antitrust Authority imposed a fine on the Parent Company and the subsidiary CIN whereby the two companies are required to pay jointly and severally an administrative penalty of Euro 29,203 thousand. The companies contested the decision by appealing before the Lazio Regional Administrative Court. The Regional Administrative Court granted the provisional remedy by suspending the enforcement of the AGCM fine in the part that relates to the payment of the cash penalty, subjecting it to the provision of a deposit, subsequently filed before the court. The merit hearing has been set for May 22, 2019. The Parent Company, supported by leading third party law firms, is considering the risk of losing as probable, though with a significant reduction in the fine and, as a consequence, has made an allocation of Euro 4,000 thousand.

In 2011, an investigation was begun by the European Commission (the "Commission") into state aid granted by the Italian government to companies of the former Tirrenia group, including Toremar and CIN (the latter as assignee of the maritime cabotage business of Tirrenia di Navigazione S.p.A. in Amministrazione Straordinaria). In December 2012, this investigation was extended to include the procedures followed for the privatisation of these companies and the service agreement signed by CIN.

At the date of these financial statements, the administrative proceedings are still pending; the amounts requested by the State, as a consequence of the European Commission decisions, and the potential lesser amount that the companies could receive as compensation for the public service transportation in view of the new agreements are difficult to quantify, since they depend on different variables, also not known at the moment.

In the case of CIN, with the support of primary legal advisors, the Group considers probable that the European Commission would conclude as State aids on one of the inquiry profiles, and therefore would request the reimbursement of the amounts and the related interests.

In any case, the potential risk of said liabilities would be highly mitigated by the agreements signed between CIN and the Italian State in the transfer of business agreement on July 25, 2011; the agreement provides for the payment of a deferred sale price (Euro 180 million), suspended until the final definition of the proceeding undertaken by the Commission; the deferred payment would be reduced or not due at all in case CIN would be subject to a recovery action, notwithstanding the legitimacy of article 5.02 (C) of the Sale Contract, for which the subsidiary CIN was summoned, as described in greater detail under paragraph '*Consideration on the financial structure and risks connected to financial indebtedness*'. Despite the reactivation of the Commission's investigations at the beginning of 2018 and the progress deriving from the queries of September 2018, the Group, supported by its legal advisors, believes that it will be difficult for the Commission to take a decision before the summer of 2019. Therefore, it is possible that the final deadline for executing any order for recovery will not fall in 2019. In addition, considering the principle of procedural autonomy and the resulting application of the domestic administrative procedures, the deadline could exceed one year of the Commission's decision which, at the date of this report, is still pending. As a consequence, the Group, as part of the 2019 – 2021 plan approved by the Board of Directors of the Parent Company on April 15, 2019, does not incorporate any payment of the 'Deferred sale price' or the liability to be returned. However, it deems that a possible request within the time frame of the plan could have a significant impact on the Group's financial structure. For other inquiry profiles by the European Commission, the Company has evaluated the risk as possible or remote.

In light of the foregoing, the Group does not consider making any provision in the financial statements as at December 31, 2018.

In the case of Toremar, with reference to the investigation into state aids, assisted by leading legal advisors, considering the uncertain outcome of the investigation and the poor information available, the Group has evaluated as possible the risk that the Company would be considered as recipient of State aids with reference to one or more inquiry profiles. With reference to the compensation received for specific routes of the old and the new agreement, the Group, comforted by its lawyers, believes that the amount of the potential liability estimated as possible could be around Euro 20-25 million. Conversely, with respect to the company's privatisation terms and conditions, the Group, again supported by its legal advisors, considers as possible that the Commission decides that imposing technical and financial conditions on the potential buyers had a negative impact on the sale price to the benefit of the buyer. Should this be the case, the Parent Company may be required to repay the difference between the purchase price and the price that the Commission will consider as the market price.

In light of the foregoing, the Group does not consider making any provision in the financial statements as at December 31, 2018.

Financial statement ratios

The main ratios determined on the basis of the information from the consolidated financial statements for the period ended December 31, 2018 and December 31, 2017 are listed below:

	December 31,	
	2018	**2017**
Debt ratio (1)	6.0	3.3
Composition index of ratio(2)	9.6	6.1
Debt hedging ratio(3)	13.4	3.8
Financial expenses hedging ratio (4)	1.2	3.2

(1) *Ratio between net financial debt and shareholders' equity (group and non-controlling interests)*
(2) *Ratio between total liabilities and shareholders' equity (group and non-controlling interests)*
(3) *Ratio between net financial debt and EBITDA*
(4) *Ratio between EBITDA and net financial expenses*

Human resources

The Organisational Model adopted by the Parent Company and several subsidiaries ratifies numerous principles on Human Resources such as the protection of health and safety, legal compliance, the guarantee of equal opportunities and the promotion of professional development.
The Group recognises the centrality of human resources, compliance with the rights of employees and their protection regarding health and safety in the workplace. The management of Group employment relations is designed to guarantee equal opportunities and promote the professional development of everyone.

The table below gives the breakdown of the average workforce for the period ended December 31, 2018 and December 31, 2017:

	Year ended December 31,	
	2018	**2017**
Managers	36	31
White-collars	519	451
Blue-collars	98	57
Seafarers	2.323	1.909
Total	**2.976**	**2.448**

Workplace safety

The Group, through its subsidiaries, refers to the Risk Assessment Document required by law on workplace safety.
Above all, the document calls for an analysis of the risks at the company, for work activities and settlement methods; the measures taken to minimise these risks, the measures still required and those necessary to maintain an adequate level of safety, are indicated. Lastly, the times required to implement the remaining measures are indicated.
Safety is kept under control in the regular updates of the Risk Assessment Document, and the Emergency Plans and evacuation maps are also regularly updated.
Awareness-raising activities covering topics such as the environment and workplace safety, training for senior managers, emergency management operators and for all employees according to the provisions of the State-Regions agreement of 21 December 2011, are implemented and considered to be significant by all the companies of the Group.

Treasury shares

It should be noted that the Parent Company does not hold, nor has negotiated in the periods in question, treasury stocks, or shares or shareholdings of parent companies, not even through a trust company or intermediary.

Research and development activities

The Group did not carry out any research and development activity in the year ended December 31, 2018.

Key events after the end of reporting period and subsequent events

In January the subsidiary CIN signed a MoA (Memorandum of Agreement) for the sale of the "Aurelia", sold during the month of February for Euro 6,000 thousand.

In February, the Parent Company paid the third instalment of the Senior Facilities Agreement for Euro 50,000 thousand.

Following the MoA (Memorandum of Agreement) signed by the subsidiary CIN on December 27, 2018, in February the sale was completed of the vessel "Puschmann" for Euro 12,950 thousand.

In March, upon the delivery of the vessel "Maria Grazia Onorato", the Parent Company signed a Bareboat Charter for 8 years, paying Euro 2,429 thousand as a second advance hire. The unit was re-leased to the subsidiary CIN.

In March, the Parent Company and its subsidiaries LTM and Sinergest, which took part in the privatisation tender of 66% of the company Porto di Livorno 2000 S.r.l., set up the company Livorno Terminal S.r.l., in which the equity investment in Porto di Livorno 2000 will flow into, as a consequence of paying the amount agreed for Euro 10,741 thousand, expected in the beginning of May 2019.

In April, the subsidiary CIN was notified of an international arbitration dispute in London, activated by Minoan Lines S.A. and relating to the redelivery conditions of the vessels "Amsicora" and "Bonaria" subject to a Bareboat Charter signed between the parties in July 2012 and ending on January 22, 2018. The establishment of this dispute follows a letter of formal notice received by the subsidiary on January 14, 2019, wherein the legal firm representing the counterparty quantifies the request for compensation from CIN at Euro 4,559 thousand for the alleged damage found on "Bonaria", and Euro 4,225 thousand for the alleged damage suffered by the vessel "Amsicora". The legal opinion requested by the subsidiary CIN from a leading firm, however, deemed it improbable (due to the lateness of the report by Minoan and the absence of documented proof) for the requested compensation mentioned above to be accepted.

MOBY GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2018

Consolidated Financial Statements

Consolidated Statement of Financial Position

(€ thousands)	Notes	December 31, 2018	December 31, 2017[1]
NON-CURRENT ASSETS			
Property, plant equipment	2.1	36,177	33,539
Fleet	2.2	622,211	623,690
Goodwill	2.3	42,834	42,834
Other intangible assets	2.4	28,376	31,945
Equity investments	2.5	4,007	1,724
Other non-current financial assets	2.9	3,141	3,110
- of which with related parties	*6.29*	*1,048*	*1,028*
Deferred tax assets	3.25	4,752	5,831
TOTAL NON-CURRENT ASSETS		**741,498**	**742,673**
CURRENT ASSETS			
Inventories	2.6	15,449	15,773
Trade receivables	2.7	66,904	60,951
- of which with related parties	*6.29*	*1,120*	*847*
Total other receivables and other current assets	2.8	41,713	26,577
- of which with related parties	*6.29*	*15,240*	*1,013*
Other current financial assets	2.9	4,097	161
Cash and cash equivalents	2.10	172,123	233,602
TOTAL CURRENT ASSETS		**300,285**	**337,064**
TOTAL ASSETS		**1,041,783**	**1,079,737**
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY			
Share capital	2.11	36,192	36,192
Reserves	2.11	115,579	82,825
Profit attributable to owners of the Parent Company	2.11	(63,101)	23,159
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**88,670**	**142,175**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			
Share capital and reserves attributable to non-controlling interests	2.11	9,188	10,105
Profit attributable to non-controlling interests	2.11	418	(212)
TOTAL NON-CONTROLLING INTERESTS		**9,606**	**9,893**
TOTAL EQUITY		**98,276**	**152,069**
NON-CURRENT LIABILITIES			
Non-current bank loans and borrowings	2.12	4,389	145,407
Other non-current financial liabilities	2.13	344,135	402,844
Provisions for employee benefits	2.14	3,819	4,033
- of which with related parties	*6.29*	*94*	*92*
Provisions for risk and charges	2.15	8,264	6,797
Deferred tax liabilities	3.25	9,017	9,249
TOTAL NON-CURRENT LIABILITIES		**369,624**	**568,330**
CURRENT LIABILITIES			
Bank loans and borrowings and current portion of long-term loans and borrowings	2.12	283,364	107,458
Other current financial liabilities	2.13	137,550	77,561
Current tax liabilities	3.25	2,946	2,894
Trade payables	2.16	110,272	129,846
- of which with related parties	*6.29*	*736*	*429*
Sundry liabilities and other current liabilities	2.17	39,751	41,579
- of which with related parties	*6.29*	*172*	*171*
TOTAL CURRENT LIABILITIES		**573,883**	**359,338**
TOTAL LIABILITIES		**943,507**	**927,668**
TOTAL EQUITY AND LIABILITIES		**1,041,783**	**1,079,737**

[1] On December 31, 2017, they were restated following the conclusion of the analysis of the Business Combinations which led to the allocation of goodwill as reported in Note 1.4 Business combinations

Consolidated Income Statement

(€ thousands)	Notes	Year ended 31 December 2018	2017 [2]
Revenues	**3.18**	**584,335**	**586,164**
Consumption of raw materials and services	3.19	(414,739)	(357,900)
- of which with related parties	*6.29*	*(8,580)*	*(6,232)*
Personnel costs	3.20	(132,101)	(128,635)
- of which with related parties	*6.29*	*(1,979)*	*(1,755)*
Other operating costs	3.21	6,480	32,175
Releases (Accruals) of provisions for risks and charges	2.15	(2,022)	(2,036)
Impairment losses on trade receivables and other current assets	3.22	(699)	(68)
Amortisation of and impairment losses on intangible assets	3.23	(4,809)	(4,720)
Depreciation of and impairment losses on property, plant and equipment	3.23	(3,117)	(2,861)
Depreciation of and impairment losses on the fleet	3.23	(54,398)	(53,705)
Operating profit		**(21,071)**	**68,414**
Financial income	3.24	607	1,448
- of which with related parties	*6.29*	*20*	*20*
Financial expenses	3.24	(37,864)	(43,022)
Result of investments valued at FV	2.5	215	-
Profit before taxes		**(58,112)**	**26,840**
Income taxes	3.25	(4,571)	(3,893)
Profit for the year		**(62,683)**	**22,947**
Profit attributable to non-controlling interests		418	(212)
Profit attributable to owners of the Parent Company		**(63,101)**	**23,159**

[2] On December 31, 2017, they were restated following the conclusion of the analysis of the Business Combinations which led to the allocation of goodwill as reported in Note 1.4 Business combinations

Consolidated Statement of Comprehensive Income

(€ thousands)	Notes	Year ended December 31, 2018	2017 [3]
Net result		**(62,683)**	**22,947**
Other income (expense) which can be subsequently reclassified to profit or loss:			
Valuation of hedge accounting derivatives:			
Gains (losses) for the year	*2.11*	*7,165*	*(4,817)*
Gains (losses) for the year reclassified to profit or loss	*2.11*	*(1,148)*	*(2,471)*
Net gains (losses) from cash flow hedges		**8,313**	**(2,346)**
Tax effects on valuation of derivatives		*(862)*	*635*
Cash flow hedge		**7,451**	**(1,711)**
Other gains/(losses)		*(8)*	*(14)*
Other comprehensive income (expense) which can be subsequently reclassified to profit or loss, net of the tax effect		**7,443**	**(1,725)**
Other comprehensive income (expense) which cannot be subsequently reclassified to profit or loss		**32**	**(68)**
Total comprehensive income, net of taxes		**(55,208)**	**21,154**
Attributable to:			
Owners of the Parent Company		(55,626)	21,366
Non-controlling interests		418	(212)

[3] On December 31, 2017, they were restated following the conclusion of the analysis of the Business Combinations which led to the allocation of goodwill as reported in Note 1.4 Business combinations

Consolidated Statement of Changes in Equity

(€ thousands)	Share capital	Legal reserve	Share premium reserve	FTA reserve	Hedging reserve	Other reserves	Retained earnings	Net result for the year	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total shareholders' equity
December 31, 2016	**36,192**	**4,580**	**27,596**	**-**	**(6,035)**	**(133)**	**51,394**	**7,215**	**120,810**	**2,187**	**122,997**
Allocation of the net result for the year							*7,215*	*(7,215)*	**-**		**-**
Acquisition of new subsidiaries									**-**	*8,978*	***8,978***
Dividends									**-**	*(1,060)*	***(1,060)***
Total changes	**-**	**-**	**-**	**-**	**-**	**-**	**7,215**	**(7,215)**	**-**	**7,918**	**7,918**
Net result for the year								*23,159*[4]	***23,159***	*(212)*	***22,947***
Net (loss)/gain on cash flow hedges					*(1,711)*				***(1,711)***		***(1,711)***
Actuarial changes - IAS 19						*(68)*			***(68)***		***(68)***
Other movements						*(14)*			***(14)***		***(14)***
Comprehensive income for 2017	**-**	**-**	**-**	**-**	**(1,711)**	**(82)**	**-**	**23,159**	**21,366**	**(212)**	**21,154**
December 31, 2017	**36,192**	**4,580**	**27,596**	**-**	**(7,746)**	**(215)**	**58,609**	**23,159**	**142,175**	**9,893**	**152,069**
Allocation of the net result for the year							*23,159*	*(23,159)*	**-**		**-**
IFRS9 Assessment				***1,978***					***1,978***		***1,978***
Acquisition of new subsidiaries									**-**		**-**
Dividends									**-**	*(491)*	***(491)***
Other movements							*142*		***142***	*(214)*	***(72)***
Total changes	**-**	**-**	**-**	**1,978**	**-**	**-**	**23,301**	**(23,159)**	**2,120**	**(705)**	**1,415**
Net result for the year								*(63,101)*	***(63,101)***	*418*	***(62,683)***
Net (loss)/gain on cash flow hedges					*7,451*				***7,451***		***7,451***
Actuarial changes - IAS 19						*32*			***32***		***32***
Other movements						*(8)*			***(8)***		***(8)***
Comprehensive income for 2018	**-**	**-**	**-**	**-**	**7,451**	**24**	**-**	**(63,101)**	**(55,625)**	**418**	**(55,208)**
December 31, 2018	**36,192**	**4,580**	**27,596**	**1,978**	**(295)**	**(191)**	**81,910**	**(63,101)**	**88,670**	**9,606**	**98,276**

[4] On December 31, 2017, they were restated following the conclusion of the analysis of the Business Combinations which led to the allocation of goodwill as reported in Note 1.4 Business combinations.

Consolidated Statement of Cash Flow

(€ thousands)	Notes	Year ended December 31, 2018	2017 [5]
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		(62,683)	22,947
Adjustment to reconcile the net result for the year to the cash flow from operating activities:			
Income taxes expenses	3.25	4,571	3,893
Net financial income/(expenses)	3.24	37,042	41,574
Amortisation/depreciation and impairment losses	3.23	62,324	61,286
Accruals to employee benefits	2.14	5,688	5,603
Accruals (releases) for agents	2.15	1	(941)
Impairment losses on current assets	2.7	699	68
Accruals to provisions for risks and charges	2.15	2,022	2,036
(Gain) /Loss on disposal of assets	3.21	13	(21,746)
Employee benefits paid	2.14	(5,885)	(5,665)
Uses of provisions	2.15	(657)	(1,363)
Income taxes paid and collected	3.25	(3,294)	(3,894)
Other non-monetary changes		542	14
Changes in operating assets and liabilities:			
Trade receivables	2.7	(7,338)	(13,237)
Inventories	2.6	324	49
Trade payables	2.16	(19,574)	(1,394)
Other current assets and liabilities	2.8, 2.17	(10,292)	12,590
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**3,502**	**101,821**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible assets - fleet	2.2	(52,919)	(99,390)
Investment in property, plant and equipment	2.1	(6,683)	(11,648)
Investment in intangible assets	2.4	(1,237)	(539)
Sale of fleet	2.2	-	68,655
Proceeds from sale of property, plant and equipment	2.1	318	711
Proceeds from other financial assets	2.9	99	415
Acquisition of subsidiaries, net of cash acquired		-	(5,013)
Acquisition of equity investments		(40)	(102)
Collection of third-party contribution		-	40
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(60,462)**	**(46,871)**
CASH FLOW FROM FINANCING ACTIVITIES			
Medium to long-term loans and borrowings disbursed, net of the costs incurred	2.12, 2.13	836	4,298
Repayment from medium to long-term loans and borrowings	2.12, 2.13	(40,871)	(11,693)
Net change in current financial liabilities	2.12, 2.13	72,751	56,031
Dividends paid		(491)	(673)
Balance of interest payments / other financial charges and collection of active and dividend from minority interests		(32,745)	(31,230)
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		**(520)**	**16,733**
TOTAL CASH FLOWS (D=A+B+C)		**(57,480)**	**71,683**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)		**233,602**	**161,919**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**172,123**	**233,602**
LIQUID FUNDS SUBJECT TO AN ATTACHMENT ORDER		**4,000**	**-**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (F=D+E)		**176,123[6]**	**233,602**

[5] On December 31, 2017, they were restated following the conclusion of the analysis of the Business Combinations which led to the allocation of goodwill as reported in Note 1.4 Business combinations

[6] Euro 4,000 thousand is included relating to accounts subject to attachment order, for more details see "Note 2.9 Other financial assets"

Notes to the Consolidated Financial Statements

Corporate information

The consolidated financial statements of the Moby Group (hereinafter also the 'Group') were approved and authorised for publication by resolution of the Board of Directors of the Parent Company Moby S.p.A. (hereinafter also the 'Parent Company') of April 29, 2019.
The consolidated financial statements of the Group at December 31, 2018 have been audited by EY S.p.A..

The Parent Company, Moby S.p.A., is a legal entity organised according to the Italian legislation and domiciled at Largo Augusto, 8, Milan (MI). It is registered with the Milan Companies' Register.

The Parent Company is subject to management and coordination by Onorato Armatori S.r.l. in accordance with article 2497 of the Italian Civil Code.

The Group operates in the passengers and freight maritime transportation between mainland Italy and France and major and minor islands: Sardinia, Corsica, Sicily, Tuscan Archipelago, Tremiti Islands and Malta. Moreover, it operates in the sector of harbour, open water and rescue tugboats and manages the Olbia port operations. The Group also operates at the Livorno and Catania ports, performing the embarking and disembarking of commercial vehicles and provides freight and passenger ticketing services. Finally, the Group began operating in the Baltic sea, carrying passengers between the ports of Saint Petersburg, Stockholm, Helsinki and Tallinn.

Corporate information - Reverse merger between the Parent Company and the subsidiary CIN

In April 2018, Moby's Board of Directors approved the procedures which finalised for the preparation and approval of the related project for reverse merger in accordance with article 2501 bis of the Italian Civil Code between the Parent Company and the subsidiary CIN. In accordance with the regulatory framework, the transaction subject to the approval of the creditors' and the favourable opinion of such experts pursuant to articles 2503 and 2501 bis of the Italian Civil Code. The merger was approved by the Shareholders' Meetings of the two companies on October 17, 2018.
In December 2018, the commissioners of Tirrenia di Navigazione S.p.A. in Amministrazione Straordinaria (hereinafter also Tirrenia in A.S.) submitted an objection to the merger project at the Court of Milan requesting to ascertain and declare the illegitimacy and/or ineffectiveness and/or nullity or to pronounce annulment of the shareholders' meeting resolutions of Moby and CIN on October 17, 2018, insofar as they were seriously prejudicial to Tirrenia in A.S. and in breach of Article 8, par. 2-bis *Antitrust,* with regard to "Obligation of corporate separation" for companies that deal with the management of services of a general economic interest or that operate in a monopoly regime on the market. The first hearing is set for May 14, 2019, the companies, supported by leading third-party law firms, consider the risk of losing as unlikely and remain confident about a positive outcome.

1. Accounting standards

Statement of compliance with IFRS

The consolidated financial statements have been prepared on a going concern basis and in accordance with the International financial reporting standards "IFRS" issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. IFRS include also all the revised international accounting standards ("IAS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), earlier known as Standing Interpretations Committee ("SIC"). The consolidated financial statements have been prepared in accordance with IFRS, availing of the option permitted by article 3.2 of Legislative decree no. 38 of February 28, 2005.

They have been prepared in accordance with the historical cost criterion, except for derivative financial instruments and financial assets, potential consideration and liabilities for non-cash distribution that

are recognised at fair value, with the sole exception of that set out in 'Note 1.4 Business Combinations'. The carrying amount of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be recognised at amortised cost are adjusted to consider changes in the fair values attributable to the risks hedged.
The consolidated financial statements are presented in Euros, and all amounts are rounded to the nearest thousand Euros unless indicated otherwise.

The Group's financial position at December 31, 2017 presented for comparative purposes at December 31, 2018 was approved by the Parent Company's Board of Directors on April 26, 2018.

1.1 Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Moby S.p.A. and its subsidiaries at December 31, 2018, as defined by IFRS 10 – Consolidated Financial Statements.
Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights;

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group acquires control until the date the Group ceases to control the subsidiary.
The profit or loss for the year and each OCI component are attributed to the owners of the Parent Company and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, incomes, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for in equity. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other equity items, while any resulting gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The portion of equity and the profit (loss) attributable to non-controlling interests are separately disclosed in the statement of financial position, the income statement and the statement of comprehensive income.
Minority interests are determined as a proportion of the minority interests in the identifiable net assets of the acquired company ("Parent entity theory" method), pursuant to the IFRS 3 – Business combinations revised.

The losses of a subsidiary are allocated to interests attributable to the Parent Company and to non-controlling interests, even if they exceed the non-controlling interests' investment in the subsidiary.
If the Group modifies its interest in a subsidiary, without losing control, the transaction is accounted for as an equity transaction and all effects are accounted for in the equity attributable to the Parent Company, without originating any variation of recognised goodwill or profit (loss) in the income statement.
If the Group loses control over a subsidiary, the residual interest is accounted for at fair value and considered in the calculation of the transaction profit/loss.
In the consolidation process, all the account balances and the intercompany transactions, and the related unrealized profits and losses deriving from transactions among all the companies belonging to the Onorato Armatori Group are entirely eliminated.
The Parent Company's financial statements and those of the other companies used to prepare the consolidated financial statements have the same reporting date. The financial statements of the consolidated companies, prepared pursuant to different accounting standards, are conformed to the Group's accounting policies.

Business combinations and goodwill
The acquisition, and the first consolidation of the acquired entity, is accounted for at the date the acquiror actually obtain control over the acquiree. The cost of an acquisition is the sum of the consideration transferred, measured at acquisition-date fair value, and the non-controlling interests in the acquiree. For each business combination, the Group decides whether to measure the non-controlling interests in the acquiree at fair value or based on the portion of non-controlling interests in the identifiable net assets of the acquiree.
Business combinations are accounted for using the acquisition method. This implies the measurement of the identifiable assets at fair value (including the intangible assets previously not recognised) and the identifiable liabilities (including contingent liabilities) of the acquiree, with the sole exception of those elements that have to be accounted for pursuant to another specific accounting standard. The fair value identification for assets, liabilities and contingent liabilities of the acquiree may be carried out provisionally by the end of the year in which the business combination takes place and must be completed within twelve months.
The consideration of the business combination at the acquisition date includes the fair value of potential adjustments subject to subsequent events, only if they are provided in the agreements and if they are probable and reliably measurable at the control acquisition date (so-called earn out). Any fair value changes deriving from the obtaining of additional information in the measurement period are retrospectively accounted in goodwill.
In case of step-up acquisition, the previous interest is re-measured at the control acquisition date fair value and the potential profit/loss is accounted through profit or loss.
Costs directly attributable to the acquisition are accounted as expenses in the reporting period in which they are borne.
IFRS 3R – Business combinations revised has been implemented by the Group starting from 2015. Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the Group interest in the fair value of assets, liabilities and contingent potential liabilities of the acquiree. Negative goodwill is accounted though profit or loss at the acquisition date.
For impairment test purposes, goodwill deriving from a business combination is allocated at the acquisition date to the Group cash generating units, or to the groups of cash generating units that should benefit from the aggregation synergies, irrespective of whether other assets or liabilities of the Group are allocated to the units or to the groups. Each unit or group of units to which the goodwill has been allocated:

- Represents the lowest level, in the Group environment, to which the goodwill is monitored for internal management purposes;
- It is not wider than the segments identified for the scheme of the segment information, determined pursuant to the IFRS 8 – Operating segments;

When goodwill is allocated to a cash generating unit (so-called group of cash generating units) and a part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on

disposal. Goodwill disposed in these circumstances is measured based on the related values of the disposed operation and the portion of the cash-generating unit retained.
Goodwill is subject to impairment test on an annual basis or more frequently if impairment indicators arise. The impairment test is carried out at the lowest level to which the goodwill is ascribable. Impairment losses on goodwill cannot be reversed in future periods: for this reason after initial recognition, goodwill is measured at cost net of accumulated impairment losses.

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.
The Group's investments in its associate and joint venture are accounted for using the equity method.
Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.
The income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.
The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the income statement after the profit (loss) after taxes and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.
The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the income statement.
Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Conversion of financial statements into currencies other than the Euro, and items in foreign currency

The consolidated financial statements are presented in Euros, which is the functional currency for presentation adopted by the Group.
Each company of the Group defines its own functional currency, which is used to value the items included in the individual financial statements. In the separate financial statements, unhedged foreign currency transactions are initially recognised at the exchange rate for the functional currency at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are then converted into the functional currency at the exchange rate on the date of the financial statements. All exchange differences are recognised in the income statement. Non-monetary items valued at historical cost in

foreign currencies are converted using the exchange rates prevailing at the date of initial recognition of the transaction.
The conversion into Euros of the financial statements of foreign companies subject to consolidation is carried out according to the current exchange rate method, which provides for the use of the exchange rate in force at the end of the period for the conversion of statement of financial position items, and of the average exchange rate for the year for income statement items.
Exchange differences arising from the conversion are recognised in the statement of comprehensive income. At the time of disposal of a foreign operation, the exchange differences accumulated in the statement of comprehensive income are recognised in the income statement.
The exchange rates used for determining the equivalent values in Euros for subsidiaries' financial statements expressed in foreign currencies (foreign currency per 1 Euro) are shown in the table below:

	December, 31 2018	
	Average exchange rate	**Closing exchange rate**
US Dollar	1.181	1.145

Consolidation scope
The consolidation scope of the Moby Group at December 31, 2018 is summarised below.

SUBSIDIARIES
(consolidated on a line-by-line basis, with details of the portion of equity)

Name	Location	Currency	Capital in units of currency	Percentage of control		DIRECT SHAREHOLDER
				Direct	Indirect	
Moby S.p.A.	Milan	Euro	36,091,677	-	-	Parent Company
Toscana Regionale Marittima S.p.A. -Toremar	Livorno	Euro	5,474,000	100%	-	-
Moby Lines Europe G.m.b.H. (MLE)	Wiesbaden (Germany)	Euro	25,000	100%	-	-
San Cataldo S.p.A.	Naples	Euro	103,200	100%	-	-
Andy S.r.l.	Milan	Euro	10,000	100%	-	-
Siciliana Salvataggi S.p.A. *	Palermo	Euro	2,027,880	70%	-	-
Sinergest Olbia S.p.A.	Olbia	Euro	780,000	51%	-	-
Moby USA Corp.	Miami (U.S.A.)	Dollar	70,000	100%	-	-
Moby Ferries S.A.S	Bastia (France)	Euro	50,000	100%	-	-
Compagnia Italiana di Navigazione S.p.A. (CIN)	Naples	Euro	5,000,000	100%	-	-
Moby SPL Ltd (SPL)	Valletta (Malta)	Euro	1,200	51%	-	-
Enermar Trasporti S.r.l. *	La Maddalena (OT)	Euro	100,000	81.40%	-	-
Renzo Conti S.r.l.	Livorno	Euro	10,400	60%	-	
Agemar S.p.A.	Livorno	Euro	5,350,000	0.34%	44.17%	Renzo Conti (73,62%)
Livorno Terminal Marittimo - Autostrade del mare – S.r.l. (LTM)	Livorno	Euro	2,582,285	-	40.63%	Agemar S.p.A. (75%) / Renzo Conti S.r.l. (12.5%)
Catania Port Service S.r.l. (CPS)	Catania	Euro	100,000	20%	60%	CIN (60%)
Agence Maritime Bastiaise S.a.r.l. (AMB)	Bastia (France)	Euro	26,000	70%	-	-

** in liquidation at the date of publication of these financial statements.*

The changes to the consolidation area that occurred in the 2018 financial year are summarized below:
- in January, the liquidation of the subsidiary Maddalena Ferries S.r.l. was completed;
- in February, the Parent Company acquired 20% of the shares of the subsidiary Catania Port Service S.r.l. from third parties. At year end, the Group holds 80% of the subsidiary's shares;
- in April, the subsidiary Agence Maritime Bastiase S.a.r.l. issued 557 new shares acquired by its management.

1.2 Accounting standards

General information, format and content and going concern basis
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting date; or
- Comprised of cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting date: or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The consolidated income statement has been presented in accordance with a classification of costs by nature of expenses. The statement of cash flows has been prepared in accordance with the indirect method and is presented pursuant to IAS 7 – Statement of cash flows, by classifying cash flows among operating, investing and financing activities.

Going concern assumption

The consolidated financial statements have been prepared on a going concern basis.
This decision was made despite the contraction of the operating result occurred in 2018 which led to non compliance with the financial covenants of the Senior Facilities Agreement at December 31, 2018. The pool subsequently agreed on eliminating the Consolidated Leverage Ratio for the date of recognition at December 31, 2018, amending the Ratio on the dates of recognition at June 30, 2019, December 31, 2019 and for the subsequent dates of recognition, until the maturity Term. In addition, for the dates of recognition at June 30, 2019 and December 31, 2019, the pool enabled the Group to include in the calculation of the Consolidated Leverage Ratio the economic and financial effects deriving from the disposal of fixed assets completed by October 31, 2019 and January 31, 2020, respectively.

The going concern assumption is supported by expected operating and financial performance of the Group as assumed in the 2019-2021 Business Plan approved by the Board of Directors of the Parent Company on April 15, 2019 (base scenario), where 2019 is the budget. The Business Plan was subject to an Independent Business Review, by a leading consulting firm, and incorporates a series of significant assumptions, the non-realisation of which would entail a significant impact on the achievement of the expected performance and on going concern, the main ones set out below:

- an increase in the sales revenues of the freight segment throughout the period covered by the Business Plan, generated by tariff increase introduced in November 2018 and higher sales volumes from 2020;
- a fuel cost based on the forward curves calculated at the date of drawing up the Business Plan and a quantitatively limited swap hedge for the year 2019, exposing the Group to price volatility for the years of the plan;
- the sale of seven vessels, two of which already occurred in the first months of 2019, at the values and in the timescales envisaged in the plan, i.e. four vessels by December 31, 2019 and three vessels in 2020, of which one by the end of January 2020;
- the extension in *prorogatio* of the agreement between the Italian State and CIN to carry out the public interest maritime connection with major and minor islands (i.e. Sardinia, Sicily and the Tremiti Islands) expiring in July 2020.
- no payment of the deferred price to Tirrenia in Amministrazione Straordinaria during the period covered by the Business Plan as well as the penalties following the investigation by the European Commission with regard to State aid.

The aforesaid assumptions will benefit the financial structure of the Group and drive positive impacts on the Group's gross operating performance throughout the period covered by the Business Plan, also ensuring compliance with financial covenants.
The directors also drafted a 2019 - 2021 plan (alternative scenario), approved by the Board of Directors of the Parent Company, which takes into consideration the end of the agreement between the Italian State and CIN at December 2020. This scenario, with the exception of the extension in *prorogatio* of the agreement, is based on the same assumptions of the base scenario and in addition: *i)* the possibility for the subsidiary to sell further three vessels in 2021, no longer required by the obligations deriving from the agreement; *ii)* the elimination or reduction to the summer period of some routes no longer mandatory by the agreement from 2021 with: *a)* a substantial movement of the freight volumes on

existing routes and a tariff increase; and *b)* an alignment of the passenger tariffs to higher price levels and a movement to existing routes with a higher tariff; allowing, if done, the achievement of the expected performance and the going concern. Also the alternative scenario was subject to an Independent Business Review by a leading consulting firm.
The Business Plan shows the cash flows used by management for the annual impairment test. Reference should be made to 'Note 2.3 Goodwill' for additional information about the other assumptions underlying the Business Plan.

In addition, the directors, supported by leading legal firms, analysed the material uncertainties described below, confirming the going concern assumption:

- with respect to the sanction served by the Italian Antitrust Authority to the Parent Company and the subsidiary CIN, which orders the two companies to pay jointly and severally an administrative penalty of Euro 29,203 thousand, as stated in 'Note 2.15 Provisions for risks and charges and contingent liabilities', the directors deem the payment of a pecuniary sanction likely, but at a value considerably lower than expressed by the Authority, therefore, they recorded a provision for risks and charges equal to Euro 4,000 thousand. The possible confirmation of the administrative penalty of Euro 29,203 thousand would imply a use of financial resources that would be such to significantly impact on the going concern;
- with reference to the payment of the deferred price to Tirrenia in Amministrazione Straordinaria, the subsidiary CIN was sued by the commissioners of the aforementioned company before the Court of Rome requesting to: *i)* declare the invalidity, nullity and illegitimacy of article 5.02 (C) of the business unit transfer agreement from Tirrenia to CIN, where, inter alia, set the suspension of the payment of the 'Deferred price' as well as the possible reduction or cancellation following an adverse decision by the European Commission; *ii)* subject to preservation order on assets until the sum of Euro 55,000 thousand (equal to the instalment due on April 30, 2016 of the 'Deferred Price'); *iii)* oblige the company to provide a suitable guarantee. The company appeared before the court contesting the entire claim in its entirety and requesting the rejection of the Tirrenia appeal. The Group, supported by leading third-party law firms, considers the risk of losing to be unlikely. However, it deems that, any acceptance of the requests submitted by the commissioners would lead to cut off significant financial resources available for the Group's operating activities, also in consideration of the second instalment of the 'Deferred price', expiring on April 30, 2019 for Euro 60,000 thousand, such as to significantly impact on the going concern;
- with respect to the investigation by the European Commission involving state aids granted by the Italian Government to the companies belonging to the former Tirrenia Group and, therefore, to the subsidiaries Toremar and CIN, and the procedures applied to privatise said companies, in the case of CIN, with the support of primary legal advisors, the Group considers probable that the European Commission would conclude as State aids on one of the inquiry profiles, and therefore would request the reimbursement of the amounts and the related interests. In any case, the potential risk of said liabilities would be highly mitigated by the agreements signed between CIN and the Italian State that the 'Deferred price' (Euro 180 million) is reduced or not due at all in case CIN would be subject to a recovery action, notwithstanding the legitimacy of article 5.02 (C) of the Sale Contract, regarding which the subsidiary CIN was sued, as described in greater detail in the previous point. Despite the reactivation of the Commission's investigations at the beginning of 2018 and the progress deriving from the queries of September 2018, the Group, supported by its legal advisors, deems that it will be difficult for the Commission to take a decision before the summer of 2019. Therefore, it is possible that the final deadline for executing any order for recovery will not fall in 2019. In addition, considering the principle of procedural autonomy and the resulting application of the domestic administrative procedures, the deadline could exceed one year of the Commission's decision which, at the date of this report, is still pending. As a consequence, the Group, as part of the 2019 – 2021 plan approved by the Board of Directors of the Parent Company on April 15, 2019, does not incorporate any payment of the 'Deferred price' or the liability to be returned. Nevertheless, it deems that a possible request throughout the period covered by the Business Plan could have a significant impact on the

Group's financial structure and on the going concern, involving the implementation of corrective actions in order to continue to achieve the expected performance;

- with reference to the reverse merger pursuant to art. 2501 bis, between the Parent Company and the subsidiary CIN, approved by the respective shareholders' meetings on October 17, 2018, the commissioners of the Tirrenia in Amministrazione Straordinaria filed an objection, insofar as it was deemed prejudicial to the company they represent. The first hearing is set for May 14, 2019, the companies, supported by leading third-party law firms, deem the risk of losing as unlikely and remain confident about a positive outcome. The aim of the reverse merger between Moby and CIN is to increase efficiency, through operating synergies and Parent Company's financial structure rationalization, involving, among other, an increase of its equity, also considering the negative result realised by the Parent Company at December 31, 2018 and the result expected in 2019 included in the 2019 - 2021 Business Plan approved by the Board of Directors on April 15, 2019;
- with respect to the maritime state concession to maintain and operate the 'Isola Bianca maritime terminal' of the subsidiary Sinergest at the Olbia port, expired in August 2018, the Group, currently operating via a provisional concession until June 30, 2019, is taking all the necessary steps for its renewal, which depends on the awarding of a public tender;
- with respect to the concession which enables the subsidiary LMT to use an area of maritime state property related to Dock 1 at the Livorno port, expiring at December 31, 2019, the Group is taking all the steps necessary for its renewal, which depends on the awarding of a public tender.

The directors, although aware that the above mentioned may significantly impact on the going concern and therefore the Group's ability to operate as a functional entity, are confident, based on the legal opinions received and the measures taken, that the Group will have the resources necessary to continue operating as a functional entity in the foreseeable future.

With respect to the financial structure, in the second half of 2018, the Group implemented, into a lower extent compared to previous years, business strategies on non-financial exposure in order to reduce the total amount of net working capital and completed the factoring transactions without recourse and with recourse of the consideration deriving from the agreement between the Italian State and the subsidiary CIN for 2019. These actions had a positive effect on the cash flows of the period; for a more in-depth analysis of the strategies implemented by management to face financial risks, reference should be made to Note '4.26 Management of financial risks'.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The assumptions used are based on factors known at the date of preparation of the financial statements, on historical experience and any other relevant elements. However, the actual results may differ from these estimates also in the light of the persistent difficulties in the economic scenario in which the Group operates. Estimates and assumptions are reviewed periodically, and the effects of any changes are reflected in the income statement in the period in which the review of the estimate occurs and/or also in subsequent periods if the change impacts the latter as well.

Estimates are used to recognise:

Salvage income: it is recognised on the basis of the best possible estimate of what will be received on completion of the extrajudicial procedure for determining compensation. These estimates are made by the Group at the end of each financial year, based on an assessment of all the available evidence. Due to the nature of these assumptions, the resulting estimates are therefore subject to uncertainty. For more details, refer to Note 3.18 Revenues'.

Deferred tax assets: deferred tax assets are recognised in respect of all temporary differences and all tax losses carried forward, insofar as there are likely to be adequate future tax gains against which such losses can be used. A significant discretionary valuation is required of the directors to determine the amount of deferred tax assets that can be recognised. They must estimate the likely timing and amount of future taxable profits. For more details, refer to Note 3.25. Taxes.

Employee benefits – Post-employment benefits: this provision is calculated on the basis of actuarial assessments. Actuarial assessment requires the formulation of hypotheses regarding discount rates, future pay increases, and turnover and mortality rates. Due to the long-term nature of these plans, these estimates are subject to a significant degree of uncertainty. For more details, refer to 'Note 2.14 Employee benefits.
Derivative financial instruments: derivative financial instruments are recognised at fair value, calculated on the basis of valuation models complying with the methodologies in general use, which incorporate forecasts of market parameters such as future trends in interest rates. Due to the nature of these assumptions, the resulting estimates are therefore subject to a significant degree of uncertainty. For more details, refer to Note 2.13 Other current and non-current financial liabilities and Note 2.17 Other current liabilities and non-current liabilities.
Impairment of non-financial assets: impairments of assets or cash-generating units are recognised when the carrying amount is less than the recoverable value, defined as the greater of the fair value less costs of disposal and value in use. The determination of these amounts requires the Group to use significant assumptions about future cash flows and about the discount and growth rates to be used in the valuation models.
Other estimation processes: estimates are also used for recognising provisions for risks and charges, verifying items recognised under current assets (primarily receivables and inventories), determining the fair value of investments made in other financial assets, estimating the useful life of investments and measuring intangible assets acquired in business combinations accounted for pursuant to IFRS 3R - Business Combinations revised.

Intangible assets
Intangible assets are identifiable assets without physical substance controlled by the Company and are recognised under assets at acquisition cost when it is likely that their use will generate future economic benefits and when it can be reliably determined.
Intangible assets acquired separately are measured on initial recognition at cost, including ancillary costs attributable. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.
Internally generated intangible assets are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.
Intangible assets with finite lives are amortised on a straight-line basis over the useful economic life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The residual useful life is reviewed at least at the end of each reporting period or more often if necessary. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period and/or method, as appropriate, and are treated as changes in accounting estimates.
Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level and in any event whenever there are indications of any possible impairments.
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.
For intangible assets with a finite life, the amortisation rates applied are as follows:

	Amortisation rates
Concessions (*)	8%
Rights and trademarks	6% – 20%
Software licences	20%-25%
Other	20% - 33.3%

(*) This item refers to the concession for the management of port operations at the port of Olbia. Its useful life is determined according to the term of the concession. During 2018, as indicated in Note 1.4, the business combination process of the subgroup Renzo Conti was completed, valuing the Livorno port concession of the subsidiary LTM for € 6.4 million, amortised over 3 years, until expiry on 31 December 2019.

Specifically, the "Moby" and "Tirrenia" trademarks, owned by the Group, are amortised over their useful life (20 years).

Property, plant and equipment and investment property

Property, plant and equipment

Property, plant and equipment acquired separately are recognised at historical cost, including ancillary costs directly attributable and necessary for the asset to be put to the use for which it was purchased, gross of capital grants received. This value includes the costs of replacing plant and equipment parts at the time when such costs are incurred, provided they satisfy the recognition criterion. The residual carrying amount of the replaced asset is charged to the income statement.

Property, plant and equipment acquired through business combinations are recognised at the fair value determined at the acquisition date.

Costs incurred subsequent to the acquisition, including maintenance and repair costs, that do not increase the future economic benefits capable of being obtained from the use of the asset itself are recognised as expenses when incurred; otherwise, they are capitalised.

Any borrowing costs incurred in respect of investments in assets that satisfy the requirements of IAS 23 – Borrowing Costs are capitalised and amortised over the useful life of the asset class to which they relate.

Property, plant and equipment are recognised net of the related accumulated depreciation and any impairment determined according to the procedures described below. Depreciation is calculated on a straight-line basis based on the estimated useful life of the asset for the company. This is reviewed annually, and any changes required are applied prospectively.

When the asset is composed of multiple significant components with different useful lives, depreciation is carried out for each component.

The depreciable amount is represented by the carrying amount less the expected net disposal value at the end of its useful life, if this is significant and can be reasonably determined.

The useful lives for each category of property, plant and equipment are as follows:

	Useful life (years)
Buildings	25-100
Plant and machinery	5 – 10
Industrial and commercial equipment	5-10
Furniture and furnishings	8
Electronic machinery	5-10
Other assets	4-5

Land, whether undeveloped or attached to buildings, is recognised separately and not depreciated, since it has an indefinite useful life.

From the date when the disposal becomes highly probable, assets to be disposed are not depreciated anymore, and are accounted for at the lower of the carrying amount and the fair value less costs of disposal.

Depreciation begins at the moment when the asset is available for use and ends at the earlier of the date on which the asset is classified as held for sale, in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, and the date on which the asset is derecognised.

The carrying amount of property, plant and equipment is tested for impairment in order to identify any impairment losses when events or changes in circumstances indicate that the carrying amount might not be recovered. If any such indication exists, and if the carrying amount exceeds the expected recoverable value, the assets are impaired to their realisable value, which is represented by the greater of the net costs of disposal and value in use.

In defining the value in use, the expected future cash flows are discounted using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the realisable value is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement under depreciation and amortisation. They are reversed if the reasons that produced them cease to exist.

At the time of the sale, the asset is derecognised, and any gain or loss (calculated as the difference between the disposal price and the carrying amount) is recognised in profit or loss in the year in which the derecognition takes place.

Fleet
In 2017, based on detailed technical assessments of the following vessels: "Moby Aki", "Moby Wonder", "Moby Tommy", "Florio", "Rubattino", "Janas", "Sharden", "Bithia", "Nuraghes" and "Athara" ferries, their useful life was extended by 10 years; therefore, the useful life of the ferries is now equal to 40 years from the moment they became operative. The increase in the useful life is supported by market assessments carried out by independent third-party technicians.
Moby S.p.A. and its direct subsidiaries fleet: except for that set out in the above paragraph, based on the technical analysis carried out, the high-speed ferries useful life has been set at 30 years from the line entry, while the useful life of all the other ferries has been estimated at 20 years from the first utilisation. The above-mentioned useful life represents the average useful life of the most significant ferries components, weighted for the significance of said components. If different significant components have different useful lives, these components are accounted for separately.
With reference to the tugboats, their average useful life is estimated at approximately 13 years.
CIN S.p.A. fleet: except for that set out in the above paragraph, based on the technical analysis carried out, the fleet is composed by ferries whose useful life has been set at 30 years from the construction and first use date.
The carrying amount of the fleets includes cyclical maintenance costs, carried out during docking periods of both ferries and tugboats. These costs are capitalised and depreciated over a period generally comprised between 2 and 6 years, in connection with the date of the next cyclical maintenance.
Ordinary maintenance and repair costs, that do not increase the fleet value and useful life, are accounted for through profit or loss when the costs are incurred.

Leases
Finance leases, which essentially transfer to the Group all the risks and rewards incidental to ownership of the asset, are capitalised at the start date of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum payments due. Lease payments are distributed pro rata between principal and interest in order to obtain the application of a constant interest rate on the outstanding balance of the debt. Financial charges are charged directly to the income statement. The corresponding liability to the lessor is recognised under financial liabilities.
Leased assets are capitalised when it is reasonably certain that the Group will obtain ownership of the asset at the end of the lease, uses the assets for most of their useful life or the present value of the minimum lease payments approximates the fair value of the asset at the beginning of the lease. They are depreciated over the asset's useful life. Otherwise, the depreciation period is the shorter of the asset's useful life and the lease term.
Tugboats and ferries, where held under finance leases, are depreciated over their estimated useful life, as previously described in detail, when the Moby Group has reasonable certainty that it will obtain ownership of the asset at the end of the lease.
Leases where the lessor essentially retains all the risks and rewards incidental to ownership of the assets are classified as operating leases, and the related costs are recognised in the income statement over the lease term.

Investment property
Properties and buildings held for the purpose of obtaining rental income ("investment property") are measured at cost, net of depreciation and accumulated impairment losses.
Investment property is derecognised when disposed or when the investment is consistently unusable and no future economic benefits are expected from its sale.

Impairment
At each reporting date, the Group assesses the existence of any impairment indicators. If such indicators arise, an impairment test is carried out.
At least annually, the Group checks in each case the recoverability of the carrying amount of goodwill and intangible assets with an indefinite useful life recognised in its consolidated financial statements.
The recoverable amount, to be compared with the carrying amount of the asset, is determined as the greater of the fair value of an asset or cash-generating unit less disposal costs and value in use. The recoverable amount is determined for each individual asset, except where the asset generates cash

inflows that are not largely independent of those generated by other groups of assets, in which case the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Cash generating units are identified in accordance with the Group business and organisational structure, as homogeneous conglomerates that generate independent cash inflows deriving from the assets utilisation.
In defining value in use, the Group discounts the expected future cash flows using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.
Fair value, on the other hand, is estimated on the basis of the values expressed by an active market, recent transactions, or the best information available to reflect the amount for which the asset might be sold. If it is not possible to identify such transactions, an adequate valuation model is used, supported by otherwise available appropriate indicators of fair value.
For the purpose of estimating value in use, future cash flows are derived from Business Plans, which represent the best estimate that can be made by the Group regarding the expected economic conditions during the period covered by the Business Plan. The projections contained in the Business Plan normally cover a period of three to five years, and the long-term growth rate used for estimating the terminal value of the asset or unit does not normally exceed the average long-term growth rate for the sector, country or reference market. Future cash flows are estimated by reference to current conditions. The estimates therefore do not consider either the benefits obtained from future restructuring programmes to which the Group has not yet committed itself or future investments to improve or enhance the asset or unit.
If the carrying amount of an asset or cash-generating unit exceeds its recoverable value, the asset is considered to be impaired and is therefore reduced to its recoverable value.
Impairment losses on operational assets are recognised in the income statement under costs consistent with the function of the impaired asset. At each reporting date, the Group also assesses the persistence of the factors that resulted in previous impairments and, where appropriate, makes a new estimate of the recoverable value. Impairment losses can be reversed only if there have been changes in the estimates used to determine the recoverable value of the asset since the last recognition. In this case, the carrying amount of the asset is adjusted to reflect the recoverable value, but this higher value cannot exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognised in previous years. Each reversal is recognised as a gain in the income statement. Once a reversal has been recognised, the depreciation rate of the asset is adjusted in future periods in order to distribute the amended carrying amount, net of any residual values, in equal shares over the remaining useful life.
Impairment losses on goodwill cannot be reversed in future periods.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset for an entity and a financial liability or an equity instrument for another entity.
Financial assets
Initial recognition and measurement - At the time of initial recognition, financial assets are classified, as the case may be, based on the subsequent measurement methods, i.e. at amortized cost, at the *fair value* recognised in the comprehensive income statement and at the *fair value* recognised in the income statement. The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses for their management. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially evaluates a financial asset at its *fair value* plus, in the case of a financial asset not measured at fair value recognised in the income statement, the transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, are valued at the transaction price determined according to IFRS 15. In order for a financial asset to be classified and valued at amortised cost or at the *fair value* recognized in *OCI*, it must generate cash flows that depend only on the capital and interest on the amount of principal to be repaid (so-called '*solely payments of principal and interest (SPPI)* '). This valuation is referred to an *SPPI* test and is performed at the instrument level. The Group's business model for the management of financial assets refers to the way in which it manages its financial assets in order to generate financial flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets

or both. The purchase or sale of a financial asset that requires delivery within a time frame generally established by regulation or market conventions (so-called standardized sale or *regular way trade*) is recorded on the *trade* date, that is to say the date on which the Group has undertaken to purchase or sell the asset.

Subsequent measurement - For the purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at *fair value* recorded in the comprehensive income statement with reclassification of cumulative profits and losses (debt instruments);
- Financial assets at fair value recorded in the comprehensive income statement without reversal of cumulative profits and losses at the time of their elimination (equity instruments);
- Financial assets at fair value recorded in the income statement.

Financial assets at amortised cost (debt instruments) - The Group measures financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to *impairment.* Profits and losses are recognised in the income statement when the asset is eliminated, modified or revalued.

Financial assets at the Group's amortised cost include trade receivables, a loan to a director included in other non-current financial assets and a financial receivable following the sale of a vessel, to be extinguished during 2019.

Financial assets at *fair value* recorded in OCI (debt instruments) - The Group measures assets from debt instruments at *fair value* recorded in the comprehensive income statement if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest calculated on the principal amount outstanding.

For assets from debt instruments measured at *fair value* recognised in *OCI,* interest income, changes for exchange differences and impairment losses, together with write-ups, are recognised in the income statement and are calculated in the same way as the financial assets measured at amortised cost. The remaining changes in *fair value* are recognised in *OCI.* At the time of elimination, the cumulative change in *fair value* recognised in *OCI* is reclassified in the income statement.

Investments in equity instruments - Upon initial recognition, the Group can irrevocably choose to classify its equity investments as equity instruments measured at *fair value* recognised in OCI when they meet the definition of equity instruments pursuant to *IAS* 32 "Financial instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument. The profits and losses on these financial assets are never reversed to the income statement.

Dividends are recognised as other revenues in the income statement when the right to payment has been resolved, except when the Group benefits from these proceeds as recovery of part of the cost of the financial asset, in which case these profits are recognised in *OCI.* Equity instruments recognised at *fair value* through *OCI* are not subject to an *impairment test.*

Financial assets at *fair value* measured in the income statement - This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at *fair value* with changes recognised in the income statement, or financial assets that must necessarily be measured at *fair value*. Assets held for trading are all those assets acquired for their sale or repurchase in the short term. Derivatives, including separated derivatives, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at *fair value* through the income statement, regardless of the *business* model.

Financial instruments at *fair value* with changes recognised in the income statement are recorded in the statement of financial position at *fair value* and the net changes in *fair value* recorded in the profit/(loss) for the year.

This category includes derivative instruments and minority interests that the Group has not irrevocably chosen to classify at the *fair value* recorded in *OCI*. Dividends on listed equity investments are also recognised as other income in the profit/(loss) for the year when the right to payment was established.
Impairment of financial assets - The Group recognises an expected credit loss (ECL) for all financial assets represented by debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. Expected cash flows will include cash flows arising from the enforcement of collateral held or other credit guarantees that are an integral part of the terms of the contract.
For trade receivables and assets deriving from contracts, the Group applies a simplified approach in the calculation of expected losses. Therefore, the Group does not monitor changes in credit risk, but fully recognises the expected loss at each reference date. The Group has defined a matrix system based on historical information, revised to consider prospective elements with reference to the specific types of debtors and their economic environment, as a tool for determining expected losses.
Embedded derivative - The embedded derivative contained in a non-derivative hybrid contract, in a financial liability or in a main non-financial contract, is separated from the main contract and accounted for as a separate derivative, if: its economic characteristics and the risks associated with it are not closely related to those of the main contract; a separate instrument with the same terms as the embedded derivative would meet the definition of derivative; and the hybrid contract is not measured at *fair value* recorded in the income statement. Embedded derivatives are measured at *fair value,* with changes in *fair value* recognised in the income statement. A re-determination takes place only if there is a change in the terms of the contract that significantly changes the cash flows otherwise expected or a reclassification of a financial asset to a category other than the *fair value* in the income statement. An implicit derivative included in a hybrid contract that contains a financial asset is not separated from the host contract. The financial asset together with the implicit derivative is classified entirely as a financial asset at the fair value recorded in the income statement.
Derecognition - A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the first place (e.g. removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred the right to receive such cash flows to a third party or has assumed the contractual obligation to pay them immediately and in full to a third party and (a) has essentially transferred all the risks and rewards incidental to ownership of the financial asset or (b) has neither substantially transferred nor retained all the risks and rewards, but transferred control of the asset.

In cases where the Group has transferred the rights to receive cash flows from an asset or has signed an agreement under which it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the financial flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it retained the risks and benefits inherent in the ownership. In the event that it has neither substantially transferred nor retained all the risks and benefits or has not lost control over it, the asset continues to be recognised in the Group's financial statements to the extent of its continuing involvement in the asset itself. In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured so as to reflect the rights and obligations that remain with the Group.
When the continuing involvement of the entity is a guarantee on the transferred asset, the involvement is measured on the basis of the lower between the asset amount and the maximum amount of the consideration received that the entity may have to repay. The Group considers a financial asset in *default* when the contractual payments have expired for 180 to 360 days, in consideration of the different nature of the relationship undertaken.
In some cases, the Group may also consider that a financial asset is in *default* when internal or external information indicates that it is unlikely that the Group will fully recover the contractual amounts before considering the credit guarantees held by the Group. A financial asset is eliminated when there is no reasonable expectation of a recovery of the contractual cash flows.

Financial liabilities

Initial recognition and measurement - At the time of initial recognition, financial liabilities are classified as financial liabilities at the *fair value* recorded in the income statement, among mortgages and loans, or among derivatives designated as hedging instruments. All financial liabilities are initially recognised at *fair value,* in addition to, in the case of mortgages, loans and debts, the transaction costs directly attributable to them. The Group's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

Subsequent measurement - The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at the fair value recognised in the income statement, financial liabilities at fair value with changes recognised in the income statement include liabilities held for trading and financial liabilities initially recognised at fair value with changes recognised in the income statement. The liabilities held for trading are all those assumed with the intent to extinguish them or transfer them in the short term. This category also includes the derivative financial instruments entered into by the Group that are not designated as hedging instruments in a hedging relationship defined by *IFRS* 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the profit/(loss) for the year. Financial liabilities are designated at *fair value* with changes recognised in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met. At the time of initial recognition, the Group has not designated financial liabilities at fair value with changes recognised in the income statement.
- **Loans and receivables,** this is the most relevant category for the Group. After initial recognition, loans are measured at amortised cost using the effective interest rate method. Profits and losses are recorded in the income statement when the liability is extinguished, as well as through the amortisation process. The amortised cost is calculated by recording the discount or premium on the acquisition and the fees or costs forming an integral part of the effective interest rate. Amortisation at the effective interest rate is included under financial charges in the profit/(loss) statement. This category generally includes receivables and interest-bearing loans.

Derecognition - A financial liability is derecognised when the underlying obligation of the liability is extinguished, cancelled or fulfilled. Where an existing financial liability is replaced by another of the same lender, on substantially different terms, or the conditions of an existing liability are substantially changed, such exchange or modification is treated as an accounting cancellation of the original liability, accompanied by the recognition of a new liability, with recognition in the statement of profit/(loss) for the year of any differences between the carrying amounts.

Offsetting of financial instruments

An asset and a financial liability may be offset and the net balance recognised in the statement of financial position if there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle the net balance or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement - The Group uses (or has used) derivative financial instruments, including: currency futures contracts, interest rate swaps and commodity futures contracts to hedge, respectively, currency exchange risks, interest rate risks and commodity price risks. Such derivative financial instruments are initially recognised at the *fair value* on the date on which the derivative contract is entered into and are subsequently
measured again at fair value. Derivatives are accounted for as financial assets when the *fair value* is positive and as financial liabilities when the *fair value* is negative.

For hedge accounting purposes, there are three hedges:

- fair value hedging in the event of hedging the exposure against changes in the fair value of the asset or liability recognised or unrecognised firm commitment;
- cash flow hedging in the event of hedging the exposure against the variability of cash flows attributable to a particular risk associated with all assets or liabilities recognised or a highly

probable planned transaction or the foreign currency risk on an unrecognised firm commitment;
- hedge of a net investment in a foreign transaction.

The Group has designated all forward contracts as hedging instruments. Any profits or losses deriving from changes in the *fair value* of the derivatives have been recognised directly in the income statement, except for the effective part of the cash flow hedges, which were recognised in *OCI* and subsequently transferred to the income statement when the hedging item impacts the income statement.
The Group has accounted for hedge accounting in accordance with IFRS 9.

Inventories
Inventories consist mainly of fuels and lubricants on board the working fleet, as well as materials and mechanical spare parts. They are measured at the lower of the acquisition cost and the net realisable value. The acquisition cost for fuels and lubricants is determined according to the FIFO method, including ancillary expenses and the reclassification from equity of the gains and losses arising from qualifying cash flow hedging operations relating to the acquisition of bunkers.
The expected realisable value is the estimated sales price less estimated sales costs.

Provisions for risks and charges
Provisions for risks and charges are made when the Group must meet a present legal or constructive obligation as a result of past events, when expenditures are likely to be required to settle the obligation, and when the amount of such expenditure can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation or transfer it to third parties at the reporting date.
If the effect of discounting for the time value of money is significant, the provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the specific risks of the liabilities. When discounting is performed, the increase in the provision due to the passage of time is recognised as interest expense.
When the Group believes that an accrual to the provision for risks and charges will be partly or wholly reimbursed, for example in the case of risks covered by insurance policies, the compensation is recognised separately in the assets if, and only if, it is practically certain. In this case, the cost of any accrual is recognised in the income statement, net of the amount recognised for the compensation.
Provisions are updated periodically to reflect changes in estimated costs, timing and discount rates. Changes to the estimates of provisions are recognised under the same item of the income statement that was previously used for the recognition of the accrual, or – when the liability relates to property, plant and equipment and investment property – as a balancing entry to the asset to which it relates.
<u>Contingent liabilities</u>
If the Group identifies the outflow of resources as possible, but uncertain, with regard to the amount pertaining to a current obligation, it discloses this fact in the notes to the financial statements. The Group is involved in a number of legal and tax disputes, some of which are of a complex nature. The status and nature of these disputes results in considerable uncertainty, which is constantly monitored by the Group, including with the support of third-party experts. In view of these activities, there may be changes in the value of provisions for risks and charges to reflect future developments in ongoing proceedings.

Employee benefits - post-employment benefits
Post-employment benefits granted within the Group are paid exclusively out of the relevant provision required by Italian legislation.
In view of this fact, and due to the supplementary pension reform enacted on January 1, 2007, liabilities accrued up to that date are classified as a defined benefit plan, while those accrued after that date are classified as a defined contribution plan, as provided for by IAS 19 – Employee Benefits.
Through an independent actuary, the Group calculates its defined benefit plans according to the Projected Unit Credit Method (PUCM), in which the amount of the liability for vested benefits must reflect the expected leaving date and must be discounted. The obligation is calculated separately for each plan by estimating the amount of the future benefits accruing to employees according to the period of service. These benefits are discounted in order to calculate the present value. Actuarial gains and

losses relating to defined benefit plans are recognised entirely in the income statement, insofar as they are not regarded as significant. Costs related to the increase in the present value of the obligation are recognised under financial expenses.
The Group's obligation arising from defined contribution plans is limited to the payment of contributions to the "Istituto Nazionale di Previdenza Sociale" (National Institute of Social Welfare) or to a body of assets or a legally separate entity (fund), and is determined on the basis of the contributions payable. This obligation is recognised according to the working services received, and no actuarial calculation is carried out. If the contributions concerned have been entirely paid at the reporting date, no liabilities are recognised in the financial statements.
The discount rate used in the actuarial calculation has been determined from a basket of AA-rated securities, in line with best practices in the sector.

Non-current assets held for sale and discontinued operations
Non-current assets held for sale and discontinued operations are represented by those assets (or groups of assets) whose value can be recovered through the disposal rather than the ongoing utilisation, and by those businesses that have been abandoned during the year and do satisfy all the requirements of IFRS 5 - Non-current assets held for sale and discontinued operations. Discontinued operations and assets held for sale are accounted for at the lower between the carrying amount and the fair value, net of disposal costs. Information related to significant business lines (Discontinued Operations) are disclosed as follows:
- In two specific statement of financial position line items: Assets held for sale and Liabilities directly associated with assets held for sale;
- In a specific income statement line item: Profit/(loss) for the year from discontinued operations:

If the asset and some of the associated liabilities are disposed of with a unique transaction, those liabilities are consistently accounted for as liabilities directly associated with the assets held for sale.

Revenue and costs recognition
Revenue and costs are recognised in profit or loss on an accrual basis. Revenue and income, net of returns, discounts, rebates and bonuses, are accounted for at their fair value if it possible to reliably determine their amount and if it is probable that the related economic benefits will be received. Costs are recognised in profit or loss when the related goods or services are disposed of or consumed during the year, or through a systematic allocation, that is when it is not possible to identify their future usefulness.
Revenue is recognised for an amount that reflects the consideration that the entity expects to be entitled to receive for the transfer of goods and/or services and is divided into five steps:
- identification of the contract(s) with the customer; the provisions of the standard apply to each individual contract except in cases where the standard requires the entity to consider more than one contract as a whole and consequently to account for it;
- identification of the performance obligations (i.e. contractual promises to transfer goods and/or services) contained in the contract;
- determination of the transaction price; if the consideration is variable, this is estimated by the entity, to the extent that it is highly probable that when the uncertainty associated with the variable consideration is subsequently resolved, there will be no significant downward adjustment to the amount of cumulative revenues recognised;
- allocating the transaction price to the identified performance obligations, generally on the basis of the relative standalone selling prices of each good or service; and
- recognition of revenue when and/or to the extent that the related performance obligation is met.

Revenue from the sale of goods and services: the Group revenues are mainly referred to services provided and are accounted for when the following requirements are satisfied:
- the revenue amount can be reliably measured;
- it is probable that future economic benefits will flow to the Parent Company;
- the transaction stage of completion at the reporting date can be reliably measured;
- The costs already borne and to be borne to complete the transaction can be reliably measured.

Revenues deriving from contracts with customers are recognised when control of the goods and services is transferred to the customer for an amount that reflects the consideration that the Group expects to receive in exchange for these goods or services.
In particular, the Group provides for services based on the sale of tickets for passengers and vehicles transportation as well as services based on freight transportation. They are accounted for when the service is provided, which corresponds with the moment in which the transportation is concluded. Moreover, the Group provides for services based on harbour towing and off-shore intervention that are paid based on pre-established fares (harbour towing services) or agreed upon with the customers when the services are completed.
Salvage income and ship damages insurance compensation are accounted for on an accrual basis, based on the best possible estimate of the amount that will be paid for the former at the end of the extra-judicial activity of compensation definition and for the latter on the compensation set by the insurance company. These estimates are carried out by the Group at each reporting date, by taking into account every available element. If during subsequent periods other elements arise that modify the calculation of the estimate, the amount recognised is adjusted accordingly.
Revenue from the sale of goods is accounted for when all significant risks and rewards incidental to ownership of the goods are transferred to the buyer and the amount of revenue can be measured reliably.
Government grants: they are accounted for when there is the reasonable certainty that they will be received and all the related conditions are met. When grants are related to cost components, they are accounted for as revenue and systematically allocated over the years in order to reflect the cost they intend to offset. If the grant is related to an asset, the asset and the grant are accounted for at their nominal amount and taken to profit or loss on a straight-line basis over the asset expected useful life.
Financial income and expenses: financial income and expenses are accounted for on an accrual basis, based on the interest accrued on the net value of the related financial assets and liabilities using the effective interest rate.
Dividends: dividend income is recognised in the income statement at the time the shareholders' entitlement to a pay-out arises, that is the moment when they are approved.

Income taxes
Current taxes: current taxes reflect a realistic estimate of the tax burden determined by applying the regulations in force in the countries where the Group operates, and are recognised on an accrual basis. Current taxes relating to elements not recognised through profit or loss are also recognised outside the income statement, either in equity or in the statement of comprehensive income, according to the recognition of the element to which they relate. Current tax assets and liabilities are calculated using the rates in force or substantively enacted at the reporting date. They include the net balance of the tax positions of the group companies with regard to Italian and foreign taxation authorities. In particular, these items include the net balance between current tax liabilities and current tax assets represented by advance payments and other tax credits for withholdings applied or other tax credits in respect of which the right to offset has been exercised with regard to the taxation authority. Offsetting is carried out when income taxes are levied by the same taxation authority and there is a legally enforceable right to offset.
Deferred taxes: they are calculated on the temporary differences arising at the reporting date between the tax values of assets and liabilities and their carrying amounts, according to the liability method. Deferred tax liabilities are recognised on all taxable temporary differences, except for the following:

- deferred tax liabilities arising from the initial recognition of goodwill or an asset or a liability in a transaction other than a business combination and which, at the same time, does not affect the profit or loss for the year or the tax base;
- the reversal of taxable temporary differences related to investments in subsidiaries, associates and joint ventures can be controlled and it is probable that it will not take place in the foreseeable future.

Deferred tax assets are recognised in respect of all deductible temporary differences and for tax assets and liabilities carried forward, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the tax assets and liabilities carried forward can be utilised.

- deferred tax assets related to deductible temporary differences arises from the initial recognition of an asset or a liability in a transaction other than a business combination and which, at the same time, does not affect the profit or loss for the year or the tax base;
- in the event of deductible temporary differences related to investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that they will reverse in the foreseeable future and that sufficient taxable profit will be available again which these temporary differences can be offset.

The value to be recognised in the financial statements for deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that sufficient taxable profit will be available to allow all or part of this credit to be utilised. Unrecognised deferred tax assets are reviewed annually at each reporting date and are recognised to the extent that it has become likely that the taxable profit will be sufficient to allow such deferred tax assets to be recovered.

Deferred taxes are measured on the basis of the tax rates that are expected to be applied to the year in which the assets will be realised or the liabilities will be settled, considering the rates in force and those already enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset when income taxes are levied by the same taxation authority, when there is a legal right to offset, and when the repayment times are homogeneous. Deferred tax assets and liabilities are classified under non-current assets and liabilities.

Value added tax and other indirect taxes: income, costs and assets are recognised net of value added tax, apart from certain exceptions arising from the application of tax legislation. Other taxes not related to capital income are included among other operating expenses.

Earnings per share

Earnings per share are calculated by dividing the Group's profit or loss to the weighted average of the outstanding shares during the year. For the calculation of the diluted earnings per share, the weighted average is adjusted to take into consideration the conversion of all the outstanding potential shares that have a dilutive effect. As a consequence, the profit or loss for the year is adjusted to take into consideration the effects, net of the tax impact, of the conversion.

1.3 Standards issued which came into force in 2018

Following EU endorsement, new standards and amendments to previous standards became applicable to annual periods beginning on or after January 1, 2018. The main changes for the Group compared to the consolidated financial statements at December 31, 2018 are described below. A summary of each standard/amendment is given below:

- IFRS 15: a single revenue recognition model based on the transfer of control of an asset or a service to a customer. This standard introduces a single revenue-recognition model based on the transfer of control over an asset or a service to a customer. Specifically, the core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: (i) identify the contract(s) with a customer; the standard applies to individual contracts, except for the cases covered by the same standard which requires that an entity considers several contracts together and recognises them accordingly; (ii) identify the performance obligations in the contract (i.e., the promises in a contract to transfer goods and/or services; (iii) determine the transaction price; where a contract contains elements of variable consideration, the latter is estimated by the entity, to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved; (iv) allocate the transaction price to the performance obligations in the contracts, usually by reference to the relative standalone selling prices of individual goods or services; and (v) recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 also integrates financial statements disclosure in terms of nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This standard has not produced significant impacts for the Group;
- *IFRS* 9 Financial Instruments, replaces *IAS* 39 for financial years starting on January 1, 2018 or later, bringing together all three aspects relating to the accounting of financial instruments: classification and measurement, impairment and *hedge accounting*.
  The Group applied IFRS 9 retrospectively, with initial application date on January 1, 2018. The details of the effects deriving from the application of the standard Equity investments and impairment on Trade receivables are shown below:

(€ thousands)	Recognition at 12/31/2017	Variation of value	Measurement at IFRS 9 01/01/2018
Equity investments	1,124	1,835[a]	2,959
Equity Investments	**1,124**	**1,835**	**2,959**
Trade receivables	60,951	(687)[b]	60,264
Trade receivables	**60,951**	**(687)**	**60,264**
Total assets	**62,075**	**1,148**	**63,223**
Consolidated net equity	152,069	1,196	153,265
Total liabilities	**152,069**	**1,196**	**153,265**

a) Effect of measurement at fair value
b) Effect of the Expected Credit Loss (ECL) assessment

- interpretation *IFRIC* 22 "Foreign Currency Transactions and Advances" , the interpretation clarifies that, in defining the spot exchange rate to be used for the initial recognition of the related assets, costs or revenues (or part thereof) at the time of derecognition of a non-monetary asset or of a non-monetary liability relating to advances on payments, the date of the transaction is the date on which the entity initially recognises non-monetary assets or non-monetary liabilities relating to advances on fees. In the case of multiple payments or advances, the entity must define the date of the transaction for each payment or advance on fees. This interpretation had no impact on the Group's consolidated financial statements;
- Amendments to *IAS* 40 "Changes in the Destination of Real Estate Investments", the amendments clarify when an entity should transfer a property, including properties under construction or development in the item or out of the item Real Estate Investments. The

amendment establishes that a change occurs in the use when the property meets, or ceases to meet, the definition of real estate property and there is evidence of a change in use. A simple change in management's intentions regarding the use of the property does not provide evidence of a change in use. These amendments had no impact on the Group's consolidated financial statements;

- Amendments to *IFRS* 2 "Classification and Recognition of Share-Based Payment Transactions", the *IASB* issued amendments to IFRS 2 Share-based Payments dealing with three main areas: the effects of a vesting condition on the measurement of a transaction with share-based payment settled in cash; the classification of a share-based payment transaction settled net of withholding tax obligations; accounting if a change in the terms and conditions of a share-based payment transaction changes its classification from settled in cash to settled with equity instruments. At the time of adoption, the entities must apply the changes without restating the previous periods, but the retrospective application is permitted if chosen for all three changes and other criteria are met. These amendments had no impact on the Group's consolidated financial statements.
- Amendments to *IFRS* 4 - Joint Application of *IFRS* 9 Financial Instruments and *IFRS* 4 Insurance Contracts, the amendments concern the problems arising from the adoption of the new standard on financial instruments, *IFRS* 9, before the adoption of *IFRS* 17 *Insurance Contracts*, which replaces *IFRS* 4. The amendments introduce two options for entities that issue insurance contracts: a temporary exemption from the application of *IFRS* 9 and the *overlay approach*. These amendments had no impact on the Group's consolidated financial statements;
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that the recognition of a *fair value* investment recognised in profit/(loss) for the year is a choice that applies to the individual investment, the amendments clarify that an entity which is a *venture capital* organisation, or another qualified entity, may decide, at the time of initial recognition and with reference to the individual investment, to measure its investments in associates and *joint ventures* at the *fair value* recorded in the income statement. If an entity that does not qualify as an investment entity, has an equity investment in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, decide to maintain the measurement at *fair value* applied by that investment entity (whether it is an associate or a joint venture) in the measurement of its own (of the associate or *joint venture*) equity investments. This choice is made separately for each associate or *joint venture* that is an investment entity at the last of the following dates: (a) initial recognition of the investment in the associate or *joint venture* which is an investment entity; (b) in which the associate or *joint venture* becomes an investment entity; and (c) in which the associate or *joint venture* that is an investment entity becomes parent company for the first time. These amendments had no impact on the Group's consolidated financial statements;
- Amendments to *IFRS* 1 First-time adoption of *International Financial Reporting Standards* - Cancellation of Short-Term Exemptions for *First-Time Adopters*, the short-term exemptions envisaged by paragraphs E3-E7 of *IFRS1* have been cancelled as they have served their purpose. These amendments had no impact on the Group's consolidated financial statements.

Standards issued but not yet effective

The standards, amendments and interpretations endorsed by the European Commission that are not yet applicable at the reporting date and that the Group did not adopt early are described below:

In its regulation 2017/1986 dated October 31, 2017, the European commission endorsed the provisions of *IFRS 16 Leases* issued by the IASB on January 13, 2016. This standard defines a lease as a contract that conveys a right to use the asset for a period of time in exchange for consideration and eliminates, for lessees, the different between finance and operating leases, introducing a single recognition model. Under this model, the entity recognises: (i) in its statement of financial position, an asset, which represents the related right of use, and a liability, which represents the obligation to make contractually-established payments, for all leases with a term of more than one year and whose value is not considered significant; (ii) in the income statement, the amortisation/depreciation of the assets

recognised and the interest accruing on the recognised liability separately. The separation between finance and operating leases is maintained in the financial statements of lessors.
The provisions of IFRS 16, which replace those of IAS 17, Leases, and the related interpretations, are applicable to reporting periods beginning on or after January 1, 2019. The impact of the adoption of this standard is significant for the Group, and is quantified below after an initial analysis:

- liabilities under leasing contracts' previously classified as operating leases: Euro 131.547 thousand;
- right of use: Euro 130.122 thousand.

The discount rate used is 7.75%.

IFRS 17 *Insurance Contracts* - on May 18, 2017, the *IASB* issued *IFRS* 17 - *Insurance Contracts*, a new complete standard relating to insurance contracts that covers recognition and measurement, presentation and disclosure. When it comes into force, *IFRS* 17 will replace *IFRS* 4 - *Insurance Contracts,* which was issued in 2005. *IFRS* 17 applies to all types of insurance contracts regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 will be in force for the years starting from January 1, 2021 or later and will require the presentation of comparative balances. Early application is permitted, in which case the entity must also have adopted *IFRS* 9 and *IFRS* 15 at the date of first application of *IFRS* 17 or earlier. Based on the preliminary analyses carried out, the Group does not expect significant impacts on its consolidated financial statements.

Amendments to IFRS 9 Financial Instruments - Negative Cleared Prepayments with Regulation 2018/498 issued by the European Commission on 22 March 2018 endorsed IFRS 9 Financial Instruments - Negative Cleared Prepayments with a view to clarifying the classification of certain early-repayable financial assets when IFRS 9 applies. In particular:

- for financial assets, it allows the measurement at amortised cost or, depending on the business model, at fair value through other comprehensive income, of those loans which, in the event of early repayment, require payment by the grantor (negative compensatory payment);
- for financial liabilities at amortised cost contains a clarification regarding the accounting of a change that does not entail derecognition from the financial statements. In such cases, it is envisaged that, at the date of the amendment, the adjustment to the amortised cost of the financial liability, calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the effective interest rate, is recognised in the income statement.

The amendments to IFRS 9 are effective for annual periods beginning on or after 1 January 2019.

Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures - with regulation no. 2019/237 issued by the European Commission on 8 February 2019 was approved IAS 28 "Long-term Interests in Associates and Joint Ventures" (hereinafter, amendments to *IAS* 28), aimed at clarifying that the provisions of *IFRS* 9, including those concerning impairment , also apply to financial instruments representing long-term interests in an associated company or a joint venture , which, in essence, form part of the net investment in the associated company or joint venture (so-called long-term interest). The amendments to IAS 19 are effective starting from the years beginning on, or after, January 1, 2019. Based on the preliminary analyses carried out, the Group does not expect significant impacts on its consolidated financial statements.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement - with regulation no. 2019/402 issued by the European Commission on 13 March 2019 was approved IAS 19 "Plan Amendment, Curtailment or Settlement" (hereafter amendments to IAS 19), aimed essentially at requiring the use of updated actuarial assumptions in determining the cost of current work services and net interest for the period following a modification, reduction or termination of an existing defined benefit plan. The amendments to IAS 19 are effective starting from the years beginning on, or after, January 1, 2019. These amendments will only apply to any future changes to the plan, reductions or transactions of the Group;

Amendments to *IFRS* 3 - *Business Combinations* - on October 22, 2018, the *IASB* issued the amendments to IFRS 3 "*Business Combinations*" (hereinafter amendments to *IFRS* 3), aimed at providing clarifications

on the definition of *business*. The amendments to IFRS 3 are effective starting from the years beginning on, or after, January 1, 2020. The Group will apply these amendments when they come into effect.

Amendments to *IAS* 1 and *IAS* 8 "*Definition of Material*" - on October 31, 2018, the *IASB* issued the amendments to *IAS* 1 and *IAS* 8 "*Definition of Material* " (hereinafter, amendments to *IAS* 1 and *IAS* 8), aimed at clarifying, and making uniform within the *IFRS* and other publications, the definition of materiality with the aim of supporting companies in formulating opinions on the same. In particular, information must be considered material if it can be reasonably presumed that the related omission, misrepresentation or concealment influences the main users of the financial statements when making decisions based on the same. The amendments to IAS 1 and IAS 8 are effective starting from the years beginning on, or after, January 1, 2020. The Group will apply these amendments when they come into effect.

Regulation no. 2019/412 issued by the European Commission on March 14, 2019 approved the Annual Improvements to Standards IFRS 2015-2017 Cycle, a series of amendments to the IFRS as follows:
- IFRS 3 - Business Combinations, clarifying how a company must remeasure its previously held interest in a joint operation, once it has obtained control of the business;
- IFRS 11 - Jointly controlled arrangements, whereby a company does not revalue its previously held interest in a joint venture when it obtains joint control of the business,
- IAS 12 - Income Taxes, which clarifies that the impact of income taxes on dividends (i.e. distribution of profits) should be recognised in the income statement, regardless of how the tax arises;
- IAS 23 - Borrowing Costs, which clarifies that a company treats as part of a general debt any debt originally incurred for the development of an asset when the asset itself is ready for its intended use or for sale.

The amendments are effective for annual periods beginning on or after 1 January 2019.

IFRIC Interpretation 23 - *Uncertainty over Income Tax Treatment* - with regulation no. 2018/1595 issued by the European Commission on October 23, 2018, *IFRIC* 23 "*Uncertainty over Income Tax Treatment* " was endorsed, defining the accounting treatment of income taxes when the tax treatment involves uncertainties that affect the application of *IAS* 12 and does not apply to taxes or duties that do not fall within the scope of *IAS* 12, nor does it specifically include requirements relating to interest or penalties attributable to uncertain tax treatment. The Interpretation deals specifically with the following points:
- if an entity considers uncertain tax treatments separately;
- the entity's assumptions on the examination of tax treatments by the tax authorities;
- the way in which an entity determines the taxable profit (or tax loss), the tax base, unused tax losses, unused tax credits and tax rates;
- the way in which an entity treats changes in facts and circumstances.

An entity must define whether to consider each uncertain tax treatment separately or together with other (one or more) uncertain tax treatments. The approach that allows the best prediction of the resolution of the uncertainty should be followed. The Interpretation is in effect for the years beginning on or after January 1, 2019 or later, but some facilities are available for the first application. The Group will apply the interpretation on the effective date. Based on the preliminary analyses carried out, the Group does not expect significant impacts on its consolidated financial statements.

Amendments to the References to the Conceptual Framework in IFRS Standards - on 29 March 2018, the IASB issued Amendments to the "Framework for the Preparation and Presentation of Financial Statements". The main changes concern: a new chapter on measurement and reporting of financial results; more accurate definitions and rules - in particular the definition of liabilities; clarifications on important issues, such as rules of administration, prudence and uncertainty in valuations. Changes to the Framework are effective from the years beginning on or after 1 January 2020.

1.4 *Business combinations*

1.4.1 *Acquisition of the Renzo Conti sub-group*

On January 25, 2017 (the acquisition date which conventionally approximates January 31, 2017 since no significant changes occurred between the two dates), the Parent Company completed the acquisition of 60% of Renzo Conti S.r.l., from third parties, for a total consideration of Euro 8,600 thousand (paid in two instalments*: i)* Euro 3,465 thousand in November 2016 and *ii)* Euro 5,135 thousand in January 2017). As a result, the Parent Company directly holds 60% of Renzo Conti, indirectly 44.51% of Agemar S.p.A. and 40.63% of Livorno Terminal Marittimo S.r.l. (LTM) as per Renzo Conti's 73.62% interest in Agemar and Renzo Conti's and Agemar's interests in LTM of 12.5% and 75%, respectively. The companies are included in the consolidation scope as they are subsidiaries of the Group.
At December 31, 2017, the Group had provisionally recognised the surplus between the consideration transferred (equal to € 8,600 thousand), the re-assessment of the previously held interest at fair value (equal to Euro 18 thousand) and the carrying amount at the acquisition date of the identifiable assets acquired and liabilities assumed (equal to Euro 3,850 thousand) as goodwill, that is equal to Euro 12,468 thousand.
At the conclusion of the Business combination analysis activities, within one year of the acquisition date as permitted by IFRS 3, the results obtained in the table below are summarised below. The effects deriving from the Business combinations are accounted for at a definitive fair value.

(€ thousands)		Fair value		
	RENZO CONTI	**AGEMAR**	**LTM**	**Total**
NON-CURRENT ASSETS				
Property, plant equipment	252	-	5,953	6,205
Other intangible assets	4	-	6,477	6,481
Equity investments	198	5	58	261
Other non-current financial assets	32	-	-	32
Deferred tax assets	-	1	196	197
CURRENT ASSETS				
Inventories	-	-	10	10
Trade receivables	46	-	2,392	2,438
Total other receivables and other current assets	52	1	1,052	1,105
Cash and cash equivalents	11	145	482	638
TOTAL ASSETS	**595**	**152**	**16,620**	**17,367**
NON-CURRENT LIABILITIES				
Non-current bank loans and borrowings	172		-	172
Provisions for employee benefits	15		64	79
Provisions for risk and charges	-		684	684
Deferred tax liabilities	2		2,448	2,450
CURRENT LIABILITIES				
Bank loans and borrowings and current portion of long-term loans and borrowings	329	-	993	1,322
Current tax liabilities	4	-	346	350
Trade payables	181	2	947	1,130
Sundry liabilities and other current liabilities	-	9	436	445
TOTAL LIABILITIES	**703**	**11**	**5,918**	**6,632**
Equity attributable to non-controlling interests				8,937
Total net assets at fair value				**1,798**
Interest previously held by the Group				(18)
Goodwill arising on acquisition				6,820
Transferred consideration				**8,600**

(€ thousands)		Cash flows from acquisitions
Cash and cash equivalents acquired through subsidiaries		638
Cash paid for acquisitions:		
	in November 2016	(3,465)
	In January 2017	(5,135)
Net cash flows related to acquisitions		**(7,962)**

As previously defined, the Group evaluated the assets acquired and the liabilities assumed at their respective fair values on the acquisition date. The valuation involved the recognition of:

- Euro 6.4 million with respect to the concession of an area of maritime state property related to Dock 1 at the Livorno port, expiring at December 31, 2019, and a related deferred tax effect of Euro 1.9 million;
- Euro 1.5 million higher value for the building of the subsidiary LTM, supported by an appraisal and independent third-party report, and a related deferred tax effect of Euro 0.4 million;
- Euro 6.8 million as 'Goodwill', which can be allocated to the Cash Generating Unit (CGU) 'Port Management'.

1.4.2 Acquisition of Agence Maritime Bastiaise

On July 31, 2017, the Parent Company acquired 100% of Colonna et Fils S.r.l. from third parties, which was subsequently renamed Agence Maritime Bastiaise (hereinafter also AMB), for a total consideration of Euro 1,300 thousand.
At December 31, 2017, the Group had provisionally recognised the surplus between the consideration transferred (equal to Euro 1,300 thousand) and the carrying amount at the acquisition date of the identifiable assets acquired and liabilities assumed (equal to Euro 687 thousand) as goodwill, that is equal to Euro 613 thousand.
At the conclusion of the Business combination analysis activities, within one year of the acquisition date as permitted by IFRS 3, the results obtained in the table below are summarised below. The effects deriving from the Business combinations are accounted for at a definitive fair value.

(€ thousands)	Fair value
	Total
NON-CURRENT ASSETS	
Other non-current financial assets	1
CURRENT ASSETS	
Trade receivables	1,092
Total other receivables and other current assets	12
Other current financial assets	6
Cash and cash equivalents	777
TOTAL ASSETS	**1,888**
CURRENT LIABILITIES	
Trade payables	973
Other payables and other current liabilities	228
TOTAL LIABILITIES	**1,201**
Equity attributable to non-controlling interests	**-**
Total net assets at fair value	**687**
Interest previously held by the Group	-
Goodwill arising on acquisition	613
Transferred consideration	**1,300**

(€ thousands)	Cash flows from acquisitions
Cash and cash equivalents acquired through subsidiaries	777
Cash paid for acquisitions:	(1,300)
Net cash flows related to acquisitions	**(523)**

As previously defined, the Group evaluated the assets acquired and the liabilities assumed at their respective fair values on the acquisition date. The valuation involved the recognition of:

- Euro 0.6 million as 'Goodwill', which can be allocated to the *Cash Generating Unit (CGU)* 'Moby Ferries'.

2. *Notes to the main items of the Consolidated Statement of Financial Position*

Note 2.1. Property, plant and equipment

The historical cost, accumulated depreciation and carrying amount of property, plant and equipment at December 31, 2018 are shown in the following table:

(€ thousands)	12/31/2018			12/31/2017		
	Historical cost	Accumulated depreciation	Carrying amount	Historical cost	Accumulated depreciation	Carrying amount
Land	600	-	600	600	-	600
Buildings	32,341	(12,071)	20,271	30,455	(10,805)	19,650
Plant and machinery	959	(770)	188	880	(695)	185
Industrial and commercial equipment	2,027	(1,860)	167	2,020	(1,811)	209
Furniture and furnishings	4,391	(3,328)	1,063	4,293	(3,107)	1,186
Electronic machinery	10,662	(9,116)	1,546	10,266	(8,301)	1,965
Vehicles	6,832	(2,425)	4,407	5,456	(2,192)	3,263
Telephony	433	(366)	68	407	(340)	67
Asset under construction and payments in advance	7,868	-	7,868	6,414	-	6,414
Total	**66,113**	**(29,936)**	**36,177**	**60,791**	**(27,251)**	**33,539**

The changes that occurred during the year are as follows:

(€ thousands)	01/01/2018	Reclassification	Increase	Net decrease	Depreciation	12/31/2018
Land	600	-	-	-	-	600
Buildings	19,650	-	1,886	-	(1265)	20,271
Plant and machinery	185	(33)	112	-	(76)	188
Industrial and commercial equipment	209	1	5	-	(49)	167
Furniture and furnishings	1,186	(1)	99	-	(221)	1,063
Electronic machinery	1,965	22	374	-	(815)	1,546
Vehicles	3,263	11	2,129	(332)	(665)	4,406
Telephony	67	-	26	-	(26)	68
Assets under construction	6,414	-	2,050	(596)	-	7,868
Total	**33,539**	**-**	**6,683**	**(928)**	**(3,117)**	**36,177**

As better defined in 'Note 1.4 Business combinations', the value of 'Buildings' as at January 1, 2018 was changed following the allocation of the effects deriving from the Business Combination of the Sub-group Renzo Conti, referring to the building used for administrative office use of the subsidiary LTM, located in the municipality of Livorno.

The movements of the tangible assets in the 2018 financial year are defined below.
The increase in 'Vehicles' is mainly due to the subsidiaries LTM and CPS, of Euro 1,001 thousand and Euro 1,128 thousand, respectively, following the purchase of 7 and 8 port vehicles, respectively. With reference to the subsidiary CPS, 6 vehicles were acquired through financial leasing.
With reference to the "Assets under construction":

- The increase refers to the subsidiary Andy (Euro 1,063 thousand, net carrying amount at December 31, 2018 equal to Euro 6,705 thousand), mainly for infrastructure charges and the contribution to the construction costs paid to the Portoferraio municipality for the building complex located on the Elba island. For the remaining part, Euro 982 thousand, relates to costs for new designs attributable to the fleet incurred by the subsidiary CIN, including Euro 170 thousand incurred for the new "Maria Grazia Onorato" vessel received by the subsidiary CIN in March 2019 and chartered to the Group by the company F.lli Onorato Armatori S.r.l. for a period of 8 years, reference is made to 'Note 6.29 Related party transactions' for further information;
- the decrease, recorded by the Parent Company for Euro 596 thousand, refers to costs for new ship designs incurred in previous years, but not realised during the period or not envisaged within the three-year plan horizon approved by the Board of Directors of the Parent Company.

With reference to the increase in "Buildings", during the year, further work was carried out on the property located in the municipality of Arzachena (Euro 1.810 thousand, net carrying amount at

December 31, 2018 equal to Euro 4,267 thousand). In addition, Euro 76 thousand relates to work carried out at the administrative offices of the Parent Company and the subsidiary CIN.
The increase in "Electronic machinery", attributable mainly to the Parent Company and the subsidiary CIN for Euro 214 thousand and Euro 138 thousand, respectively, relates to IT investments to reinforce the hardware division (PCs, wireless communication structures and storage and back-up).
The increase in 'Plants and machinery' mainly originates from the investments made in the security systems implemented by the subsidiaries LTM and CPS, for Euro 101 thousand and Euro 11 thousand, respectively.
The increase in 'Furniture and furnishings' refers to the investments made by the group companies in office equipment.

The most significant "Buildings" were subject to an independent consultant's appraisal, reporting market values above the carrying amount at December 31, 2018.

Note 2.2 Fleet
The historical cost, accumulated depreciation and carrying amount of the fleet at December 31, 2018 are shown in the following table:

	12/31/2018			12/31/2017		
(€ thousands)	**Historical cost**	**Accumulated depreciation**	**Carrying amount**	**Historical cost**	**Accumulated depreciation**	**Carrying amount**
Ferries	1,104,456	(488,739)	615,717	1,057,425	(441,209)	616,216
Tugboats	60,012	(53,518)	6,494	58,570	(51,096)	7,474
Fleet	**1,164,468**	**(542,257)**	**622,211**	**1,115,995**	**(492,305)**	**623,690**

The changes that occurred during the year are as follows:

(€ thousands)	**01/01/2018**	**Increase**	**Depreciation**	**12/31/2018**
Ferries	616,216	51,477	(51,976)	615,717
Tugboats	7,474	1,442	(2,422)	6,494
Fleet	**623,690**	**52,919**	**(54,398)**	**622,211**

During the course of the year, the Group has invested a total of Euro 51,477 thousand in the ferries fleet. The main increases are:

- refitting operations completed on the "Oglasa" vessel for Euro 1,632 thousand;
- investments in cyclical ferry maintenance amounting to Euro 15,076 thousand, of which Euro 10,303 thousand related to engines and other mechanical parts, Euro 4,119 thousand relating to dock works and Euro 654 thousand to safety;
- repairs to common passenger areas for Euro 5,214 thousand, in particular relating to the "Moby Wonder", "Moby Aki", "Anastasia", "Rubattino", "Bithia" and "Athara" vessels;
- structural upgrades to safety and equipment for Euro 2,175 thousand;
- structural works on mechanical parts, engines and adaptations to SOLAS - Safety of Life at Sea regulations for Euro 18,956 thousand, in particular relating to the "Moby Ale", "Moby Giraglia", "Moby Drea", "Moby Otta", "Moby Wonder", "Moby Corse", "Bithia", "Moby Dada" vessels;
- silicone paint treatment for Euro 2,758 thousand;
- initial refitting operations carried out on the "Alf Pollak" vessels for Euro 5,391 thousand and relating for Euro 3,900 thousand to the purchase and installation of specific plants that reduce polluting emissions (scrubbers), allowing use of the current fuel. The vessel, received by the subsidiary CIN in the month of October, was chartered to the Parent Company by the company F.lli Onorato Armatori S.r.l. for a period of 8 years and subsequently chartered to the subsidiary CIN for the same period. See 'Note 6.29 Related party transactions' for further information.

The increase in the value for the tugboats class during the year is ascribable to the performance of cyclical maintenance works.

During the year 2018, the Group capitalised personnel expense amounted to Euro 268 thousand and related to the tasks carried out by seafarers on the "Alf Pollak" vessel.

No financial expenses were capitalised during the year.

Details of the changes in the Ferries and Tugboats fleet are shown in the following table:

- Ferries:

(€ thousands)	01/01/2018	Increase	Depreciation	Reclassification	12/31/2018
Moby Fleet					
Bastia	891	208	(160)	-	939
Vincent	1,237	1,230	(634)	-	1,833
Giraglia	1,089	1,738	(452)	-	2,375
Ale	651	1,406	(257)	-	1,800
Baby Two	1,623	689	(986)	-	1,326
Wonder	40,203	1,844	(2,313)	-	39,734
Aki	63,642	1,505	(2,717)	-	62,430
Drea	12,151	1,332	(2,414)	-	11,069
Otta	17,765	1,396	(2,258)	-	16,903
Tommy	86,010	1,329	(3,750)	-	83,589
Giuseppe Sa	5,217	1,425	(963)	-	5,679
Pietro Manunta	6,832	966	(652)	-	7,146
Kiss	16,470	667	(1,007)	-	16,130
Zazà	23,265	538	(1,373)	-	22,430
Niki	11,870	1,344	(827)	-	12,387
Schiopparello	2,054	133	(276)	-	1,911
Eliana Marino - Unit under operating lease	747	843	(472)	-	1,118
Dada - Unit under operating lease	5,534	2,421	(1,231)	-	6,724
Anastasia - Unit under operating lease	1,073	3,189	(1,080)	-	3,182
Rio Marina	6,170	665	(544)	16	6,307
Corse	13,196	1,390	(1,340)	-	13,246
Toremar Fleet					
Aethalia	3,402	312	(1,365)	-	2,349
Marmorica	3,354	700	(402)	-	3,652
Oglasa	2,289	2,276	(503)	-	4,062
Bellini	2,643	496	(469)	-	2,670
Liburna	3,763	479	(425)	-	3,817
Giuseppe Rum - Unit under operating lease	502	155	(289)	(16)	352
CIN Fleet					
Aurelia	1,250	582	(612)	-	1,220
Isola di Capraia	3,693	289	(759)	-	3,223
Florio	22,365	764	(1,402)	-	21,727
Rubattino	25,247	638	(1,796)	-	24,089
Nuraghes	48,550	1,001	(2,730)	-	46,821
Bithia	39,166	3,289	(2,875)	-	39,580
Janas	40,407	1,428	(2,681)	-	39,154
Athara	40,023	2,683	(2,394)	-	40,312
Sharden	48,646	934	(2,506)	-	47,074
Barbara Krahulik	2,656	1,095	(859)	-	2,892
Hartmut Puschmann	2,990	767	(871)	-	2,886
Beniamino Carnevale	2,866	279	(738)	-	2,407
Amsicora - Unit under operating lease	97	9	(106)	-	-
Eurocargo Catania - Unit under operating lease	285	326	(288)	-	323
Eurocargo Sicilia - Unit under operating lease	454	307	(467)	-	294
Bonaria - Unit under operating lease	96	2	(98)	-	-
Massimo Mura - Unit under operating lease	1,257	579	(697)	-	1,139
Wedellesborg - Unit under operating lease	30	-	(30)	-	-
Superfast - Unit under operating lease	-	27	(19)	-	8
Ariadne - Unit under operating lease	-	103	(77)	-	26
Lucchesi - Unit under operating lease	-	309	(51)	-	258
Alf Pollak - Unit under operating lease	-	5,390	(57)	-	5,333
Strategic spare part Fleet	2,497	-	(704)	-	1,793
Ferries fleet	**616,216**	**51,477**	**(51,976)**	**-**	**615,717**

- Tugboats:

(€ thousands)	01/01/2018	Increase	Depreciation	12/31/2018
Moby Fleet				
Achille Onorato	137	429	(160)	406
Achillino	284	27	(117)	194
Alessandro Onorato	225	14	(43)	196
Andrea Onorato	299	72	(81)	290
Carlotta	1,681	18	(570)	1,129
Impetuoso	270	6	(67)	209
Maria Onorato	344	15	(104)	255
Mascalzone Scatenato	79	444	(126)	397
Pina Onorato	159	181	(94)	246
Portovesme	34	12	(20)	26
Sparviero	-	-	-	-
Tommaso	2,588	13	(533)	2,068
Vincente	324	5	(108)	221
Vincenzo Onorato	454	138	(188)	404
San Cataldo Fleet				
Silvia Onorato	477	7	(166)	318
Vigore	56	61	(29)	88
Barletta	63	-	(16)	47
Tugboats fleet	**7,474**	**1,442**	**(2,422)**	**6,494**

Note 2.3 Goodwill

The Moby Group comprises the following operating Cash Generating Units (CGUs): *i)* Moby Ferries division; *ii*) CIN ferries division; *iii)* Tugboats division, *iv)* Olbia Port Management; *v)* Livorno Port Management and *vi)* Baltic division.

The management, although the integration process for the Ferry division is in progress, as proven by the decision-making process related to the fleet operations and management, has decided to keep the CGUs of the Ferry division separate.

Goodwill at December 31, 2018 amounts to Euro 42.8 million and refers to *i)* the Moby Ferries CGU (Euro 24.6 million); *ii)* the 'CIN ferries' CGU (Euro 8.7 million); *iii)* the 'Tugboats' CGU (Euro 2.7 million); *iv)* the 'Management Port' CGU (Euro 6.8 million).
As previously indicated in 'Note 1.4 Business combinations', at the conclusion of the Business combination analysis activities, within one year of the acquisition date as permitted by *IFRS 3,* has been accounted for 'Goodwill' *i)* Euro 0.6 million deriving from the acquisition of the subsidiary AMB imputed to the *CGU* 'Moby Ferries'; *ii)* Euro 6,8 million deriving from the acquisition of the Sub-Group Renzo Conti imputed to the *CGU* 'Livorno Port Management division'.

The recoverable amount of the various CGU, which also includes the value of the Fleet and Trademarks, has been verified through the calculation of the value in use, by using a rate that reflects specific risks of single cash generating units at the measurement date.

The expected cash flows to verify the impairment test are based on a time horizon related to the financial years 2019 - 2023 ('extended explicit plan period'), maturity of the *Senior Secured Notes* issued by the Parent Company, of which the first three years, 2019 - 2021, derive from the Business Plan approved by the Board of Directors of the Parent Company on April 15, 2019 (base scenario), while the financial years 2022 and 2023 are determined based on the expected margins in the last year of approved Business Plan and considering an inflationary growth estimated by the IMF equal to 1.5%.
The Business Plan is related to the period from 2019 to 2021 and the 2019 represents the budget. The Business Plan was subject to an Independent Business Review, by a leading consulting firm, and incorporates a series of significant assumptions, the non-realisation of which would entail an adverse impact on the achievement of the expected performance, the main ones set out below:

- an increase in the sales revenues of the freight segment throughout the period covered by the Business Plan , generated by tariff increase introduced in November 2018 and higher sales volumes from 2020;
- a fuel cost based on the *forward* curves calculated at the date of drawing up the Business Plan and a quantitatively limited swap hedge for the year 2019, exposing the Group to price volatility for the years of the plan;
- the sale of seven vessels, two of which already occurred in the first months of 2019, at the values and in the timescales envisaged in the plan, i.e. four units within December 31, 2019 and three units in 2020, of which one by the end of January 2020;
- the extension in prorogatio of the agreement between the Italian State and CIN to carry out the public interest maritime connection with major and minor islands (i.e. Sardinia, Sicily and the Tremiti Islands) expiring in July 2020.
- no payment of the deferred price to Tirrenia in Amministrazione Straordinaria during the plan covered by the Business Plan as well as the penalties following the investigation by the European Commission with regard to State aid;
- an increase in terms of volumes for passenger traffic in the last year of the plan, in line with market expectations;
- the same operating routes as in 2018, with the exception of Nice - Bastia, which ended at the beginning of January 2019;
- the use of new vessels under operating lease aimed at increasing transported capacity and guaranteeing greater efficiency in terms of consumption;
- the renewal of the port concessions of the subsidiary LTM expiring on December 31, 2019;

- the renewal of the port concessions of the subsidiary Sinergest, expired in August 2018 and currently operating through a provisional concession.

The directors also drafted a 2019 - 2021 plan (alternative scenario), approved by the Board of Directors of the Parent Company, which takes into consideration the end of the agreement between the Italian State and CIN at December 2020. This scenario, with the exception of the extension in *prorogatio* of the agreement, is based on the same assumptions of the base scenario and in addition: *i)* the sale of three vessels no longer required by the obligations deriving from the agreement in 2021; *ii)* the elimination of the route to and from the Tremiti Islands from 2021 no longer mandatory by the agreement; iii) the reduction to the summer period for the Genoa – Olbia, Palermo – Cagliari, Naples – Cagliari, Civitavecchia – Cagliari routes no longer mandatory by the agreement; iv) a consequent movement of the freight traffic towards already existing routes and a tariff increase for 2021 on some identified routes; v) an alignment of the passenger tariffs to higher price levels and a movement to existing routes with a higher tariff; vi) an increase in rental income for 2021 for two units and the simultaneous charter of a unit with a positive balance in terms of operating result; allowing, if done, the achievement of the expected performance. Also the alternative scenario was subject to an Independent Business Review, by a leading consulting firm.

In addition to the above, the main assumptions used for the calculation of the value in use are related to:

- the discount rate (WACC), used to discount future cash flows, expresses the weighted average cost of capital and, unlike what was determined at December 31, 2017, is divided into: *i)* 15.72%, applied to the period 2019 - 2023, 'extended explicit plan period'; and *ii)* 11.15%, applied for the calculation of the Terminal Value (TV).
  In both cases, the rate incorporates in the equity cost an additional prudent component of 3.5%, increased compared to the 2.5% applied at December 31, 2017, in order to reflect the difficulties inherent in the forecast process, also based on the historical-based comparison between actual and estimated cash flows.
  With reference to the 'extended explicit plan period', the rate prudently incorporates in the cost of gross debt, the yield of the Senior Secured Notes listed on the Luxembourg Stock Exchange and a capital structure in line with the situation as at December 31, 2018 of the Group. The yield suffered a significant deterioration in the 2018 because of the contraction in the Group's margins reflected in the quarterly results presented during the period.
  With reference to the Terminal Value, the rate incorporates a gross debt cost weighted by the different sources of financing available to the Group and a capital structure in line with the sector to which it belongs.
  At December 31, 2017, the rate applied was 7.97%;
- the growth rate (g) represents the nominal growth rate of the perpetual operating cash flow and is equal to 1.5%. It is in line with the expected inflation rate in Italy, from IMF source, for the year 2023. At December 31, 2017, the growth rate applied was 1.00%;

The analyses carried out show the recoverability of the net invested capital, including the pertaining fleet, goodwill and non-current assets allocated to the CGUs.

In addition, the directors prepared the analyses of recoverability of the net invested capital according to the alternative scenario 2019-2021, verifying compliance.

In application of the sensitivity analysis of value in use compared to the financial parameters, it should be noted that the 'CIN Ferries' *CGU* is sensitive to even minor changes in the discount rate (+0.1%) or the growth rate (-0.1 %), so as to determine the recognition of an *impairment loss.*
Even the 'Moby Ferries' CGU is sensitive to changes in the discount rate (+1.0%) in combined with variation of the growth rate (-1.5 %), so as to determine the recognition of an *impairment loss.*

The sensitivity analyses carried out on revenues and the trend of the main operating costs of the different CGUs show a high variability of results given the existence of many risk factors. These are mainly related to external elements attributable to forecast household consumption trends, sector

competitive trends, the performance of the bunker price and the market value of the fleet units expected to be discontinued, which may lead to different performance of the key variables underlying the growth rates assumed in respect of revenue and operating costs, thereby resulting in the recognition of impairment losses.

Note 2.4 Other intangible assets

The historical cost, accumulated amortisation and carrying amount of "Other intangible assets" at December 31, 2018, are shown in the following table:

(€ thousands)	12/31/2018			12/31/2017		
	Historical cost	Accumulated amortisation	Carrying amount	Historical cost	Accumulated amortisation	Carrying amount
Concessions	11,054	(8,836)	2,218	11,054	(6,234)	4,820
Licenses and trademarks	60,024	(34,058)	25,966	58,847	(31,850)	26,997
Assets under construction	192	-	192	128	-	128
Total	**71,271**	**(42,894)**	**28,376**	**70,030**	**(38,084)**	**31,945**

The following table shows the movements of other intangible assets for the year ended December 31, 2018:

(€ thousands)	01/01/2018	Increase	Depreciation	Reclassification	12/31/2018
Concessions	4,820	-	(2,602)	-	2,218
Licenses and trademarks	26,997	1,055	(2,208)	122	25,966
Assets under construction	128	186	-	(122)	192
Total	**31,945**	**1,241**	**(4,810)**	**-**	**28,376**

As better defined in 'Note 1.4 Business combinations', the value of the 'Concessions' as at January 1, 2018 was amended following the allocation of the effects deriving from the Business Combination of the Sub-Group Renzo Conti, referring to the enhancement of the concession of a maritime state property area relating to Dock No.1 of the port of Livorno and amortised, over 3 years, by the expiry date of the same concession, defined at December 31, 2019.

The changes in intangible assets for 2018 are described below.
The increases of the period are ascribable to long-serving costs of the IT division mainly borne by the Parent Company and the subsidiary CIN. In particular, there was a concentration of purchases for new software licenses and for new functionalities of the management applications.
The increases in 'Assets under development' refer to the further costs incurred by the subsidiary CIN to integrate information systems and comprise the activities completed in the first quarter of 2019.

Note 2.5 Equity investments

"Equity investments" include the carrying amount of the Group's interests in other, smaller companies. The detailed breakdown is as follows:

(€ thousands)	12/31/2018	12/31/2017
Banca Credito Coop. Isola d'Elba	188	48
Stazione Marittima Porto di Genova	2,540	962
Castalia	8	8
Riparatori Navali Genovesi	5	5
Saradecals	-	7
Maddalena Lines	144	90
Terminal Traghetti	599	204
Saimare	217	41
Tuscany Terminal	-	100
Nuova Darsena Società Consortile a r.l.	2	3
RTI	2	-
Apl	-	58
Edizioni commerciali	297	198
Manta Logistics Srl	5	-
Total equity investments	**4,007**	**1,724**

Following the introduction of the IFRS 9 accounting standard, the values as at December 31, 2018 reflect the *fair value* measurement with recognition in the income statement. For 2018 the change in the income statement is equal to an income of Euro 215 thousand.

In December 2018, the Parent Company set up, with a 50% stake, the company Mobyars New Terminal Auto Logistics S.r.l., in short also Manta Logistics S.r.l., with the corporate purpose of business in the logistics sector.

2.6 Inventory

The table below shows a detailed breakdown of Group inventories at December 31, 2018:

(€ thousands)	12/31/2018	12/31/2017
Fuels	9,222	9,080
Spare parts	5,887	6,226
Inventories on-board	340	467
Inventories	**15,449**	**15,773**

Inventories relate mainly to:

- fuels and lubricants on board of the vessels at the reporting date, accounted for at the market value at year end; the increase is mainly due to changes in the purchase price of year-end inventories. With reference to the hedging strategies put in place by the Group, refer to Note 4.26. Management of financial risks;
- spare parts, that comprise the value of mechanical components and generic equipment for ferries and tugboats. The reduction is attributable to the subsidiary CIN and is subsequent to the streamlining process in procurement and in the use of resources already in the inventory;
- inventories on-board, consumables directly available on the Parent Company's and the subsidiary CIN's vessels, which comprise technical and chemical consumables arising from machine and hotel uses.

The gross value and the various classes of inventories and the related provisions for losses are as follows:

	12/31/2018			12/31/2017		
(€ thousands)	Historical cost	Allowance for inventory write-down	Carrying amount	Historical cost	Allowance for inventory write-down	Carrying amount
Fuels	9,222	-	9,222	9,080	-	9,080
Spare parts and inventories on-board	7,138	(911)	6,227	7,604	(911)	6,693
Inventories	**16,360**	**(911)**	**15,449**	**16,684**	**(911)**	**15,773**

The write-down of inventories at December 31, 2018 refers to the technical obsolescence of some spare parts of the subsidiary CIN in 2015.

Note 2.7 Trade receivables

The detailed breakdown of 'Trade receivables' at December 31, 2018 by type of customer, net of the related allowance for impairment, is as follows:

(€ thousands)	12/31/2018	12/31/2017
Trade receivables- Freight division	50,588	45,219
Trade receivables- Tugboats division	3,590	3,905
Receivables from travel agencies	2,460	3,980
Receivables for Olbia port management	2,428	2,940
Receivables from catering companies	99	379
Receivables for government grants	605	-
Other	7,134	4,564
Trade receivables	**66,904**	**60,951**

The above carrying amounts reasonably approximate the fair value of the respective receivables and reflect the Group's maximum exposure to the commercial credit risk.
The increase in trade receivables, equal to 9.7% compared to the year ended December 31, 2017, mainly depends on the increase in receivables relating to the goods division. This increase is partly linked to the turnover trend achieved by the Group in the period and partly to a slight increase in average collection times.

Changes in the allowance for impairment are shown below:

(€ thousands)	Year ended December 31,	
	2018	2017
Carrying amount at January 1	15,912	15,982
Acquisition of subsidiaries	-	13
IFRS 9 Application	687	-
Provisions	719	258
Releases	(20)	(189)
Utilisations	(356)	(152)
Carrying amount at December 31	**16,942**	**15,912**

The provision for the period, amounting to Euro 719 thousand, includes Euro 333 thousand for the amount set aside in the Parent Company, Euro 351 thousand for the amount set aside in the subsidiary CIN, Euro 15 thousand and Euro 18 thousand for provisions made to cover the receivables recorded in the subsidiaries Toremar and Siciliana Salvataggi, respectively.
Releases of Euro 20 thousand refer to the release made by the subsidiary CIN.

Finally, the value of the bad debt provision at December 31, 2018 is impacted by the first application of IFRS 9 equal to Euro 687 thousand and refers for Euro 291 thousand to the amount set aside in the Parent Company and for Euro 396 thousand to the amount set aside in the subsidiary CIN. It should be noted that the application of the new IFRS 9 standard had no effect on the receivables recorded in the financial statements of the minor subsidiaries.

Impairment is calculated on the basis of the counterparty's default risk, determined by considering the available information on the customer's creditworthiness and the historical data. In particular, the Group carries out a detailed analysis for all significant positions and, where necessary, groups them into homogeneous categories of minor receivables in order to check for any overall impairment.

The Group's exposure to credit risk relates almost exclusively to trade receivables and, to a lesser extent, to other receivables.
Commercial credit risk is managed by each Division of the Group in order to optimise control over commercial exposure and intervene in a timely and effective manner whenever any doubtful positions

arise. The controls carried out at Division level are then monitored centrally, and where necessary the Group draws on specific legal advice for the recovery of the most critical exposures.
The Group deals only with well-known and reliable customers. It is the Group's policy to carry out suitable credit checks on customers who request extended payment terms.

The following table summarises the aging of trade receivables. Receivables from agencies are not categorised as past due/not due since they are settled by credit transfer.

(€ thousands)	Not due	Past due					Past due and impaired	Agencies	Trade receivables
		<90 days	90-120 days	121-180 days	181-360 days	> 360 days			
Dec-31-18	26,818	23,818	3,441	2,904	3,264	3,462	737	2,460	**66,904**
Dec-31-17	37,280	10,074	2,168	1,314	928	3,444	1,762	3,980	**60,951**

Note 2.8 Other receivables and other current assets
Details of 'Other receivables and other current assets' at December 31, 2018 are shown in the table below:

(€ thousands)	12/31/2018	12/31/2017
Tax credits	9,780	12,181
Prepayments of insurance premiums	1,397	815
Receivables for insurance compensation	1,899	308
Due from employees	439	457
Advances to suppliers	7,679	1,282
Insurance/ pensions bodies	97	234
Guarantee deposits	1,723	1,756
Other	18,699	9,214
Assets from commodity swap derivatives instruments	-	310
Total other receivables and other current assets	**41,713**	**26,557**

The carrying amount of 'Other receivables and other current assets", as detailed in the table, represents the Group's maximum exposure to credit risk in relation to this class of financial assets.
'Tax credits' comprise direct and indirect taxes may be analysed as follows: *i)* for Euro 3,285 thousand accrued by the subsidiary CIN, mainly arising from the instalments of the agreement received from the government (Euro 6,073 at December 31, 2017); *ii)* for Euro 1,841 thousand from the Parent Company and *iii)* for Euro 2,977 thousand from the subsidiary Toremar. The receivable accrued by the subsidiary CIN can be offset against the IRES to be paid and, up to a certain limit, also direct and indirect taxes. During the year, part of the receivable accrued (Euro 5,000 thousand) was factored without recourse to a bank and collected before the reporting date.
'Prepayments for insurance premiums' are represented by costs deriving from premiums paid in 2018, but pertaining to the year 2019.
'Receivables for insurance compensation' were recognised in accordance with insurance confirmations and refer to the Parent Company for Euro 1,310 thousand, to the subsidiaries Toremar for Euro 354 thousand and CIN for Euro 213 thousand and, on a residual basis, to the subsidiary LTM.
'Advances to suppliers' mainly include: *i)* payments made during the year for services and supplies to be concluded in the year 2019 for Euro 1,079 thousand, among which Euro 750 thousand paid by the subsidiary CIN by way of an advance on the purchase of specific plants that reduce polluting emissions (scrubbers) to be installed on the new "Maria Grazia Onorato" vessel, delivered to the subsidiary in March 2019; *ii)* the first advance for the purchase of a new tugboat for Euro 1,458 thousand; *iii)* the receivable from the Chairman of the Board of Directors of the Parent Company for the disbursement, during the period, of an advance of Euro 4,990 thousand on the 2019 fees and part of the year 2020. At December 31, 2017, an advance was paid on the fee for the year 2018, equal to Euro 1,000 thousand.
'Other' includes: *i)* the advance hire payment paid in August 2016 and related to the long-term lease of the "Moby Dada" and "Anastasia", at December 31, 2018, the discounted lease payment is Euro 2,947

thousand; *ii)* the advance hire payment paid in January 2018 and in October 2018 for a total of Euro 5,697 thousand to the company F.lli Onorato Armatori S.r.l. relating to the charter for 8 years of the "Alf Pollak" and "Maria Grazia Onorato" vessels. From the delivery of the "Alf Pollak" vessel which took place during the month of October, the amount of Euro 109 thousand was reclassified to the income statement. See 'Note 6.29 Related party transactions' for further information; *iii)* the Advance Hire Payment paid in December 2018 for a total of Euro 4,662 thousand to the company F.lli Onorato Armatori S.r.l. relating to the multi-year rental of two units under construction, whose delivery is scheduled during the year 2021 and 2022. See 'Note 6.29 Related party transactions' for further information; *iv*) residual sundry costs and expenses paid during the year but pertaining to future years. During the year the works related to the restoration of the damages in progress at December 31, 2017 were completed and therefore Euro 1,508 thousand was transferred to the income statement under the item 'Maintenance'.

Note 2.9 Other financial assets

(€ thousands)	12/31/2018	12/31/2017
Other investments	2,093	2,048
Non-current financial receivables	1,048	1,062
Other non-current financial assets	**3,141**	**3,110**

(€ thousands)	12/31/2018	12/31/2017
Other securities	27	27
Current financial receivables	70	134
Liquid funds subject to an attachment order	4,000	-
Other current financial assets	**4,097**	**161**

'Other financial assets', current and non-current, comprise the investments held by the Group, as well as interest income accrued but not yet received at the reporting date and financial receivables.
In October 2013, the Parent Company signed two single-premium capitalisation contracts with a leading Italian insurance company, recognised under "Other non-current financial assets". The subscribed capital amounted to Euro 2,100 thousand; during 2016, one of the two contracts was redeemed for a nominal amount of Euro 300 thousand. A contract with subscribed nominal capital of Euro 1,800 thousand is still in place at December 31, 2018, recognised at fair value (Euro 2,063 thousand). The contract provides a variable annual return and repayment of principal at maturity.
The contracts were entered into in order to provide a surety in favour of the Italian Revenue Agency for a number of pending tax positions in order to obtain authorisation for the change of flag for the "Massimo M." vessel.

The 'Financial receivables' shown for a total of Euro 1,118 thousand includes: *i)* Euro 70 thousand the credit, to be collected in the year 2019, consequent to the sale of the "Agata" vessel made in 2014 by the subsidiary Enermar Trasporti ; during the period, Euro 99 thousand were collected; *ii)* Euro 1,048 thousand for the loan granted on July 1, 2016 to the Chairman of the Board of Directors of the Parent Company, including an interest accrued during 2018 of Euro 20 thousand. The receivable accrues interest at a rate of 2%. Its expiry date is set at April 30, 2021.

At December 31, 2018, a seizure order was issued by the Milan Business Court for an amount of Euro 2,000 thousand on a bank current account of the Parent Company and on a bank current account of the subsidiary CIN, to guarantee the damages claimed by a customer. The two companies consider, with the support of their lawyers, the risk of losing as remote.

The carrying amount of other financial assets represents the Group's maximum exposure to credit risk in relation to this class of financial assets. For further information, please see Note 4.26 – Management of financial risks.

Note 2.10 Cash and cash equivalents
Cash and cash equivalents at December 31, 2018 are made up as follows:

(€ thousands)	12/31/2018	12/31/2017
Bank and postal accounts	171,491	232,388
Money and other cash on hand	632	1,214
TOTAL	**172,123**	**233,602**

The balance represents the cash held in bank and postal accounts plus money and other cash on hand at year end. The carrying amount of cash and cash equivalents represents the Group's maximum exposure to credit risk in relation to this class of financial assets. In December, the subsidiary CIN concluded a transaction for the assignment of the consideration deriving from the agreement for the year 2019 for Euro 69,778 thousand. The transaction was accounted for as a sale of a receivable with recourse resulting in a benefit on cash and cash equivalents at December 31, 2018.
For a detailed analysis of cash flows during the year, refer to the information provided in the statement of cash flows.

Note 2.11 Share capital and reserves
During the year, the Parent Company did not distribute any profits.
The Group manages capital based on the economic conditions and the monitoring of the risks underlying the operating activity. In particular, the adequacy of the capital structure is evaluated with reference to other measures, like the operating profitability and the net financial position.

Details of the composition of the Share Capital and Reserves are given in the table below:

(€ thousands)		12/31/2018	12/31/2017
Share capital		36,192	36,192
	Legal reserve	*4,580*	*4,580*
	Share premium reserve	*27,596*	*27,596*
	Other reserves	*(191)*	*(215)*
	FTA	*1,978*	*-*
	Cash flow hedge reserve	*(295)*	*(7,746)*
	Retained earnings	*81,910*	*58,609*
Reserves		115,579	82,825
Total equity		**151,771**	**119,017**

The changes in the hedging reserve for fuel cost swaps relating to the Parent Company and Toremar are as follows:

Effects of hedges (€ thousands)	Gross amount	Tax effect	Net amount
Opening balance of the hedging reserve	**(8,679)**	**933**	**(7,746)**
Effectiveness measured during the year	7,165	(761)	6,404
Effectiveness released to income statement	361	(32)	329
Ineffectiveness released to income statement	787	(70)	718
Closing balance of the hedging reserve	**(366)**	**70**	**(295)**

Note 2.12 Non-current loans and borrowings, bank loans and borrowings and current portion of non-current loans and borrowings

"Non-current loans and borrowings" include the portion due after one year of medium/long-term financing, while the portion due after one year is recognised under "Current bank loans and borrowings and current portion of non-current loans and borrowings", which also includes the use of credit lines and other short-term financial liabilities.

Refer to the 'Director's report on operations' for information on the Net financial indebtedness.

'Bank loans and borrowings and current portion of financial liabilities' at December 31, 2018 may be broken down as follows:

(€ thousands)	12/31/2018	12/31/2017
Current portion of medium-and long-term financing	149,237	46,610
Use of credit lines and other short-term financial liabilities		
Guaranteed revolving credit line - Pool	58,233	58,152
Assignment with recourse of the consideration under the agreement - Banca Sistema	69,778	-
Other use of credit lines	6,116	2,696
Bank loans and borrowings and current portion of medium and long-term financing	**283,364**	**107,458**

At December 31, 2018, the Senior Facilities Agreement payable was reclassified as current following the non compliance with the financial covenants. The amount of the financial debt existing on the date is equal to Euro 148,088 thousand. As detailed below, following the amendment agreement signed with the banking pool in April 2019 the financial covenants were amended. Following such amendment, the debt continues to be repayable as envisaged in the original loan agreement.

The Senior Facilities Agreement is a banking exposure at a floating rate equal to the 3-month Euribor index increased by a spread which, in relation to the Consolidated Leverage Ratio defined by contract, is included within the 2.50% - 4.75% range. At December 31, 2018, the Term Line was equal to an initial nominal amount of Euro 200,000 thousand in annual repayments starting from 2017 with increasing amounts; while the guaranteed revolving credit facility at the reporting date was used *i)* for Euro 2,180 thousand as security for the obligations emerging from the Agreement with the Italian State by the subsidiary CIN, a surety granted in favour of the Ministries involved, and *ii)* for nominal Euro 57,820 thousand to cover the Parent Company's cash requirements, renewable until expiry of the Term (classified under 'Use of credit lines and other short-term financial liabilities').

In February 2018, the second payment was made for Euro 40,000 thousand.

The *Senior Facilities Agreement* provides for, among other things, compliance with financial covenants.

In early 2018, the Parent Company sent to the credit institutions (banking pool) a request to partially amend the loan agreement, which also impacts financial covenants. The banking pool subsequently approved the Parent Company's request, updating the Consolidated Leverage Ratio (net financial position to EBITDA, calculated over the last 12 months of the reporting date), in respect of December 31, 2017, June 30, 2018 and December 31, 2018 reporting dates. The amendment of the loan agreement, also referred, inter alia, to margins updating to calculate the variable interest rate, increasing the range to 4.75%, as well as in the event of sale of fleet units for amounts above the contractually-agreed parameters, the mandatory repayment of 80% of the proceeds which are already allocated to the mandatory early repayment, without any possibility to reinvested or used to purchase vessels.

The Group calculated the financial covenants as at June 30, 2018 by checking their compliance.

During December the pool agreed, among other, on raising the limits set for the use of the assignment of receivables with and without recourse.

As described earlier under "Note 1.2 Accounting standards – Going concern assumption", the contraction of the operating result occurred in 2018 led to non compliance with the financial covenants at December 31, 2018. The pool subsequently agreed on eliminating the Consolidated Leverage Ratio for the date of recognition at December 31, 2018, amending the Ratio on the dates of recognition at June 30, 2019, December 31, 2019 and for the subsequent dates of recognition, until the Term maturity. In addition, for the dates of recognition at June 30, 2019 and December 31, 2019, the pool enabled the

Group to include in the calculation of the Consolidated Leverage Ratio the economic and financial effects deriving from the disposal of fixed assets completed by October 31, 2019 and January 31, 2020, respectively.
Following the failure to comply with the financial covenants in compliance with IAS 1, the Group reclassified the Senior Facilities Agreement entirely as current liabilities. Following the amendment mentioned above, the debt continues to be repayable as envisaged in the original loan agreement.

In February 2019, the Parent Company honoured the third instalment of the Senior Facilities Agreement for Euro 50,000 thousand.

The due dates of the Senior Facilities Agreement envisaged under contract are summarised below.

(€ thousands) **Analysis of due dates**	**2017**	**2018**	**2019**	**2020**	**2021**
Senior Facilities Agreement	10,000	40,000	50,000	50,000	50,000
Status	**paid in February 2017**	**paid in February 2018**	**paid in February 2019**	-	-

With reference to the Use of credit lines and other short-term financial payables, in December the subsidiary CIN concluded a transaction for the assignment of the consideration deriving from the agreement for carrying out the public interest maritime connection with major and minor islands for the year 2019 for Euro 69,778 thousand. The transaction was accounted for as a sale of a receivable with recourse in accordance with the reference accounting standard, recording 'Cash and cash equivalents' for Euro 69,778 thousand and 'Bank loans and borrowings' as a balancing entry.

The breakdown of medium to long-term financial payables and the current portion of medium to long-term loans is as follows:

(€ thousands)	**Company**	**12/31/2018**	**of which current portion**	**12/31/2017**	**of which current portion**
Senior Facilities Agreement	*Moby*	148,088	148,088	185,944	45,281
Unicredit – Agata vessel	*Enermar*	68	68	166	99
Sardaleasing S.p.A. – Property Leasing	*Sinergest*	921	43	963	42
Banco di Sassari	*Sinergest*	-	-	266	266
Ge Capital lease	*Moby*	59	59	102	40
Alphera lease	*Moby*	97	42	138	41
Unicredit Rio Marina Bella lease	*Moby*	3,343	545	3,872	529
Fraer lease	*LTM*	166	146	394	228
Monte dei Paschi Loan (formerly CRV)	*Renzo Conti*	88	88	172	84
De Lage Landen Intern.	*CPS*	796	158	-	-
Total non-current loans and borrowings		**153,626**	**149,237**	**192,017**	**46,610**
Less current portion		(149,237)		(46,610)	
Total non-current financial liabilities		**4,389**		**145,407**	

With reference to the new financial debts subscribed in 2018, in September the subsidiary CPS signed 6 leasing contracts (counterpart 'De Lage Landen International B.V.') relating to the use of port vehicles expiring in 2023, for a total loan amount of Euro 836 thousand.

The Unicredit leasing contract Rio Marina Bella refers to the takeover, in 2017, by the Parent Company in the use of the "Rio Marina Bella" vessel.

The loans of the subsidiaries LTM and Renzo Conti related respectively to: *i)* 1 lease (with 'Fraer' as the counterparty) for the use of 5 port vehicles, expiring in 2020, and *ii)* a variable-rate loan agreement with Cassa di Risparmio di Volterra equal to the six-month Euribor, increased by a 5.00% spread, expiring in 2019.

The loan of the subsidiary Enermar and Sinergest provides for a variable rate equal to the 6-month Euribor index increased by a spread of 1.00%.

During the year, according to the related amortisation plan, the Banco di Sassari loan signed by the subsidiary Sinergest came to an end.

During the year, 2 leases contracts were concluded relating to the use of 5 port vehicles, redeemed and then resold, and 1 vehicle stipulated by the subsidiary LTM.

The 'GE Capital' and 'Alphera' leases refer to the cars used by the members of the Board of Directors, while the 'Sardaleasing S.p.A.' lease refers to use of a building by the subsidiary Sinergest.

The contractual terms laid down by the various loan agreements are met at the date of these financial statements.

For more details about the due dates of financial instruments, see Note 4.26 – Management of financial risks.

Note 2.13 Other current and non-current financial liabilities

The table below shows the breakdown of Other current and non-current financial liabilities:

(€ thousands)	12/31/2018	12/31/2017
Senior Secured Notes	279,135	277,844
Due to Tirrenia A.S.		
- Deferred price	65,000	125,000
- Fixed price	-	-
Derivative financial instruments - IRS	-	-
Other non-current financial liabilities	**344,135**	**402,844**
Senior Secured Notes	22,550	22,550
Due to Tirrenia A.S.		
- Deferred price	115,000	55,000
- Fixed price	-	-
Derivative financial instruments - IRS	-	11
Other current financial liabilities	**137,550**	**77,561**

Other current and non-current financial liabilities comprise:

- the Senior Secured Notes issued by the Parent Company and related to a bond of Euro 300,000 thousand reserved to international financial investors, listed on the Luxembourg Stock Exchange, with a single repayment on maturity in 2023 and a coupon of 7.75% payable semi-annually;
- the debt toward Tirrenia di Navigazione S.p.A. in Amministrazione Straordinaria for the acquisition of business unit from the subsidiary CIN that took place in 2012. With reference to the residual liability related to the 'Deferred price', totalling Euro 180,000 thousand with repayment originally set in three instalments falling due April 30, 2016, 2019 and 2021, the payment is subject to the satisfaction of certain conditions provided for in Article 5 of the sale contract and related, among others, to the actual collection of the consideration defined in the subsidy scheme. Moreover, in relation to the inquiry proceeding started in 2011 by the European Commission, in the matter of State aids, the payment of the 'Deferred price' was suspended until a final decision of said entities. On May 11, 2016, the subsidiary received from Tirrenia di Navigazione S.p.A. in A.S. a payment reminder with reference to the instalment due on April 30, 2016; the subsidiary notified the counterparty of the suspension of the payment of the 'Deferred price', in compliance with art. 5.02 (C) of the Sale Agreement. On August 3, 2016, the Subsidiary received yet another reminder from Tirrenia di Navigazione S.p.A. in A.S. and responded by confirming its position. On September 21, 2018, Tirrenia di Navigazione S.p.A. in A.S. sued the subsidiary CIN before the Court of Rome requesting to: *i)* declare the invalidity, nullity and illegitimacy of article 5.02 (C), where, inter alia, set the suspension of the payment of the 'Deferred price' as well as the possible reduction or cancellation following an adverse decision by the European Commission; *ii)* subject to preservation order on assets until the sum

of Euro 55,000 thousand (equal to the instalment due on April 30, 2016 of the 'Deferred price'); *iii)* oblige the company to provide a suitable guarantee. The company appeared before the court contesting the entire claim in its entirety and requesting the rejection of the Tirrenia di Navigazione S.p.A. in A.S. appeal. The company, supported by leading third-party law firms, considers the risk of losing to be unlikely.

The 'Deferred price', not accruing any interest, was discounted in prior years. Following the probable negative ruling of the European Commission supported by the legal advisors, at December 31, 2017 the directors decided to fully release the discounting effect, recognised in the income statement item 'Financial expenses' in 2017 (Euro 5,608 thousand). In addition, given the uncertainty of the amount to be claimed by the Italian Government, the timing and the payment terms agreed, the directors maintained the instalment plan set out in the contract covering the business unit acquisition. Reference should be made to 'Note 2.15 Provisions for risks and charges and contingent liabilities, for additional information.

The 'Fixed price' portion, initially falling due on March 1, 2020, was repaid early in 2016.

For more details about the due dates of financial instruments, see Note 4.26 – Management of financial risks. The due dates of the Senior Secured Notes and the liability to Tirrenia di Navigazione in A.S. are summarised below.

(€ thousands) Analysis of due dates	2016	2019	2021	2023
Senior Secured Notes	-	-	-	300,000
Liability to Tirrenia in A.S. [1]	55,000	60,000	65,000	-

[1] *As described earlier, following the probable negative ruling of the European commission and considering the uncertainty of the amount to be claimed by the Italian Government, the timing and the payment terms agreed, the directors maintained the instalment plan set out in the contract covering the business unit acquisition.*

Note 2.14 Provisions for employee benefits

Post-employment benefits for Group employees consist exclusively of severance pay.

The value of the obligation for the year is as follows:

(€ thousands)	12/31/2018	12/31/2017
Present value of the obligation	3,819	4,033
Present value of the obligation at year end	**3,819**	**4,033**

The change in the 2018 financial year is as follows:

(€ thousands)	Year ended December 31,	
	2018	2017
Present value of the obligation at the beginning of the year	4,033	3,918
Change in consolidation scope	-	79
Current service cost	5,689	5,603
Financial charges	15	9
Benefits paid out	(5,770)	(5,666)
Actuarial loss recognised	(148)	90
Present value of the obligation at year end	**3,819**	**4,033**

The liability is determined on an actuarial basis using the "projected unit credit" method.

The current service cost relates to severance indemnities accrued by the Group personnel during 2018 while the benefits paid, in addition to the amounts paid to the private INPS treasury and welfare funds accrued in the year, relates to the settlements and advances requested by personnel prior to the reform of Legislative Decree 252 of 2005 for whom the severance indemnities accrued were still in place within the company. The main assumptions used in this evaluation are as follows:

		12/31/2018	12/31/2017
Annual discount rate			
	-Administrative Ferries Tore; Moby	0.94%; 1.49%	0.82%;1.15%
	-Adm. tugboats	0.94%	0.55%
	-Marittimi Tore; Inv.	0.94%;1.39%	0.55%;0.94%
Inflation rate		2.00%	2.00%
Expected employee turnover rate			
	-Toremar/Moby Senior managers	1.85%;1.00%	1.56%;1.04%
	-Toremar/ Moby Junior managers	1.85%;1.00%	1.56%;1.04%
	-Toremar/ Moby White collars	1.85%;1.00%	1.56%;1.04%
	-Toremar/ Moby Blue collars	1.85%;1.00%	1.56%;1.04%
Advance rate			
	-Toremar/Moby Senior managers	7.40%;4.00%	6.24%;4.14%
	-Toremar/ Moby Junior managers	7.40%;4.00%	6.24%;4.14%
	-Toremar/ Moby White collars	7.40%;4.00%	6.24%;4.14%
	-Toremar/ Moby Blue collars	7.40%;4.00%	6.24%;4.14%
Mortality		ISTAT-1 tables	ISTAT-1 tables
Incapacity		INPS tables	INPS tables
Retirement age		Fulfilment of AGO requirements	Fulfilment of AGO requirements

Assuming a change in the discount rate + 5% / (5)%, the liability at December 31, 2018 would be as follows:

(€ thousands)	**December 31, 2018**		
	base scenario	**5%**	**-5%**
Present value of the obligation	3,819	3,966	3,672

The average number of employees for each category, expressed in terms of full-time equivalents, is shown in the following table:

	Year ended December 31,	
	2018	**2017**
Managers	38	36
White-collars	554	519
Blue-collars	64	98
Seafarers	2,307	2,323
Total	**2,963**	**2,976**

Note 2.15 Provisions for risk and charges and contingent liabilities
The changes in this item at December 31, 2018 are as follows:

(€ thousands)	Year ended December 31, 2018	2017
Carrying amount at January 1	6,797	7,763
Acquisition from subsidiaries	-	684
Provisions	4,292	2,215
(Utilisations)	(560)	(2,748)
FISC discounting / release	2	(941)
(Releases)	(2,266)	(176)
Carrying amount at December 31	**8,264**	**6,797**

At December 31, 2018, 'Provisions for risks and charges' accrued to cover liabilities related to: *i)* the provision for agents' termination indemnity for Euro 960 thousand accrued by the subsidiary CIN (impact resulting from the discounting and release for lack of use totalling Euro 2 thousand); *ii)* penalties for late / missed departures and restricted portions of net income from the lease of the reserve ferry in favour of the Transportation and Infrastructures Ministry by the subsidiary CIN, as defined by article 16 of the Agreement, for a total of Euro 292 thousand (utilisations of the year Euro 25 thousand); *iii)* corporate structure restructuring for Euro 1,697 thousand to cover the plan defined by the management of the subsidiary CIN (utilisations of the year Euro 556 thousand, releases for Euro 900 thousand and debt reclassifications for Euro 100 thousand); *iv)* various disputes, including with personnel, for a total of Euro 118 thousand by the subsidiary CIN (accrual of the year Euro 12 thousand); *v)* the provision of the subsidiary Enermar for Euro 81 thousand; *vi)* pending disputes with crew members of the subsidiary Toremar for Euro 149 thousand (accrual of the year Euro 50 thousand, utilisations for Euro 6 thousand and releases for Euro 300 thousand); *vii)* employment disputes, damage from traffic and other proceedings for Euro 191 thousand relating to the Parent Company (accrual of the year Euro 23 thousand and utilisations Euro 36 thousand); *viii)* the sanction by the Antitrust Authority in relation to alleged behaviours representative of abuse of a dominant position on the market for the transport of goods to and from Sardinia by the Parent Company and the subsidiary CIN for Euro 4,000 thousand (provision for the period made by the Parent Company for Euro 4,000 thousand); *ix)* to various disputes relating to damage occurred to the vehicles being transported and to the requests of the Port Authority and the Municipality of Livorno against the subsidiary LTM for Euro 776 thousand (utilisations in the period for Euro 37 thousand and accrual for Euro 206 thousand).

Accrual and reversal are accounted for in profit or loss item 'Provisions'. The cost for the year related to the provision for agents' termination indemnity is accounted for in profit or loss item "Consumption of raw materials and services", while the related release is accounted for 'Other operating income (cost)'.

In 2015, the subsidiary CIN was subject to an audit by the Large Taxpayer office of the Naples Revenue Agency concerning 2012 direct and indirect taxes. In January 2018, it was served a notice of assessment which redetermined VAT and IRES for a total Euro 409 thousand, in addition to penalties and interest. Based on the opinion of its legal advisors, the subsidiary prudently accrued a provision amounting to Euro 1.066 thousand during 2016 and 2017. The company filed an appeal which was accepted by the CTP of Naples, therefore the related provision was released in 2018.

On April 12, 2016, the Parent Company and the subsidiary CIN were inspected by the Italian Antitrust Authority in connection with presumed behaviours representative of abuse of dominant position on the freight transportation market on routes connecting Sardinia. During the preliminary investigation, the Authority has repeatedly heard from the Parties and has submitted several information requests that have been processed on time. On March 23, 2018, the Antitrust Authority imposed a fine on the Parent Company and the subsidiary CIN whereby the two companies are required to pay jointly and severally an administrative penalty of Euro 29,203 thousand.
The companies contested the decision by appealing to the Lazio Regional Administrative Court. The Regional Administrative Court granted the provisional remedy by suspending the effectiveness of the AGCM fine in the part relating to the payment of the cash penalty, subjecting it to a provision of a

deposit, then made before the court. The merit hearing has been set for 22 May 2019. The Parent Company, supported by leading third party law firms, is assessing the risk of losing as probable, but with a significant reduction in the fine and as a consequence made an accrual of Euro 4,000 thousand.

Contingent liabilities

In 2011, an investigation was begun by the European Commission (the "Commission") into state aid granted by the Italian government to companies of the former Tirrenia group, including Toremar and CIN (the latter as assignee of the maritime cabotage business of Tirrenia di Navigazione S.p.A. in Amministrazione Straordinaria). In December 2012, this investigation was extended to include the procedures followed for the privatisation of these companies and the service agreement signed by CIN. At the date of these financial statements, the administrative proceedings are still pending; the amounts requested by the State, as a consequence of the European Commission decisions, and the potential lesser amount that the companies could receive as compensation for the public service transportation in view of the new agreements are difficult to quantify, since they depend on different variables, also not known at the moment.
In the case of CIN, with the support of primary legal advisors, the Group considers probable that the European Commission would conclude as State aids on one of the inquiry profiles, and therefore would request the reimbursement of the amounts and the related interests.
In any case, the potential risk of said liabilities would be highly mitigated by the agreements signed between CIN and the Italian State in the transfer of business agreement on 25 July 2011; the agreement provides for the payment of a deferred sale price (Euro 180 million), suspended until the final definition of the proceeding undertaken by the Commission; the deferred payment would be reduced or not due at all in case CIN would be subject to a recovery action, notwithstanding the legitimacy of article 5.02 (C) of the Sale Contract, for which the subsidiary CIN was sued, as described in greater detail in Note 2.13 Other current and non-current financial liabilities.
Despite the reactivation of the Commission's investigations at the beginning of 2018 and the progress represented also by the requests for information taking place by the latter in September, the Group, supported by its legal advisors, deems that it will be difficult for the Commission to take a decision before the summer of 2019. Therefore, it is possible that the final deadline for executing any order for recovery will not fall in 2019. In addition, considering the principle of procedural autonomy and the resulting application of the domestic administrative procedures, the deadline could exceed one year of the Commission's decision which, at the date of this report, is still pending. For other inquiry profiles by the European Commission, the Company has evaluated the risk as possible or remote.
In light of the foregoing, the Group does not consider making any provision in the financial statements as at 31 December 2018.
In the case of Toremar, with reference to the investigation into state aids, assisted by leading legal advisors, considering the uncertain outcome of the investigation and the poor information available, the Group has evaluated as possible the risk that the Company would be considered as recipient of State aids with reference to one or more inquiry profiles. With reference to the compensation received for specific routes of the old and the new agreement, the Group, comforted by its lawyers, believes that the amount of the potential liability estimated as possible could be around Euro 20-25 million. Conversely, with respect to the company's privatisation terms and conditions, the Group, again supported by its legal advisors, considers as possible that the Commission decides that imposing technical and financial conditions on the potential buyers had a negative impact on the sale price to the benefit of the buyer. Should this be the case, the Parent Company may be required to repay the difference between the purchase price and the price that the Commission will consider as the market price.
In light of the foregoing, the Group does not consider making any provision in the financial statements as at 31 December 2018.

In July 2014, the Parent Company was investigated by the Livorno Customs Agency in relation to customs operations and energy products subject to excise duties on ferry resupply operations carried out at the port of Livorno for the years 2010-2014. In the related formal notice of assessment, received in February 2015, a number of objections were raised and a sum of approximately Euro 1.3 million was demanded. Following the filing of the defence brief and in consideration of the arguments contained

therein, the Livorno Customs Agency proceeded to file the notices of assessment served in February 2015.

On May 27, 2015, the Italian Antitrust Authority has started a non-compliance proceeding against the Parent Company, in order to verify if the Company has violated some imposed requirements in order to obtain the authorisation for the acquisition of Toremar S.p.A.. At present, the Authority has carried out various auditions with the involved parties in the proceeding, and both Moby and the counterparty have deposited the defensive memorandum. On May 5, 2016 the Authority has notified to the Parent Company a legal action according to which the Subsidiary proves to be compliant with the required measures; the Company only lacks in diligence in the carrying out of some formal obligations and, hence, it has been sanctioned with a minimum cash penalty, equal to Euro 374 thousand. The Parent Company has challenged the order issued by the Italian Antitrust Authority before the Lazio Regional Administrative Court and filed an appeal for additional grounds in July 2017 to obtain the annulment of the tax demand issued by Equitalia for a total of Euro 424 thousand. At present, the Company is waiting to know the date of the hearing on the merits before the Lazio Regional Administrative Court. The directors, supported by third-party legal advisors, consider the risk as possible and, for this reason, decided not to make any provision in the financial statements at December 31, 2018.

In June 2016, the subsidiary CIN was served by the Italian Revenue Agency a payment notice for the alleged late payment of the registration tax related to the contract dated July 25, 2011 whereby the company acquired a business unit from Tirrenia di Navigazione S.p.a. in A.S. The Agency found greater interest payable of Euro 63 thousand and imposed an administrative sanction for late payment of Euro 1,620 thousand.
The company appealed against the sanction, paid the greater interest found and is currently awaiting the scheduling of the merit hearing. On September 28, 2017, the application for the facilitated settlement of pending tax disputes was filed. Following this, the Revenue Agency ascertained the correctness of the settlement that did not entail further disbursements in addition to the greater interest of Euro 63 thousand and CTP Roma declared the judgment terminated.

In April 2019 the subsidiary CIN was notified of an international arbitration dispute in London, activated by Minoan Lines S.A. and relating to the redelivery conditions of the vessels "Amsicora" and "Bonaria" subject to a Bareboat Charter signed between the parties in July 2012 and ending on January 22, 2018. The establishment of this dispute follows a letter of formal notice received by the subsidiary on January 14, 2019, wherein the legal firm representing the counterparty quantifies the request for compensation from CIN at Euro 4,559 thousand for the alleged damage found on "Bonaria", and Euro 4,225 thousand for the alleged damage suffered by the vessel "Amsicora". The legal opinion requested by the subsidiary CIN from a leading firm, however, deemed it improbable (due to the lateness of the report by Minoan and the absence of documented proof) for the requested compensation mentioned above to be accepted.

In February 2019, the Ministry of Infrastructure and Transport imposed penalties on the subsidiary CIN for a total amount of Euro 500 thousand for breach of contract in relation to an alleged unilateral change in the structure of the Genoa - Olbia line referring to additional runs. CIN filed an appeal with the Rome Regional Administrative Court (TAR), requesting the cancellation, subject to suspension, of the same proceedings. The precautionary hearing is scheduled for 19 May 2019. The subsidiary, supported by a leading law firm, assesses the risk of losing the case as possible and therefore decided not to make any provision in the financial statements as at December 31, 2018.

Note 2.16 Trade payables
The detailed breakdown of trade payables at December 31, 2018 by type of supplier is as follows:

(€ thousands)	12/31/2018	12/31/2017
Purchase of fuels	27,785	36,293
Maintenance	25,120	27,929
Operating costs	37,735	47,530
Insurance	4,345	3,282
Agency fees	202	968
Advertising	1,431	2,647
General expenses	13,654	11,197
Trade payables	**110,272**	**129,846**

'Operating costs' reflect payables arising from the operating activities carried out for the functioning of the fleet and payables relating to port fees not yet paid as of December 31, 2018. "Maintenance" also includes payables for works incurred and capitalised on the fleet of approximately Euro 17.5 million at December 31, 2018.
'Agency fees' refers to the amounts yet to be paid to agencies for the Tugboats segment.
With regard to the expected cash flows from the settlement of trade payables outstanding at December 31, 2018, please refer to Note 4.26 - Management of financial risks.

Note 2.17 Other payables and other current liabilities; Other payables and other non-current liabilities.
"Other payables" at December 31, 2018 are made up as follows:

(€ thousands)	12/31/2018	12/31/2017
Debts for other tax	4,644	4,387
Due to social security agencies	5,036	4,810
Due to employees	10,554	10,748
Due to shareholders for dividends	640	640
Deferred revenue and income	7,017	6,559
Prepaid government grants	8,330	8,346
Advances	532	402
Liabilities from commodity swap derivatives	449	4,030
Other	2,549	1,657
Other payables and other current liabilities	**39,751**	**41,579**

'Deferred revenue and income' represent the deferral to the next financial year of revenue already received in relation to journeys not yet made.
'Prepaid government grants' comprise the portion not pertaining to the year: *i)* of the grant related to plant obtained in 2011 by the subsidiary Toremar to improve its fleet (Euro 468 thousand); *ii)* of the consideration invoiced in December by the subsidiary Toremar to the Tuscany Region and related to the first 2019 payment on account to provide the services set out in the 'Service Contract' to guarantee the continuity of the public service of maritime transportation to and from the Tuscan Archipelago for Euro 7,861 thousand. The accrued receivable was transferred without recourse to a leading factoring institute and collected before the reporting date.
'Liabilities from commodity swap derivatives' at December 31, 2018 refer to the fair value of derivatives signed by the Parent Company for hedging against the risk of changes in fuel prices for 2019 (Euro 323 thousand) and the differential at December 31, 2018 paid in January 2019 (Euro 126 thousand), to conclude the contracts entered into for the 2016-2018 hedging period. At the reporting date, the Swap contracts meet the hedging criteria defined by IFRS 9.
'Due to shareholders for dividends' at December 31, 2018 refer to the dividends approved in prior years by the subsidiary Sinergest for non-controlling investors not yet paid. No dividends were paid during the period.
'Other' refers to the effects of the accruals-based recognition of revenues and costs, including: Euro 806 thousand invoiced by the subsidiary CIN for the active rental of the "Alf Pollak" vessel for the year 2019 and Euro 382 thousand relating to the linearization of rental fees still incurred by the subsidiary CIN,

which produce increasing financial effects due to the underlying contracts. Positive effects amounting to Euro 212 thousand were reclassified to income statement during the year.

3. *Notes to the main items of the Consolidated Income Statement*

The main income statement items are analysed below. For a better representation of income dynamics, reference is made to the 'Directors report operations - Performance analysis'.

Note 3.18. Revenues

The table below shows the breakdown, by operating segment and by type, of revenues from sales and services for 2018:

(€ thousands)	Year ended December 31,	
	2018	**2017**
Revenues from passengers and vehicle transport	282,453	285,774
Revenues from freight transport	149,152	145,704
Revenues from on-board services	26,487	24,349
Revenues from chartering	6,859	10,185
Revenues from subsidies	86,392	86,209
Total revenues from ferries	**551,343**	**552,221**
Revenues from port services	19,222	20,800
Revenues from towing at sea, salvage and anti-pollution services	98	241
Total revenues from tugboats	**19,320**	**21,041**
Revenues from cruise terminal management	**11,789**	**11,440**
Other Revenues from services – Co.Tu.Nav.	**1,883**	**1,462**
Revenues	**584,335**	**586,164**

Revenues deriving from 'Ferries' are generated by the Parent Company in 2018 for Euro 160,050 thousand, by the subsidiary CIN for Euro 326,352 thousand, by the subsidiary Toremar for Euro 43,116 thousand, by the foreign subsidiary operating in the Baltic Sea, Moby SPL, for Euro 16,562 thousand, to a lesser extent by the foreign subsidiary, operating during 2018 on the Nice-Bastia line, Moby Ferries for Euro 4,953 thousand and residually by the foreign subsidiaries Moby Lines, German ticket sales agency in Europe, and French shipping agency, AMB for Euro 309 thousand (the results previously shown are net of any revenues generated within the Group).
Revenues can be divided as follows:

- passenger transportation to and from Sardinia, Corsica, Sicily and Tremiti Islands by the Parent Company, the subsidiary CIN and the subsidiary Moby Ferries, and to and from the Tuscan Archipelago by the Parent Company and the subsidiary Toremar, and passenger transportation in the Baltic Sea by the subsidiary Moby SPL, Euro 282,453 thousand;
- freight transportation to and from Sardinia, Corsica, Sicily, the Tuscan Archipelago, the Baltic Sea and Tremiti Islands, Euro 149,152 thousand;
- revenues from on-board services, related to consideration paid by passengers for catering on other ferries. Euro 26,487 thousand;
- revenues from chartering mainly refer to *i)* the "Moby Dada" vessel (Euro 1,360 thousand), received from the Parent Company, *ii)* the "Aurelia" vessel (Euro 2,280 thousand), the "Massimo Mura" vessel (Euro 788 thousand), the "Superfast" vessel (Euro 1,519 thousand) and the "Alf Pollak" vessel (Euro 912 thousand), obtained by the subsidiary CIN;
- revenues from subsidies received from the subsidiary Toremar during the year as per the "Service Contract" with Tuscan region as a continuity guarantee of the public service of maritime transportation to and from the Tuscan archipelago for Euro 13,706 thousand (compared to the revised annual amount accounted for by the subsidiary of Euro 13,524 thousand, expiring on December 31, 2023) and the consideration deriving from the agreement signed by the subsidiary CIN with the Italian government for the public interest maritime transportation to major and minor islands for Euro 72,686 thousand (equal to an annual amount of Euro 72.7 million until 2020).

Revenues from tugboats refer to the activity carried out by the fleet of the Parent Company and of the subsidiary San Cataldo in the main harbour of Sardinia and in the Barletta harbour respectively and are equal to Euro 19,320 thousand.

Revenues from cruise terminal management amount to Euro 11,789 thousand and mainly refer to the subsidiary Sinergest (Euro 9,720 thousand) which manages the Olbia Isola Bianca cruise terminal management and, to a lesser extent, LTM and Renzo Conti.
'Other service revenues' refer to fees for maritime agency activities obtained by the subsidiary CIN upon mandate from the shipping company Co.Tu.Nav for Euro 1,883 thousand.

Note 3.19 Consumption of raw materials and services
The table below shows a detailed breakdown of the consumption of raw materials and services for 2018:

(€ thousands)	Year ended December 31,	
	2018	2017
Cost for the purchase of raw materials and consumables	183,241	152,850
Service costs	231,472	205,324
Change in inventories	26	(274)
Total consumption of raw materials and services	**414,739**	**357,900**

Cost for the purchase of raw materials and consumables
The table below shows a detailed breakdown of this item for 2018:

(€ thousands)	Year ended December 31,	
	2018	2017
Fuel	171,954	141,097
Materials and spare parts	11,287	11,753
Costs for the purchase of raw materials and consumables	**183,241**	**152,850**

'Fuel' costs comprise the costs paid by the Group for the utilisation of fuel and diesel in 2018. This item related to the Parent Company for Euro 58,384 thousand (Euro 50,335 thousand in 2017), the subsidiary CIN for Euro 100,824 thousand (Euro 80,266 thousand in 2017), other minor subsidiaries for Euro 12,745 thousand (Euro 10,496 thousand in 2017). The amount at December 31, 2018 includes the portion of overall negative differential for hedging derivatives contracts for Euro 361 thousand, down from the year 2017, the cost of which was instead equal to Euro 1,577 thousand.

Service costs
The table below shows a detailed breakdown of this item for 2018:

(€ thousands)	Year ended December 31,	
	2018	2017
Port costs	77,635	70,911
General expenses	26,821	20,661
Agency fees	20,671	20,644
Advertising	12,770	9,270
Maintenance	14,063	15,214
Fleet insurance	10,225	10,944
Ancillary maritime costs	4,523	4,822
Bank charges	1,643	1,723
Rentals and operating leases	55,704	44,280
Corporate bodies	7,417	6,855
Service costs	**231,472**	**205,324**

'Service costs' are generated by the operating activity carried out by the group companies and relate to:

- 'Port costs' deriving from the sailing activities and from the ferries operating activities mainly constituted by docking costs, harbour costs, laundry and waste disposal. They mainly refer to the Parent Company Moby for Euro 19,715 thousand (Euro 20,739 thousand in 2017), the subsidiary CIN for Euro 45,066 thousand (Euro 38,522 thousand in 2017), other minor subsidiaries for Euro 12,854 thousand (Euro 11,650 thousand in 2017). The increase on 2017 is mainly due to the greater volumes recorded by the 'freight' division also following the introduction of a new route by the subsidiary CIN. On a residual basis, please note that the increase in costs deriving from the performance of the port activities for the ports of Livorno and Catania, as a consequence of the greater volumes operated;

- 'General expenses' mainly refer to: *i)* legal and administrative consultancies incurred in support of the different financial and strategic transactions carried out in the period for Euro 8,943 thousand (Euro 5,229 thousand in 2017), which are mainly referred to the Parent Company Moby and the subsidiary CIN; *ii)* software support and utilities relating to administrative offices for Euro 2,532 thousand (Euro 1,834 thousand in 2017); *iii)* sundry insurance not related to the fleet for Euro 2,461 thousand (Euro 1,742 thousand in 2017);
- 'Agent commissions' generated by the commission fees reversed by the agencies and travel offices for the tickets sales are related mainly to the Parent Company Moby for Euro 6,136 thousand (Euro 6,340 thousand in 2017) and the subsidiary CIN for Euro 6,289 thousand (Euro 7,556 thousand in 2017);
- 'Advertising' costs show an increase due to a different advertising strategy aimed at increasing the presence of the Group's initiatives in the media, especially for the summer season;
- 'Maintenance' costs resulting from ordinary intervention activities on the Group's fleet, down compared to the previous period following the streamlining of the technical area and the purchases made in 2018. These costs refer for Euro 6,372 thousand (Euro 8,561 thousand in the year ended December 31, 2017) to costs incurred by the subsidiary CIN and Euro 6,179 thousand (Euro 5,104 thousand in the year ended December 31, 2017) to costs incurred by the parent company Moby. The residual costs of Euro 1,512 thousand (Euro 1,549 thousand in the year ended December 31, 2017) refer to costs for maintenance carried out by minor subsidiaries, mainly by Toremar, LTM and Sinergest;
- 'Rentals and operating leases' mainly related to the ferries rental by the subsidiary CIN for Euro 35,848 thousand (Euro 23,666 thousand in 2017), by the Parent Company for Euro 17,767 thousand (Euro 18,578 thousand in 2017) and by the subsidiary Toremar for Euro 1,652 thousand (Euro 1,856 thousand in 2017). The increase in costs incurred by the subsidiary CIN is justified following the new contracts entered into force for the chartering of the "Ariadne Palace", "Lucchesi", "Pauline Russ" and "Severine" vessels to cover 2018 operations. The costs incurred by the parent company, on the other hand, decreased due to the end of the lease of the "Superfast Balears" vessel partly offset by the start of the charter, in October 2018, relating to the "Alf Pollak" vessel, used by the subsidiary CIN, whose contract is entered into with the company F.lli Onorato Armatori S.r.l..

Note 3.20 Personnel costs

The table below shows a detailed breakdown of personnel costs for 2018:

(€ thousands)	Year ended December 31,	
	2018	2017
Wages and salaries	128,135	128,428
Social security contributions	11,552	12,894
IRPEF tax relief pursuant to Law no. 326/2003	(13,275)	(18,290)
Severance indemnities	5,689	5,603
Total personnel costs	**132,101**	**128,635**

This item relates to the Parent Company for Euro 54,041 thousand (Euro 54,807 thousand in 2017), the subsidiary CIN for Euro 50,086 thousand (Euro 48,345 thousand in 2017), other minor subsidiaries for Euro 27,974 thousand (Euro 25,483 thousand in 2017).

The increase compared to the 2017 is mainly due to the greater operations incurred by the Group during 2018, with consequent greater recourse to seafarers, and on a residual basis it is generated by the increase in personnel cost of the subsidiary CPS.

'IRPEF tax relief pursuant to no. Law 326/2003" refers to the IRPEF withholdings that Moby and CIN, in view of the relief granted to sector operators that work with vessels registered in the international register, apply for maritime personnel and are not obliged to pass on to the State.

Note 3.21 Other operating income (expenses)
The table below shows a detailed breakdown of this item for 2018:

(€ thousands)	Year ended December 31,	
	2018	2017
Gains/(losses)	(13)	21,558
Other operating income (expenses)	6,493	10,617
Other operating income (expenses)	**6,480**	**32,175**

'Other operating income (expenses)' mainly comprise insurance compensation of Euro 5,008 thousand (Euro 8,052 thousand in 2017), following the maintenance costs incurred for malfunctioning and recognised under 'Consumption of raw materials and services'.

In 2017, 'Gains/(losses)' comprise:
- the gains achieved by the subsidiary CIN following the sale of the "Dimonios" and "Puglia" vessels of Euro 9,868 thousand, including sales cost of Euro 1,326 thousand, and Euro 11,452 thousand, including sales costs of Euro 302 thousand, respectively;
- the gain achieved by the Parent Company a result of the sale of the "Baby" vessel for Euro 205 thousand, including Euro 10 thousand of sales costs.
- the loss incurred by the Parent Company as a result of the sale of the "Love" vessel for Euro 25 thousand, including Euro 22 thousand of sales costs.

Note 3.22 Impairment losses on trade receivables and other current assets
The Group recognised impairment losses on current assets for a total net amount of Euro 699 thousand. Refer to 'Note 2.7. Trade receivables' for further information.

Note 3.23 Amortisation, depreciation and impairment losses
The table below shows a detailed breakdown of this item for 2018:

(€ thousands)	Year ended December 31,	
	2018	2017
Amortisation and impairment losses of intangible assets	4,809	4,720
Depreciation and impairment losses of property, plant and equipment	3,117	2,861
Depreciation of the fleet	54,398	53,705
Depreciation	**62,324**	**61,286**

Refer to 'Note 2.1', 'Note 2.2' and 'Note 2.4' for the detail of the items that have generated the amortisation and depreciation of the year.

Note 3.24 Financial income and expenses
The table below shows a detailed breakdown of this item for 2018:

(€ thousands)	Year ended December 31, 2018	2017
Interest expense	(36,536)	(41,399)
Expenses from derivative instruments	(787)	(1,464)
Foreign exchange losses	(541)	(159)
Financial expenses	**(37,864)**	**(43,022)**
Interest income	399	425
Income from derivative instruments	-	4
Income from other equity investments	-	444
Foreign exchange gains	208	575
Financial income	**607**	**1,448**

The Group's financial debt cost is primarily made up of interest expense arising from the Group's funding; the costs of 'interest expense' recognised during the year are summarised below:

- Euro 34,927 thousand originated from 'New Financing', inclusive of interest relating to *Senior Secured notes* for Euro 23,250 thousand and to the *Senior Facilities Agreement* for Euro 6,032 thousand, inclusive of a portion of amortised cost equal to Euro 3,389 thousand and interest related to the use of the RCF line for Euro 2.256 thousand;
- The waiver fee of Euro 500 thousand by the Parent Company, following the amendment of the Senior Facilities Loan Agreement that took place in April 2018;
- Euro 1,106 thousand of fees and interest incurred by the various Group companies on bank loans and borrowings of a smaller amount.

'Expenses from derivative instruments' refer to the ineffectiveness of a swap entered into in 2016 by the Parent Company, to hedge part of the 2018 fuel requirements (Euro 787 thousand).

Note 3.25 Income taxes
The table below shows a detailed breakdown of this item for 2018.

(€ thousands)	Year ended December 31, 2018	2017
Current taxes	2,889	3,127
Current IRAP tax	1,205	1,266
Deferred taxes	533	(472)
Taxes relating to previous years	(55)	(28)
Total income taxes	**4,571**	**3,893**

It is noted that the value of deferred taxes at December 31, 2017 was restated following the allocation of the effects deriving from the business combination of the Sub-Group Renzo Conti and the company Agence Maritime Bastiese, as better defined in 'Note 1.4 Business combinations'.

The reconciliation between the income taxes calculated on the basis of the nominal tax rate provided by Italian law and the actual rate resulting from the consolidated financial statements is set out below. In order to provide a better understanding of the reconciliation, no account is taken of the regional tax on productive activities (IRAP) since this is calculated on a different taxable basis from pre-tax profit and would have generated distorting effects. In addition, again for the sake of clarity, the calculation of theoretical taxes has been made without considering the tax benefits deriving from the application of the tax relief granted on income obtained from the use of vessels entered in the International Register.

(€ thousands)	Year ended December 31, 2018	2017
Pre-tax profit	**(58,113)**	**29,014**
IRES rate in force for the year	24%	24%
Theoretical tax burden	**(13,947)**	**6,963**
IRAP	**1,206**	**1,266**
Taxes relating to previous years	**(61)**	**(28)**
Permanent tax differences	(8,435)	(3,740)
Tax effect of International Register and temporary tax differences	15,096	(1,641)
Tax losses	1,339	(597)
Effect of different tax rate for foreign companies	230	477
Total differences	**8,231**	**(4,308)**
Total taxes in the Income Statement	**(4,571)**	**3,893**

The table below shows the composition of deferred tax assets and liabilities according to their nature, by listing the items that originate underlying temporary differences.

	Year ended December 31,			
	2018			2017
(€ thousands)	Statement of financial position	Recognised in the income statement	Recognised in equity	Statement of financial position
Deferred tax assets				
Impairment of receivables exceeding the tax limits	1,076	45	-	1,031
Other temporary differences	3,180	(535)	-	3,715
Leases (IAS 17)	94	(72)	-	166
Measurement at fair-value	194	135	(415)	457
Deferred tax assets on other consolidation adjustments	81	(277)	-	349
Deferred taxes on fleet component approach	128	14	-	113
Total deferred tax assets	**4,752**	**(690)**	**(415)**	**5,831**
Non-deductible capital gains allocated to fleet	(152)	43	-	(195)
Other temporary differences	(789)	(688)	-	(101)
Deferred taxes on the capital gain allocated to the LTM concession during the PPA process	(51)	65	-	(115)
Deferred taxes on the capital gain allocated to the Sinergest concession during the PPA process	(983)	683	-	(1,661)
Leases (IAS 17)	(967)	188	-	(1,156)
Deferred taxes on fleet component approach	(4,396)	(217)	-	(4,179)
Deferred tax liabilities on other consolidation adjustments	(288)	(49)	-	(239)
Deferred taxes on the capital gain allocated to the Tirrenia and Moby trademarks during the PPA process	(1,391)	131	-	(1,522)
Measurement at fair-value	-		82	(82)
Total deferred tax liabilities	**(9,017)**		**82**	**(9,250)**

The taxes recognised by the Group directly in equity relate to the profit or loss from cash flow hedges and the effects arising from the actuarial valuation of 'Employee benefits'. Details of these are provided in 'Note 2.11 Share capital and reserves'.

The residual tax losses carry-forward at December 31, 2018 amount to Euro 36,198 thousand, of which Euro 32,674 thousand refers to the subsidiaries CIN, Euro 1,239 thousand refers to the subsidiary Toremar and Euro 2,285 thousand to the subsidiaries Moby SPL.
As at December 31, 2018 no deferred tax assets are recognised. In compliance with the related accounting standard, deferred tax assets have been recognised according to the recoverability forecasts made by the directors on the basis of the approved multi-annual Business plan.
The income taxes recognised are entirely related to income generated in Italy, with the exception of the fiscal contribution of the subsidiaries Moby Lines Europe GmbH and Agence Maritime Bastiese.

The item 'Tax payables' represents the liability to inland revenue in relation to the estimated income taxes for the year, net of advances paid. Net receivables for income tax are classified as Other receivables and other current assets.

4. Financial Instruments - additional information

Note 4.26 Management of financial risks

Objectives and criteria

The Group is exposed to a variety of financial risks including market risks (interest-rate risk, price risk and currency risk), liquidity risk and credit risk.

The main financial liabilities of the Group, other than derivatives, include: the *Senior Secured Notes,* the *Senior Facilities Agreement,* bank borrowings, the debt with Tirrenia di Navigazione S.p.A. in A.S., trade payables and other liabilities. The main purpose of these liabilities is to finance the Group's operating and investment activities.

The Group holds trade and non-trade receivables, cash and other financial assets consisting of securities and investments in insurance policies.

The Group management is in charge of the management of these risks by acting in line with the internal policy on the management of financial risks approved by the Board of Directors, which includes the guidelines on the management of financial risks and also prohibits the use of derivatives for trading or speculative purposes. However, it is permitted to enter into derivative contracts taken out for specific hedging positions on interest-rate risk, foreign exchange risk, and risks of fluctuation in fuel prices (bunker). The Board of Directors is informed of the management policies of each of the risks described below.

Classification

The classification of financial instruments as provided for by IFRS 9 cuts across various items in the financial statements. Consequently, the following table shows the carrying amount of the financial instruments in place by category, compared with the fair value at the reporting date.

(€ thousands)	December 31, 2018						
	Carrying amount						*Fair Value*
(€ thousands)	Financial instr. at fair value	Loans and receivables	Held-to maturity financial assets	Available-for sale financial assets	Financial liabilities at amortised cost	Hedging derivatives	
Financial assets							
Equity investments in other companies				4,007			4,007
Trade receivables		66,904					66,904
Other receivables and other current assets		41,713					41,713
Cash and cash equivalents		172,123					172,123
Other financial assets, current and non-current	2,063	5,146		29			7,238
Total financial assets	**2,063**	**285,886**	**-**	**4,036**	**-**	**-**	**291,985**
Financial liabilities							
Financial liabilities, current and non-current					287,753		256,123
Other financial liabilities, current and non-current					481,685		324,120
Trade payables					110,272		110,272
Other payables and other current and non-current liabilities					39,428	323	39,751
Total financial liabilities	**-**	**-**	**-**	**-**	**919,138**	**323**	**730,266**

(€ thousands)	December 31, 2017					
	Carrying amount					*Fair Value*
	Financial instr. at fair value	Loans and receivables	Available-for sale financial assets	Financial liabilities at amortised cost	Hedging derivatives	
Financial assets						
Equity investments in other companies			1,724			1,724
Trade receivables		60,951				60,951
Other receivables and other current assets		26,274			303	26,577
Cash and cash equivalents		233,602				233,602
Other financial assets, current and non-current	2,014	1,230	27			3,271
Total financial assets	**2,014**	**322,057**	**1,751**	**-**	**303**	**326,125**
Financial liabilities						
Financial liabilities, current and non-current				252,865		244,463
Other financial liabilities, current and non-current	11			480,395		480,263
Trade payables				129,846		129,846
Current tax liabilities				2,894		2,894
Other payables and other current and non-current liabilities				37,562	4,017	41,579
Total financial liabilities	**11**	**-**	**-**	**903,562**	**4,017**	**903,045**

As shown above, the carrying amount reflects a reasonable approximation of fair value for almost all the Group's financial items, because of their very nature. The items that have a fair value that differs from the carrying amount are bank loans, for which the fair value has been determined by applying the discounted cash flow method.
The measurement of equity investments, whose fair value cannot be determined, are aligned with the share of investment in net equity. They are reported on a residual basis in the category of available-for-sale financial assets/other financial assets.
For the derivative financial instruments held, it is not possible to identify an active market, and these are therefore recognised at fair value determined by quantitative techniques based on market data, using appropriate pricing models accepted by the market. Pursuant to IFRS 13 - Fair value measurement, the Group has estimated the impact on the carrying amount of derivative financial instruments deriving from (i) the counterparty credit risk and (ii) the company non-performance.
The table below analyses the hierarchy of financial instruments recognised at fair value on the basis of the valuation techniques described above:

(€ thousands)	December 31, 2018	Level 1	Level 2	Level 3
Other financial assets	2,063		2,063	
Total Other financial assets	**2,063**	**-**	**2,063**	**-**
Other payables and other current liabilities				
Commodity swap derivative instruments	323		323	-
Total other payables and other current liabilities	**323**	**-**	**323**	**-**

(€ thousands)	December 31, 2017	Level 1	Level 2	Level 3
Other financial assets	2,014		2,014	
Total other financial assets	**2,014**	**-**	**2,014**	**-**
Other financial liabilities				
Bank debt Interest-Rate-Swaps	11	-	11	-
Total other financial liabilities	**11**	**-**	**11**	**-**
Other payables and other current liabilities				
Commodity swap derivative instruments	4,017	-	4,017	-
Total other payables and other current liabilities	**4,017**	**-**	**4,017**	**-**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
To complete the abovementioned hierarchy, it is highlighted that liabilities accounted for at amortised cost would be included in Level 2 if accounted for at their fair value in the statement of financial position.

(€ thousands)	December 31, 18	Level 1	Level 2	Level 3
Financial liabilities, current and non-current	256,123		256,123	
Other financial liabilities, current and non-current	324,120		324,120	
Total	**580,243**	**-**	**580,243**	**-**

(€ thousands)	Dec. 31, 2017	Level 1	Level 2	Level 3
Financial liabilities, current and non-current	244,463		244,463	
Other financial liabilities, current and non-current	480,263		480,263	
Total	**728,726**	**-**	**728,726**	**-**

Reconciliation of net financial indebtedness

In accordance with IAS 7 "Statement of Cash Flows: Disclosure Initiative", monetary and non-monetary changes in financial assets and financial liabilities comprising net financial indebtedness are given below.

(€ thousands)	December 31, 2017	Escrow accounts/ Attachment	Short-term monetary changes	Collection of securities/receivables	Non-monetary changes		December 31, 2018
					Accrued interest	*Discounting effect / FV measurement*	
Cash and cash equivalents	**233,602**	(4,000)	(59,580)	402	-	-	**170,424**
Other financial assets, current and non-current	**3,271**	4,000	-	(402)	322	48	**7,238**
Total cash and financial assets	**236,873**	**-**	**(59,580)**	**-**	**322**	**48**	**177,662**

(€ thousands)	December 31, 2017	Short-term monetary changes	New loans	Repayment of loans	Interest Payment	Non-monetary changes			December 31, 2018
						Accrued interest	*Amortised cost*	*Discounting effect*	
Financial liabilities, current and non-current	**252,865**	72,751	836	(40,872)	(923)	970	2,125	-	**287,753**
Other financial liabilities, current and non-current	**480,405**	-	-	-	(8,730)	8,719	1,291	-	**481,685**
Total gross financial debt	**733,270**	**72,751**	**836**	**(40,872)**	**(9,653)**	**9,689**	**3,416**	**-**	**769,438**

Market risk

Market risk is referred to the risk that the fair value of the future cash flows of a financial instrument will change as a result of variations in the market parameters to which the Group's financial assets and liabilities are indexed. Specifically, there are three main types of risk: interest-rate risk, currency risk and raw materials price risk.
These three types of risk are analysed in detail below, with an indication of the exposures recognised and the management procedures adopted. The sensitivity analyses presented below relate to open positions at the end of the year.

Market risk - Interest-rate risk

The Group is exposed to fluctuations in interest rates mainly as a function of its bank debt. The cost of this debt is indexed to the Euribor rate for the year plus a spread, determined according to the type of debt instrument used and the assessment of the counterparty's creditworthiness at the time of the trade. In order to mitigate exposure to interest-rate risk, the subsidiary Enermar took out structured interest rate swaps (IRSs) in previous years to hedge individual debt positions. Following the early repayment of the loan underlying the instrument, it was terminated in early January 2018, paying a closing amount of Euro 11 thousand.
At the reporting date, the Group did not enter into any additional hedging instruments on interest rate risk for future periods.

The table below provides a sensitivity analysis for the interest-rate risk to which the Group is exposed for the financial instruments in existence at year end and those held during the year but no longer present at December 31, 2017. The analysis was carried out on the assumption of parallel increases or decreases in the reference interest rates, proportional to the respective annual volatility observed, with specific reference to the impact produced on the flows from variable-rate instruments, without considering the effect of hedges (cash flow sensitivity), and on the carrying amount of instruments recognised at fair value (fair value sensitivity). The changes in fair value calculated on IRS instruments take account of the effects of credit risk according to IFRS 13 – Fair Value Measurement.
Positive values indicate a potential net increase in profit and equity, while a negative value reflects a potential net decrease.

December 31, 2018 (€ thousands)	Impacts on the income statement		Impacts on equity	
	Shock up	Shock down	Shock up	Shock down
Non-derivative financial instruments	**100Bp**	**(50) Bp**	**100Bp**	**(50) Bp**
Bank borrowings	(2,222)	15	-	-
Total non-derivative financial instruments	**(2,222)**	**15**	-	-

December 31, 2017 (€ thousands)	Impacts on the income statement		Impacts on equity	
	Shock up	Shock down	Shock up	Shock down
Non-derivative financial instruments	**100Bp**	**(50) Bp**	**100Bp**	**(50) Bp**
Bank loans and borrowings, current and non-current	(1,787)	17	-	-
Total	**(1,787)**	**17**	-	-
Derivatives	**100Bp**	**(50) Bp**	**100Bp**	**(50) Bp**
Interest-Rate Swap				
-fair value	2	(1)	2	(1)
- outflows	(1)	1	-	-
Total	**1**	**(1)**	**2**	**(1)**
Total	**(1,787)**	**16**	**2**	**(1)**

Market risk - Currency risk
The Group operates almost exclusively in its functional currency (Euro), with the exception of certain insurance policies relating to the fleet and costs for the purchase of fuels and lubricants, which are denominated in US dollars.
In order to mitigate exposure to the currency risk, in accordance with the risk management objectives, the Group monitors the possibility of taking out contracts to define in advance the translation rate at future dates for payment flows in US dollars.
Financial instruments at year end that were originally denominated in foreign currency derive completely from operating activities (trade payables and bank accounts).

Market risk - Raw materials price risk
The Group is exposed to the risk of fluctuations in fuel prices. This is one of the most significant cost components, with an impact of approximately 29% on recurring income for 2018 (24% on 2017).

The Group has therefore developed and applied a risk management strategy, defined in a policy approved by the Parent Company's Board of Directors, in order to mitigate raw materials price risk by taking out derivative financial contracts to cover specific future purchasing needs, determined on the basis of 12-36 month projections for fuel supply requirements regarded as highly likely. In 2015 and 2016, the Group signed swap and call contracts with various counterparties on purchases of fuel oil and diesel made during the year. These instruments generated an expense reclassified to profit or loss of Euro 361 thousand (Euro 1,577 thousand in 2017) as 'raw materials and services consumption' and Euro 787 thousand (Euro 894 thousand and Euro 570 thousand related to the premium paid for the option in 2017) as 'financial expenses'.
At year end, there were some open contracts detailed in 'Note 2.17 Other payables and other current liabilities; Other liabilities and other non-current liabilities', entered into by the Parent Company in December 2018 and related to the estimated consumptions for 2019.
The table below provides a sensitivity analysis for the price volatility risk to which the Group is exposed for the existing swap contracts at year end:

(€ thousands) Scenario	Shift	Shocked FV EUR	Δ FV Equity	Δ FV Income statement
Shock up	20.00%	1,233	1,124	-
Shock down	(20.00%)	(1,096)	(999)	-

The price fluctuations used in the sensitivity analysis are consistent with the historical changes in the fuel prices in Euros.

Liquidity risk
Liquidity risk, meaning the risk of being unable to meet obligations within the established deadlines under current price conditions, is naturally connected with the maturity structure of medium /long-term debt. The Group's financial structure is shown in the following notes:
- '2.12 Long-term loans and borrowings; Bank loans and borrowings and current portion of financial payables';
- '2.13 Other current and non-current financial liabilities'

With reference to the new financial debts subscribed in 2018, in September the subsidiary CPS signed 6 leasing contracts (counterpart 'De Lage Landen International B.V.') relating to the use of port vehicles expiring in 2023, for a total loan amount of Euro 836 thousand.

The Senior Facilities Agreement and the Senior Secured Notes, entered into by the Parent Company in February 2016, bind the Group to some management choices, like non-recurring investments/disinvestments, the grant of guarantees in favour of third parties, dividend distribution and extraordinary transactions;
Moreover, the *Senior Facilities Agreement* provides for the compliance with the following financial covenants: *i*) ratio between net financial position and EBITDA calculated on the last twelve months on a bi-annual basis; *ii*) ratio between residual secured financial liabilities and fair value of the connected mortgaged ferries, on an annual basis at the end of the reporting period.
In early 2018, the Parent Company sent to the credit institutions (banking pool) a request to partially amend the loan agreement, which also impacts financial covenants. The banking pool subsequently approved the Parent Company's request, updating the Consolidated Leverage Ratio (net financial position to EBITDA, calculated over the last 12 months of the reporting date), in respect of December 31, 2017, June 30, 2018 and December 31, 2018 reporting dates. The amendment of the loan agreement also referred, inter alia, to margins updating to calculate the variable interest rate, increasing the range to 4.75%, as well as in the event of sale of fleet units for amounts above the contractually-agreed parameters, the mandatory repayment of 80% of the proceeds which are already allocated to the mandatory early repayment, without any possibility to reinvested or used to purchase vessels.
The Group calculated the financial covenants as at June 30, 2018 by checking their compliance.
During December the pool agreed, among other, on raising the limits set for the use of the assignment of receivables with and without recourse.
As described earlier under "Note 1.2 Accounting standards – Going concern assumption", the contraction of the operating result occurred in 2018 led to non compliance with the financial covenants

at December 31, 2018. The pool subsequently agreed on eliminating the Consolidated Leverage Ratio for the date of recognition at December 31, 2018, amending the Ratio on the dates of recognition at June 30, 2019, December 31, 2019 and for the subsequent dates of recognition, until the Term maturity. In addition, for the dates of recognition at June 30, 2019 and December 31, 2019, the pool enabled the Group to include in the calculation of the Consolidated Leverage Ratio the economic and financial effects deriving from the disposal of fixed assets completed by October 31, 2019 and January 31, 2020, respectively.
Following the failure to comply with the financial covenants in compliance with IAS 1, the Group reclassified the Senior Facilities Agreement entirely as current liabilities. Following the amendment mentioned above, the debt continues to be repayable as envisaged in the original loan agreement

The repayment of the liability to Tirrenia di Navigazione S.p.A. in Amminstrazione Straordinaria, related to the 'Deferred price' portion of Euro 180,000 thousand (originally expected to take place in three instalments falling due on April 30, 2016, 2019 and 2021) is suspended, as described in detail in 'Note 2.15 Provisions for risks and charges and contingent liabilities', until the European Commission's final decision about the investigation launched in 2011 related to State aids. On May 11, 2016, the subsidiary received from Tirrenia di Navigazione S.p.A. in A.S. a payment reminder with reference to the instalment due on April 30, 2016; the subsidiary notified the counterparty of the suspension of the payment of the 'Deferred price', in compliance with art. 5.02 (C) of the Sale Agreement. On August 3, 2016, the Subsidiary received yet another reminder from Tirrenia di Navigazione S.p.A. in A.S. and responded by confirming its position. On September 21, 2018, Tirrenia di Navigazione S.p.A. in A.S. summoned the subsidiary CIN before the Court of Rome requesting to: *i)* declare the invalidity, nullity and illegitimacy of article 5.02 (C), where, inter alia, the suspension of the payment of the 'Deferred price' is established as well as the possible reduction or cancellation following an adverse decision by the European Commission; *ii)* subject to seizure capital assets until the sum of Euro 55,000 thousand (equal to the instalment due on April 30, 2016 of the 'Deferred price'); *iii)* arrange for the company to provide a suitable guarantee. The company appeared before the court contesting the entire claim in its entirety and requesting the rejection of the Tirrenia in A.S. appeal. The company, supported by leading third-party law firms, considers the risk of losing to be unlikely.
The subsidiary replied by confirming its position. Following the probable negative ruling of the European Commission shared by its legal advisors, given the uncertainty of the amount to be claimed by the Italian Government, the timing and the payment terms agreed, the directors maintained the instalment plan set out in the contract covering the business unit acquisition.

The contractual terms laid down by the various loan agreements are met at the date of these financial statements.

In the second half of 2018, the Group implemented, to a lesser extent than previous years, business strategies on non-financial exposure in order to reduce the total amount of net working capital, generating positive effects on the cash flows of the period.
In addition, in December 2018: *i)* the subsidiary Toremar completed a factoring transaction without recourse related to the December consideration invoiced to the Tuscany region and related to the first advance payment for the 2019 to provide the services covered by the 'Service Contract' as a continuity guarantee of the public maritime transportation to and from the Tuscan Archipelago, for Euro 7,861 thousand; the transaction is supported by legal and technical opinions; *ii)* the subsidiary CIN completed a factoring transaction without recourse related to the tax credit arising from the convention instalments received from the State for Euro 5,000 thousand; iii) the subsidiary CIN carried out a transaction for the assignment of the consideration deriving from the agreement for the year 2019 for Euro 69,778 thousand. The transaction was accounted for as a sale of a receivable with recourse in accordance with the reference accounting standard.

These transactions had a positive effect of the cash flows of the period.

Reference should be made to 'Note 1.2 Accounting standards' for information about the 'Going concern assumption'.

The Group manages the liquidity risk by preparing and implementing operating plans in order to minimize the negative trend effects on cash flows. Moreover, in order to mitigate the counterparty risk, the Group operates with a significant number of financing bodies (banks and investors), thereby minimising the concentration risk. The financial position, subject to annual budget, is monitored on a periodic basis through forecast and final evaluations.
When preparing the 2019 – 2021 Business Plan, of which 2019 is the budget, the directors included, among other things, significant transactions aimed at the rationalization of the invested capital, such as the sale of units currently part of the fleet that are no longer considered strategic for the growth of the Group, which will benefit the financial structure of the Group and drive positive impacts on the Group's gross operating performance throughout the period covered by the Business Plan, also ensuring compliance with financial covenants.

The table below shows the maturity schedule for financial liabilities at December 31, 2018. With reference to the *Senior Facilities Agreement* financial debt following the amendment of the contract granted by the pool in April 2019 the reimbursement scheme of the principal amounts is maintained.

Analysis of due dates (€ thousands)	**At sight**	**1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Non-derivative financial instruments						
Trade payables	-	110,272	-	-	-	**110,272**
Other financial liabilities	55,000[1]	83,261	23,250	422,867	-	**584,378**
Medium-to long-term financing	-	56,709	53,985	53,644	837	**165,175**
Short-term financing and short-term bank loans and borrowings	-	134,127	-	-	-	**134,127**
Total non-derivative financial instruments	**55,000**	**384,369**	**77,235**	**476,511**	**837**	**993,952**
Derivatives						
Commodity Swap	-	383	-	-	-	**383**
Total derivative financial instruments	**-**	**383**	**-**	**-**	**-**	**383**
Total	**55,000**	**384,752**	**77,235**	**476,511**	**837**	**994,335**

[1] As already described, the payment of the Deferred Price is suspended in accordance with article 5.02 (C) of the Sale Contract. Pending the European commission's decision, the instalment plan set out in the business unit purchase contract was maintained.

Positive values indicate an expected outlay, while negative values indicate an expected collection. The values shown are not discounted, and include principal and interest. In particular, the expected flows of interest are calculated by considering the rates in force at year end.
Moreover, since the financial instruments provide for a perfect match of proceeds/disbursement of the underlying cash flows, the Group liquidity risk deriving from this category of instruments is represented by the payment as shown in the table. With reference to the liquidity risk tied to other current liabilities, only the portion related to Commodity Swap, considered to be significant for the Group, is provided; the related cash flows have been calculated on the basis of the forward curves identified at the end of the period.

Due dates for the 2017 corresponding period are as follows:

Analysis of due dates (€ thousands)	At sight	1 year	1-2 years	2-5 years	>5 years	Total
Non-derivative financial instruments						
Trade payables	-	129,427	-	-	-	**129,427**
Other financial liabilities	55,000[2]	23,595	83,573	135,783	311,883	**609,834**
Medium-to long-term financing	-	47,622	55,391	106,118	913	**210,044**
Short-term financing and short-term bank loans and borrowings	-	60,848	-	-	-	**60,848**
Total non-derivative financial instruments	**55,000**	**261,492**	**138,964**	**241,901**	**312,796**	**1,010,153**
Derivatives						
Bank debt Interest-Rate-Swaps	-	11	-	-	-	**11**
Commodity Swap	-	4,163	-	-	-	**4,163**
Total derivative financial instruments	**-**	**4,174**	**-**	**-**	**-**	**4,174**
Total	**55,000**	**265,666**	**138,964**	**241,901**	**312,796**	**1,014,327**

[2]As already described, the payment of the Deferred Price is suspended in accordance with article 5.02 (C) of the Sale Contract.

5. *Segment information*

Note 5.27 Operating segments

The Moby Group is organised into the Moby Ferries, CIN Ferries, Tugboats, Port Management Services and Baltic Strategic Business Units, identified on the basis of the nature of the services and products supplied.

Period ended December 31, 2018	***Moby Group Ferries***	**CIN Ferries**	**Tugboats**	**Port Management Services**	**Baltic**	**Other**	**Elimination**	**Total**
Revenues from third parties	208,430	328,235	19,320	11,788	16,562	-		**584,335**
Infra-group revenues (income adjustment)	48,496	5,396	2,273	17,432	-	-	(73,597)	**-**
Total revenues	**256,926**	**333,631**	**21,593**	**29,220**	**16,562**	**-**	**(73,597)**	**584,335**
Amortisation/depreciation, provisions and impairment losses	(34,814)	(23,517)	(2,774)	(3,940)	-	-	-	**(65,045)**
Operating costs	(221,978)	(268,637)	(14,862)	(21,974)	(12,909)	-	-	**(540,360)**
Other infra-group operating income (expenses)	(2,471)	(65,932)	61	595	(5,850)	-	73,597	**-**
Operating profit	**(2,338)**	**(24,455)**	**4,018**	**3,901**	**(2,197)**	**-**	**-**	**(21,071)**
Financial income	(10)	419	-	2	-	196	-	**607**
Financial expenses	(311)	(434)	-	(103)	(87)	(36,929)	-	**(37,864)**
Result of investments valued at FV	19	216	-	(20)	-	-	-	**215**
Financial income and expenses intragroup	3	-	(3)	-	-	-	-	**-**
Profit (loss) before taxes	**(2,637)**	**(24,254)**	**4,015**	**3,780**	**(2,284)**	**(36,733)**	**-**	**(58,112)**
Taxes							-	(4,571)
Profit (loss)								**(62,683)**

December 31, 2018	**Moby Group ferries**	**CIN Ferries**	**Tugboats**	**Port Management Services**	**Baltic**	**Other**	**Elimination**	**Total**
Fleet	335,160	280,557	6,494	-	-	-	-	**622,211**
Non-current and current assets	462,981	520,197	18,107	38,078	2,481	142,818	(142,879)	**1,041,783**
Net financial debt	10,255	(192,249)	(104)	(2,270)	1,556	(407,265)	-	**(590,077)**
Net assets and liabilities held for sale	30,768	22,902	1,442	2,286		3,469	-	**60,867**

Below the 2017 comparative figures.

December 31, 2017	***Moby Group Ferries***	**CIN Ferries**	**Tugboats**	**Port Management Services**	**Baltic**	**Other**	**Elimination**	**Total**
Revenues from third parties	222,913	316,097	21,041	11,440	14,673	-		**586,164**
Infra-group revenues (income adjustment)	26,732	2,125	1,964	13,345	-	-	(44,166)	**-**
Total revenues	**249,645**	**318,222**	**23,005**	**24,785**	**14,673**	**-**	(44,166)	**586,164**
Amortisation/depreciation, provisions and impairment losses	(28,611)	(27,702)	(3,361)	(3,716)	-	-	-	**(63,390)**
Operating costs	(206,000)	(207,556)	(12,327)	(18,741)	(9,736)	-	-	**(454,360)**
Other infra-group operating income (expenses)	1,317	(38,149)	64	259	(7,657)	-	44,166	**-**
Operating profit	**16,351**	**44,815**	**7,381**	**2,587**	**(2,720)**	**-**	**-**	**68,414**
Financial income	499	372	2	3	4	568	-	**1,448**
Financial expenses	(316)	(5,839)	(1)	(91)	(5)	(36,770)	-	**(43,022)**
Profit (loss) before taxes	**16,534**	**39,348**	**7,382**	**2,499**	**(2,721)**	**(36,202)**	**-**	**26,840**
Taxes							-	(3,893)
Profit (loss)								**22,947**

December 31, 2017	**Moby Group ferries**	**CIN Ferries**	**Tugboats**	**Port Management Services**	**Baltic**	**Other**	**Elimination**	**Total**
Fleet	333,640	282,575	7,475	-	-	-	-	**623,690**
Non-current and current assets	428,445	550,123	18,357	37,653	2,448	131,122	(88,411)	**1,079,737**
Net financial debt	(6,120)	35,923	(134)	1,795	(1,151)	466,085	-	**496,398**
Net assets and liabilities held for sale	40,064	58,906	1,428	984	-	10,189	-	**111,572**

6. *Other information*

Note 6.28 Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary shareholders of the Parent Company by the weighted average number of outstanding ordinary shares during the year.

The table below shows the profit and share information used for the calculation of the basic and diluted earnings per share.

	Year ended December 31, 2018	2017
Net profit attributable to shareholders of the Parent Company (€ thousands)	**(63,101)**	**23,159**
Number of ordinary shares at the beginning of the year	69,877,400	69,877,400
Increase	-	-
Number of ordinary shares at the end of the year	69,877,400	69,877,400
Weighted average number of ordinary shares for the purpose of basic earnings per share	**69,877,400**	**69,877,400**
Basic earnings per share (€)	**(0.90)**	**0.33**
Warrants	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**69,877,400**	**69,877,400**
Diluted earnings per share (€)	**(0.90)**	**0.33**

Note 6.29. Related party transactions

Sales, purchases and services between related parties are carried out under normal market conditions and are part of the Company's ordinary operating activities.

The tables below provide details of the financial transactions with related parties.

(€ thousands)	December 31, 2018					
Related party transactions	**Current financial assets**	**Trade receivables**	**Other receivables and other current assets**	**Trade payables**	**Other payables and other current liabilities**	**Provisions for employee benefits**
Directors	1,048	11	4,990	100	118	83
Directors (close family)	-	-	-	-	54	11
iBirbanti	-	-	-	-	-	-
Unione Sportiva Lecce	-	-	-	-	-	-
Mascalzone Latino	-	-	-	-	-	-
Studio Carnevale Cimmino De Filippis	-	-	-	626	-	-
F.lli Onorato Armatori S.r.l.	-	1,109	10,250	-	-	-
ICO 2006	-	-	-	10	-	-
Total	**1,048**	**1,120**	**15,240**	**736**	**172**	**94**
Total consolidated	**3,141**	**66,904**	**41,713**	**110,272**	**39,751**	**3,819**
% impact	*33.4%*	*1.7%*	*36.5%*	*0.7%*	*0.4%*	*2.5%*

As described in Note 2.9, on July 1, 2016, the Parent Company granted a Euro 1,000 thousand loan to the Chairman of its Board of Directors which bears interest at 2%. The receivable, which falls due in 2018, was postponed to April 30, 2021.

As described in Note 2.8, 'Advances to suppliers' comprise the receivable from the chairman of the Parent Company's Board of Directors related to the Euro 4,990 thousand granted in advance as per the 2019 fees and part of 2020. At December 31, 2017, an advance was paid on the fee for the year 2018, equal to Euro 1,000 thousand.

In addition, please note that in 2016 leasing contracts were signed relating to the use of 3 cars available to the directors and the Chairman, for a residual amount to be paid as at December 31, 2018 equal to Euro 156 thousand.

(€ thousands)	Year ended December 31, 2018		
	Consumption of raw materials and services	Personnel costs	Financial income
Related party transactions			
Directors	(3,832)	(1,595)	20
Directors (close family)	(130)	(384)	-
iBirbanti	(30)	-	-
Unione Sportiva Lecce	(209)	-	-
Mascalzone Latino	(1,300)	-	-
Studio Carnevale Cimmino De Filippis	(1,393)	-	-
F.lli Onorato Armatori S.r.l.	(1,369)	-	-
ICO 2006	(318)	-	-
Total	**(8,580)**	**(1,979)**	**20**
Total consolidated	**(414,739)**	**(132,101)**	**607**
% impact	*2.1%*	*1.5%*	*3.3%*

The directors' fees include the different types of remuneration received by Parent Company's directors, consisting mainly of the fees as resolved by the Group corporate bodies. Please refer to 'Note 6.31. Fees' for the appointment and the composition of the Board of Directors.

The table below summarises the transactions carried out by the Group with the associates Saradecals S.r.l. and Terminal Traghetti Napoli S.r.l..

	December 31, 2018		
(€ thousands)	Current financial assets	Trade receivables	Trade payables
Saradecals S.r.l.	25	2	40
Terminal Traghetti Napoli S.r.l.	-	77	874
Total	**25**	**79**	**914**

	Year ended December 31, 2018	
(€ thousands)	Consumption of raw materials and services	Capitalised costs
Saradecals S.r.l.	(109)	285
Terminal Traghetti Napoli S.r.l.	(2,302)	-
Total	**(2,411)**	**285**

The transactions carried out with Terminal Traghetti Napoli S.r.l. refer to the use of the Naples harbour by the subsidiary CIN.

Transactions with F.lli Onorato Armatori S.r.l.

F.lli Onorato Armatori S.r.l. was established in September 2017 and is equally shared by the directors of the Parent Company, Achille Onorato and Alessandro Onorato.
Transactions with the Group are shown below.

With reference to the newly built RoRo vessels "Alf Pollak" and "Maria Grazia Onorato", completed and delivered in October 2018 and March 2019 respectively:

- in January 2018, following the private agreement which committed the Parent Company to hire two vessels, the latter paid Euro 3,500 thousand, as an Advance Hire Payment for the two vessels;
- in October 2018, the Parent Company paid Euro 2,197 thousand, as a second advance hire at the same time as the delivery of "Alf Pollak" and signed a Bareboat Charter for 8 years. The overall financial commitment for the entire chartering period, net of the amount already paid, is equal to Euro 45,726 thousand, of which Euro 1,259 thousand paid between October and December 2018. In additional Euro 309 thousand were paid as a bunker initial outstanding amount;
- in March 2019, the Parent Company paid Euro 2,429 thousand, as a second advance hire at the same time as the delivery of "Maria Grazia Onorato" and signed a Bareboat Charter for 8 years. The overall financial commitment for the entire chartering period, net of the amount already

paid, is equal to Euro 45,494 thousand. In additional Euro 283 thousand were paid as a bunker initial outstanding amount.

The vessels has been leased by the Parent Company to the subsidiary CIN at a charter equal to the amount invoiced by F.lli Onorato Armatori S.r.l. to the Parent Company.

With reference to two newly built Ro Pax vessels so-called "New Ships" with delivery scheduled in 2021 and 2022:

- in December 2017 and during 2018, the Parent Company assigned by way of payment to the company F.lli Onorato Armatori S.r.l. technical documents and drawings relating the design of two Ro Pax vessels for a total Euro 1,108 thousand;
- the company F.lli Onorato Armatori S.r.l. subsequently signed two contracts concerning two new Ro Pax vessels, and a sales agreement and simultaneous charter of the "New Vessels" with a foreign financier;
- in November 2018, F.lli Onorato Armatori S.r.l. and the Parent Company signed a private agreement with reciprocal commitment in their capacity as 'Charterer' and 'Sub Charterer', respectively to grant and hire the new "New Vessels", being obliged to define and sign a Bareboat Sub Charter Agreement for each of the two "New Vessels" according to the terms and methods established by the 'Charterer' at a charter price set at market conditions; furthermore, the Parent Company committed to pay Euro 5,367 thousand as an advance hire; the payment took place for Euro 4,662 thousand in December 2018 and the residual amount was paid in January 2019;
- in January 2019, the Parent Company following an additional private agreement with F.lli Onorato Armatori S.r.l., was obliged to pay additional advance charters equalling: *i)* Euro 20,154 thousand in 2019; *ii)* Euro 30,232 thousand in 2020; and *iii)* Euro 5,039 thousand in 2021, at the same time as the delivery set for the first vessel.

Regarding to their technical characteristics, capacity, tonnage and environmental impact, the "New Vessels" will lead to a significant improvement for the Parent Company's fleet.

With reference to both operations defined above, the Parent Company's Board of Directors resolved, on October 17, 2018 and April 15, 2019, respectively, to approve the commitments undertaken with F.lli Onorato Armatori S.r.l. and, assisted by leading law firms, checked that the above-mentioned transactions met the Senior Facilities Agreement and Senior Secured Notes loan agreements.

Note 6.30 Commitments and guarantees

The Group has provided guarantees in connection with the Senior Facilities Agreement and the Senior Secured Notes consisting of:

- a pledge on the shares of the subsidiary CIN and the Parent Company;
- a pledge on certain bank accounts of the subsidiary CIN and the Parent Company, of Euro 62.8 million and Euro 4.5 million, respectively, at December 31, 2018;
- first and second-degree mortgage on the ships of the subsidiary CIN and of the Parent Company and on the tug boats of the Parent Company;
- priority over the loans to subsidiaries and the Parent Company's insurance;
- priority over the loans to insurance of the subsidiary CIN;
- in 2016, in their extraordinary meeting, CIN's shareholders authorised, pursuant to article 2358 of the Italian Civil Code, the granting of personal guarantees and collateral in favour of, inter alia, the Loan lending banks, the bondholders and/or their respective representatives to the benefit of Moby S.p.A. (and, before the merger, of Onorato Armatori S.p.A. and Moby S.p.A.). To this end, a new reserve was set up pursuant to the law (the "Reserve pursuant to article 2358") (the so-called Whitewash Procedure) whose amount is equal to the maximum amount guaranteed by the collateral and personal guarantees given in the interest of Moby, without exceeding the threshold of distributable profits and the available reserves (Euro 77,000 thousand).

As a guarantee of the obligations deriving from the agreement ("Agreement") with the Italian State, the subsidiary CIN granted a surety in favour of the Ministries involved for a residual amount at the date of these consolidated financial statements equal to Euro 2.2 million.
The Group issued a surety of Euro 6.7 million to guarantee the obligations arising from the Convenzione with the Tuscany region.
Finally, with respect to the acquisition of the subsidiary Toremar in 2012, the Parent Company issued a surety of Euro 9.8 million.

In relation to the administrative penalty issued in March 2018 by the Antitrust Authority for alleged conduct representing abuse of a dominant position jointly and severally by Moby and its subsidiary CIN, the two companies provided a guarantee, up to the amount of the penalty, of Euro 29,203 thousand.

In July 2018, the Temporary Consortium also set by the Parent Company and its subsidiaries LTM and Sinergest, took part in the privatisation tender of 66% of the company Porto di Livorno 2000 S.r.l., was definitively awarded the tender notice for a total amount of Euro 10,741 thousand. The company is engaged in the management of Livorno port's terminal. Having the competent authorities defined and completed the necessary formalities, in April 2019 the companies participating in the Temporary Consortium set up the company Livorno Terminal S.r.l., which the equity investment in Porto di Livorno 2000 will flow into, as a consequence of paying the amount agreed, expected in the beginning of May 2019.

The Group's commitments for operating leases are shown in the following table:

Minimum payments for operating leases	**Maturities**		
(€ thousands)	**1 year**	**2-5 years**	**more than 5 years**
Commitments for charters of Moby ships	26,560	80,545	34,093
-of which with F.lli Onorato Armatori S.r.l.	*12,688*	*45,610*	*34,093*
Commitments for charters of CIN ships	26,872	23,897	6,401
Commitments for charters of Toremar ships	1,059	1,366	-
Commitments for operating leases on offices	2,217	5,563	695
Total	**56,708**	**111,371**	**41,189**

The commitments for charters of Moby ships refer to the lease contracts in place for the rental of the "Eliana Marino", "Massimo Mura", "Anastasia", "Dada", "Alf Pollak" and "Mariagrazia Onorato" vessels, the latter two chartered by the company F.lli Onorato Armatori S.r.l..
The commitments for charters of CIN ships refer to lease contracts stipulated for the rental of the "Lucchesi", "Ariadne", "Eurocargo Catania", "Eurocargo Sicilia", "Superfast Baleares" and "Pauline Russ" vessels.
Finally, the commitments for charters of Toremar ships refer to the lease contract in place for the rental of the motor vessel "Giuseppe Rum".

With reference to two newly built Ro Pax vessels so-called "New Ships" with delivery scheduled in 2021 and 2022, in January 2019 the Parent Company following a private agreement with F.lli Onorato Armatori S.r.l., was obliged to pay additional charters equalling: *i)* Euro 20,154 thousand in 2019; *ii)* Euro 30,232 thousand in 2020; and *iii)* Euro 5,039 thousand in 2021, at the same time as the delivery set for the first vessel.

Other commitments assumed by the Group for goods and services purchases, as part of the ordinary operations, include future expenses related to:
- Registration in the Italian Naval Register (Rina);
- License contract for the exploitation of the copyrights and trademark related to some "Looney Toons" characters, signed with Warner Bros Entertainment S.p.A.;
- public land lease concessions for the management of the "Isola Bianca" cruise terminal at the port of Olbia and Dock 1 at the Livorno port;
- concessions for the conduct of port operations;

- operating leases for a number of electronic machines and vehicles.

Note 6.31 Fees

The table below details the fees paid to directors, statutory auditors and the independent auditors for 2018, as resolved by the Shareholders' meetings.

Board of Directors 2018						
(€)	**Posts**	**Date of Appointment**	**Parent Company**	**Subsidiaries**	**Other fees**	**Total feels**
Vincenzo Onorato	Chairman	07/10/2015	3,000,000	-	96,500	**3,096,500**
Achille Onorato	Deputy chairman and CEO	Director and Deputy chairman from July 10, 2015 - CEO from May 9, 2016	167,762	190,763	395,056	**753,581**
Alessandro Onorato	Deputy chairman	Director from July 10, 2015 - Deputy chairman from May 9, 2016	127,763	107,000	354,486	**589,249**
Beniamino Carnevale	Director	07/10/2015	15,000	25,469	-	**40,469**
Giuseppe Savarese	Director	07/10/2015	15,000	67,269	452,087	**534,356**
Eliana Marino	Director	07/10/2015	15,000	10,000	401,836	**426,836**
Serena Giovidelli	Director	07/10/2015	15,000	-	-	**15,000**

Board of Statutory Auditors 2018						
(€)	**Posts**	**Date of Appointment**	**Parent Company**	**Subsidiaries**	**Other fees**	**Total feels**
Raffaele D'alessio	Chairman	04/27/2018	35,173	-	-	**35,173**
Franco Carlo Papa	Chairman	until 04/27/2018	15,000	-	-	**15,000**
Luigi Giancaspero	Standing auditor	04/27/2018	30,000	25,000	-	**55,000**
Flavia Rotondo	Substitute Auditor	04/27/2018	30,000	-	-	**30,000**
Simone Allodi	Substitute Auditor	04/27/2018	-	-	-	**-**
Lorenzo Riposati	Substitute Auditor	04/27/2018	-	25,000	-	**25,000**

Independent auditors	**2018**	
(€)	**Parent Company**	**Subsidiaries**
Audit of the separate and consolidated financial statements of Moby S.p.A.	189,000	-
Audit of the financial statements of subsidiaries subject to statutory audit	-	103,450

7. Subsequent events

In January the subsidiary CIN signed a MoA (Memorandum of Agreement) for the sale of the "Aurelia", sold during the month of February for Euro 6,000 thousand.

In February, the Parent Company paid the third instalment of the Senior Facilities Agreement for Euro 50,000 thousand.

Following the MoA (Memorandum of Agreement) signed by the subsidiary CIN on December 27, 2018, in February the sale was completed of the vessel "Puschmann" for Euro 12,950 thousand.

In March, upon the delivery of the vessel "Maria Grazia Onorato", the Parent Company signed a Bareboat Charter for 8 years, paying Euro 2,429 thousand as a second advance hire. The unit was released to the subsidiary CIN.

In March, the Parent Company and its subsidiaries LTM and Sinergest, which took part in the privatisation tender of 66% of the company Porto di Livorno 2000 S.r.l., set up the company Livorno Terminal S.r.l., in which the equity investment in Porto di Livorno 2000 will flow into, as a consequence of paying the amount agreed for Euro 10,741 thousand, expected in the beginning of May 2019.

In April, the subsidiary CIN was notified of an international arbitration dispute in London, activated by Minoan Lines S.A. and relating to the redelivery conditions of the vessels "Amsicora" and "Bonaria" subject to a Bareboat Charter signed between the parties in July 2012 and ending on January 22, 2018. The establishment of this dispute follows a letter of formal notice received by the subsidiary on January 14, 2019, wherein the legal firm representing the counterparty quantifies the request for compensation from CIN at Euro 4,559 thousand for the alleged damage found on "Bonaria", and Euro 4,225 thousand for the alleged damage suffered by the vessel "Amsicora". The legal opinion requested by the subsidiary CIN from a leading firm, however, deemed it improbable (due to the lateness of the report by Minoan and the absence of documented proof) for the requested compensation mentioned above to be accepted.